NEW ISSUE - BOOK-ENTRY-ONLY **Rating: S&P: "AA+"**
(See: "OTHER PERTINENT INFORMATION-Rating", herein)

OFFICIAL STATEMENT
August 20, 2026

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

The Issuer has NOT designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

$6,945,000
CITY OF FAIR OAKS RANCH, TEXAS
(A political subdivision of the State of Texas located in Kendall, Bexar and Comal Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

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

The $6,945,000 City of Fair Oaks Ranch, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City of Fair Oaks Ranch, Texas (the "City" or the "Issuer") on August 20, 2026, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

Interest on the Certificates will accrue from August 15, 2026 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2027, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) providing for drainage improvements, including designing, engineering, and construction costs related thereto; (3) purchase of materials, supplies, equipment land, and rights-of-way for authorized needs and purposes pertaining to the aforementioned projects; and (4) payment for professional and employee services relating to the design, construction, project management, inspection, consultant services, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

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

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "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 23, 2026.

$6,945,000
CITY OF FAIR OAKS RANCH, TEXAS
(A political subdivision of the State of Texas located in Randall, Bexar and Comal Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

MATURITY SCHEDULE
(Due February 1)

CUSIP Prefix No. [a] 303343

Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield		CUSIP No. Suffix [a]	Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield		CUSIP No. Suffix [a]
2027	$ 90,000	5.000%	2.680%		DY0	2037	$ 360,000	5.000%	3.368%	[b]	EJ2
2028	85,000	5.000%	2.730%		DZ7	2038	380,000	5.000%	3.790%	[b]	EK9
2029	240,000	5.000%	2.810%		EA1	2039	400,000	5.000%	3.890%	[b]	EL7
2030	255,000	5.000%	2.910%		EB9	2040	415,000	4.000%	4.240%		EM5
2031	265,000	5.000%	3.030%		EC7	2041	435,000	4.125%	4.300%		EN3
2032	280,000	5.000%	3.090%		ED5	2042	455,000	4.125%	4.350%		EP8
2033	295,000	5.000%	3.220%		EE3	2043	470,000	4.250%	4.400%		EQ6
2034	310,000	5.000%	3.320%		EF0	2044	490,000	4.250%	4.460%		ER4
2035	325,000	5.000%	3.430%		EG8	2045	515,000	4.375%	4.520%		ES2
2036	345,000	5.000%	3.570%	[b]	EH6	2046	535,000	4.375%	4.600%		ET0

(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. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

SALE OF ADDITIONAL OBLIGATIONS: The City sold $5,955,000 General Obligation Bonds, Series 2026 (the "Bonds"), on August 20, 2026, which are expected to close on September 23, 2026. The Bonds will be secured by and payable from the levy and collection of a continuing direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as further described in the Official Statement pertaining to the Bonds. This Official Statement relates only to the sale of the Certificates and not to the sale of the Bonds.

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[b] Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 1, 2035, the first optional call date for such Certificates, at a redemption price of par plus accrued interest to the redemption date.

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CITY OF FAIR OAKS RANCH, TEXAS
7286 Dietz Elkhorn
Fair Oaks Ranch, Texas 78015

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)
Greg Maxton Mayor	9	2027
Keith Rhoden Mayor Pro-Tem	3	2029
Emily Stroup Councilmember, Place 1	5	2027
Ruben J. Olvera Councilmember, Place 3	3	2028
Dale Pearson Councilmember, Place 4	1	2028
Scott Parker Councilmember, Place 5	5	2028
Jonathan Swarek Councilmember, Place 6	1	2029

ADMINISTRATION

Name	Position	Length of Service at the City (Years)
Scott Huizenga	City Manager	4.5
Carole Vanzant	Assistant City Manager	28
Jim Williams	Assistant City Manager	2
Summer Fleming	Director of Finance	9
Amanda Valdez	City Secretary	7

CONSULTANTS AND ADVISORS

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

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

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

For Additional Information Please Contact:

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City Manager
Ms. Summer Fleming
Director of Finance
City of Fair Oaks Ranch
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Fair Oaks Ranch, Texas 78015
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Mr. Mark M. McLiney
Senior Managing Director
Mr. Andrew T. Friedman
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
Phone: (210) 832-9760
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION IS PROVIDED BY DTC.

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

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

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

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Fair Oaks Ranch, Texas (the "City" or "Issuer") is a political subdivision of the State of Texas. The City's Home Rule Charter was adopted on May 18, 2017. The City operates under a Mayor-Council-City Manager form of government, with the City Council comprised of seven members, including the Mayor. (See "APPENDIX C - General Information Regarding the City of Fair Oaks Ranch and Bexar, Comal and Kendall Counties, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City, on August 20, 2026, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION" 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. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS". (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, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) providing for drainage improvements, including designing, engineering, and construction costs related thereto; (3) purchase of materials, supplies, equipment land, and rights-of-way for authorized needs and purposes; (4) payment for professional and employee services relating to the design, construction, project management, inspection, consultant services, and financing of the aforementioned project. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Rating	S&P Global Ratings ("S&P") has assigned a rating of "AA+" to the Certificates. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
Concurrent Debt Issues	The City sold $5,955,000 General Obligation Bonds, Series 2026 (the "Bonds"), on August 20, 2026, which are expected to close on September 23, 2026. The Bonds will be secured by and payable from the levy and collection of a continuing direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as further described in the Official Statement pertaining to the Bonds. This Official Statement relates only to the sale of the Certificates and not to the sale of the Bonds.
Delivery	When issued, anticipated on or about September 23, 2026.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel.

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OFFICIAL STATEMENT

relating to

$6,945,000
CITY OF FAIR OAKS RANCH, TEXAS
(A political subdivision of the State of Texas located in Kendall, Bexar and Comal Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTORY STATEMENT

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the City of Fair Oaks Ranch, Texas (the "City" or the "Issuer") of its $6,945,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the "Certificates") identified on the cover page.

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

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

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

THE CERTIFICATES

General Description of the Certificates

The Certificates are dated August 15, 2026 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The 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, an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on August 20, 2026, and the City's Home Rule Charter.

Security for Payment

The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on 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.

Selection of Bonds for Redemption

If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

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

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

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

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than $5,000 may be redeemed in part (in increments of $5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice 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, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (2) providing for drainage improvements, including designing, engineering, and construction costs related thereto; (3) purchase of materials, supplies, equipment land, and rights-of-way for authorized needs and purposes; (4) payment for professional and employee services relating to the design, construction, project management, inspection, consultant services, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Certificates	$6,945,000.00
Accrued Interest on the Certificates	33,941.39
Net Reoffering Premium	246,944.40
Total Sources of Funds	$7,225,885.79
Uses	
Project Fund Deposit	$7,000,000.00
Purchaser's Discount	74,814.42
Certificate Fund Deposit	33,941.39
Costs of Issuance	117,129.98
Total Uses	$7,225,885.79

Payment Record

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

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the redemption price or amounts, change the place or places at or the coin or currency in which any Certificate or interest thereon is payable, 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, (3) extend any waiver of default to subsequent defaults, or (4) reduce the aggregate principal amount of Certificates required for consent to any amendment, change, modification, or waiver.

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 financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance

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

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

Default and Remedies

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

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

In Wasson Interests, Ltd., v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018, clarifying 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 the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

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

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

Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

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

Record Date

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

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a 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, the Financial Advisor, and the Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or any 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 any 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

Redemption proceeds, principal, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

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

INVESTMENT POLICIES

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

Legal Investments

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

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

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

Investment Policies

Under State law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the Issuer's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Issuer must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) the investment strategy expressed in the Issuer's investment policy, and (b) the Public Funds Investment Act. No person may invest Issuer funds without express written authority from the City Council.

Current Investments [(1)] **TABLE 1**

As of June 30 2026, the City held investments as follows:

Investment Type	Amount	Percentage
Cash, Money Markets, and Certificates of Deposit	$ 7,119,989	22%
Investment Pools	25,886,282	78%
Total	$33,006,271	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.*

Regular and Special Legislative Sessions

The regular session of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The City cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

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 Bexar Appraisal District, the Comal Appraisal District, and the Kendall Appraisal District (collectively, the "Appraisal District") are primarily responsible for appraising property within the City generally as of January 1 of each year. Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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.

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.

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. At a Statewide election held on November 4, 2025, voters approved a constitutional amendment to provide a person with an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. 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.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exception. For more information on the exemption, reference is made to Section 11.35, Texas Tax Code, as amended.

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Chapter 380 Agreements

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

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $62,883,169 for the 2026 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

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

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

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

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and

prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

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

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

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

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

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

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate.

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

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

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

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

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

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

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

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

Debt Tax Rate Limitations

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

The Property Tax Code as Applied to the City

The City grants a homestead exemption to the appraised value of the residence homestead of $5,000.

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older of $50,000.

The City grants an exemption to the appraised value of the residence homestead of qualifying disabled persons of $50,000.

The City has adopted a tax freeze for qualified disabled citizens.

The City permits split payments but does not permit discounts.

The City does not tax freeport property.

The City does not tax goods-in-transit.

The City has no TIRZ/TIF Zones.

The City may create additional TIRZ/TIF Zones in the future with business entities existing or to be constructed within the City. Any such zones will provide benefits and impose requirements pursuant to the City's TIRZ/TIF policy.

TAX MATTERS

Tax Exemption

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

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

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

Tax Changes

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

Ancillary Tax Consequences

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

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

Tax Accounting Treatment of Discount Certificates

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, corporations subject to the alternative minimum tax on adjusted

financial statement income, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Certificate was held) is includable in gross income.

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

Tax Accounting Treatment of Premium Certificates

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year of the City beginning in the year 2026, financial information and operating data with respect to the City of the general type included in the body of this Official Statement under "Investment Authority and Investment Practices of the Issuer - Current Investments" and in Tables 1 through 12 of "Appendix A - Financial Information of the Issuer" to this Official Statement (the "Annual Financial Information"), and (2) within six months after the end of each fiscal year of the City beginning in the year 2026, the audited financial statements of the City (the "Audited Financial Statements"). If the audit of such financial statements is not complete within six (6) months after any such fiscal year end, then the City shall file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report becomes available. Any financial statements to be provided shall be prepared in accordance with the accounting principles described in APPENDIX D to this Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and shall be in substantially the form included in this Official Statement as APPENDIX D.

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

statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances;(10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes;(12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports.” Neither the Certificates nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions “THE CERTIFICATES” (except under the subcaptions “Use of Certificate Proceeds”, “Sources and Uses” “Payment Record”, and “Default and Remedies”, as to which no opinion is expressed), “REGISTRATION, TRANSFER AND EXCHANGE”, “TAX MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Agreements” 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 – Ratings” herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor

standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

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

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

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

Rating

S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) has assigned a rating of “AA+”. 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 representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Authenticity of Financial Information

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

Financial Advisor

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

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

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of TD Financial Products LLC (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net reoffering premium of $246,944.40, less a Purchaser's discount of $74,814.42, 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, 2023, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

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

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

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

CITY OF FAIR OAKS RANCH, TEXAS

/s/ Gregory Maxton
Mayor
City of Fair Oaks Ranch, Texas

ATTEST:

/s/ Amanda Valdez
City Secretary
City of Fair Oaks Ranch, Texas

APPENDIX A

FINANCIAL INFORMATION RELATING TO
THE CITY OF FAIR OAKS RANCH, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — **TABLE 1**

2026 Actual Certified Market Value of Taxable Property (100% of Market Value)	$	3,355,295,739
Less Exemptions:		
Over-65 or Disabled Exemption	$	80,507,604
Veterans' Exemption		278,490,516
Productivity Value Loss		53,685,321
Homestead		17,194,153
Other Exemption		18,149,247
10% Per Year Cap on Res. Homesteads		58,673,420
TOTAL EXEMPTIONS		506,700,261
2026 Assessed Value of Net Taxable Property	$	2,848,595,478

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table. Figures shown on this table are Certified Valuations.

Source: Kendall, Comal and Bexar Appraisal Districts.

GENERAL OBLIGATION BONDED DEBT [(1)]

(as of August 1, 2026)

General Obligation Debt Principal Outstanding		
General Obligation Bonds, Series 2015	$	2,085,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020		825,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024		2,640,000
General Obligation Bonds, Series 2024		3,135,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025		7,550,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the "Certificates")		6,945,000
General Obligation Bonds, Series 2026 (the "Bonds")		5,955,000
Total Gross General Obligation Debt	$	29,135,000
Less: Self Supporting Debt		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (W&S 100%)	$	825,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024 (W&S 100%)		2,640,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (W&S 100%)		7,550,000
The Certificates (W&S 100%)		6,945,000
Total Self-Supporting Debt	$	17,960,000
Total Net General Obligation Debt Outstanding	$	11,175,000
2026 Net Assessed Valuation	$	2,848,595,478
Ratio of Total Gross General Obligation Debt Principal to 2026 Certified Net Taxable Assessed Valuation		1.02%
Ratio of Net General Obligation Debt to 2026 Certified Net Taxable Assessed Valuation		0.39%

Population: 2000 - 4,695; 2010 - 5,986; 2020 - 9,833; est. 2026 -12,025
Per Capita Certified Net Taxable Assessed Valuation - $236,889.44
Per Capita Gross General Obligation Debt Principal - $2,422.87
Per Capita Net General Obligation Debt Principal - $929.31

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

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9-30	Current Total Outstanding Debt [(a)]	The Certificates			The Bonds			Combined Debt Service	Less: Self Supporting Debt	Total Net Debt Service
		Principal	Interest	Total	Principal	Interest	Total			
2027	$ 2,012,316	$ 90,000	$ 306,795	$ 396,795	$ 40,000	$ 262,927	$ 302,927	$ 2,712,038	$ 1,613,661	$ 1,098,377
2028	1,876,395	85,000	314,925	399,925	30,000	271,856	301,856	2,578,177	1,479,433	1,098,744
2029	1,693,458	240,000	306,800	546,800	30,000	270,356	300,356	2,540,614	1,442,558	1,098,056
2030	1,588,050	255,000	294,425	549,425	35,000	268,731	303,731	2,441,206	1,341,000	1,100,206
2031	1,037,325	265,000	281,425	546,425	250,000	261,606	511,606	2,095,356	1,337,250	758,106
2032	1,033,450	280,000	267,800	547,800	260,000	248,856	508,856	2,090,106	1,336,875	753,231
2033	1,033,200	295,000	253,425	548,425	275,000	235,481	510,481	2,092,106	1,334,750	757,356
2034	1,032,925	310,000	238,300	548,300	290,000	221,356	511,356	2,092,581	1,336,425	756,156
2035	1,037,575	325,000	222,425	547,425	305,000	206,481	511,481	2,096,481	1,336,800	759,681
2036	1,030,850	345,000	205,675	550,675	320,000	190,856	510,856	2,092,381	1,335,225	757,156
2037	1,037,650	360,000	188,050	548,050	335,000	174,481	509,481	2,095,181	1,336,600	758,581
2038	1,035,000	380,000	169,550	549,550	350,000	157,356	507,356	2,091,906	1,337,950	753,956
2039	1,043,000	400,000	150,050	550,050	370,000	139,356	509,356	2,102,406	1,344,250	758,156
2040	1,034,700	415,000	131,750	546,750	385,000	122,406	507,406	2,088,856	1,335,750	753,106
2041	1,035,200	435,000	114,478	549,478	400,000	106,456	506,456	2,091,134	1,337,378	753,756
2042	1,034,300	455,000	96,122	551,122	420,000	89,544	509,544	2,094,966	1,336,922	758,044
2043	1,041,800	470,000	76,750	546,750	435,000	71,638	506,638	2,095,188	1,339,250	755,938
2044	1,037,700	490,000	56,350	546,350	455,000	52,725	507,725	2,091,775	1,339,250	752,525
2045	581,400	515,000	34,672	549,672	475,000	32,666	507,666	1,638,738	1,131,072	507,666
2046	-	535,000	11,703	546,703	495,000	11,138	506,138	1,052,841	546,703	506,138
Total	$ 22,256,294	$ 6,945,000	$ 3,721,470	$ 10,666,470	$ 5,955,000	$ 3,396,274	$ 9,351,274	$ 42,274,039	$ 26,279,102	$ 15,994,937

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

TAX ADEQUACY (Includes Self-Supporting Debt)

2026 Certified Net Taxable Assessed Valuation	$	2,848,595,478
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2027)	$	2,712,038
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$	0.0971

TAX ADEQUACY (Excludes Self-Supporting Debt)

2026 Certified Net Taxable Assessed Valuation	$	2,848,595,478
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2030)	$	1,100,206
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$	0.0394

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 9-30	Principal Repayment Schedule: Currently Outstanding[(a)]	The Certificates	The Bonds	Total	Principal Unpaid at End of Year	Percent of Principal Retired (%)
2027	$ 1,385,000	$ 90,000	$ 40,000	$ 1,515,000	$ 27,620,000	5%
2028	1,290,000	85,000	30,000	1,405,000	26,215,000	10%
2029	1,145,000	240,000	30,000	1,415,000	24,800,000	15%
2030	1,080,000	255,000	35,000	1,370,000	23,430,000	20%
2031	565,000	265,000	250,000	1,080,000	22,350,000	23%
2032	590,000	280,000	260,000	1,130,000	21,220,000	27%
2033	620,000	295,000	275,000	1,190,000	20,030,000	31%
2034	650,000	310,000	290,000	1,250,000	18,780,000	36%
2035	685,000	325,000	305,000	1,315,000	17,465,000	40%
2036	710,000	345,000	320,000	1,375,000	16,090,000	45%
2037	750,000	360,000	335,000	1,445,000	14,645,000	50%
2038	780,000	380,000	350,000	1,510,000	13,135,000	55%
2039	820,000	400,000	370,000	1,590,000	11,545,000	60%
2040	845,000	415,000	385,000	1,645,000	9,900,000	66%
2041	880,000	435,000	400,000	1,715,000	8,185,000	72%
2042	915,000	455,000	420,000	1,790,000	6,395,000	78%
2043	960,000	470,000	435,000	1,865,000	4,530,000	84%
2044	995,000	490,000	455,000	1,940,000	2,590,000	91%
2045	570,000	515,000	475,000	1,560,000	1,030,000	96%
2046	-	535,000	495,000	1,030,000	-	100%
Total	$ 16,235,000	$ 6,945,000	$ 5,955,000	$ 29,135,000		

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

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2017-2026 **TABLE 2**

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year: Amount ($)	Percent
2017	$ 1,549,811,266	$ 207,430,880	15.45%
2018	1,559,025,469	9,214,203	0.59%
2019	1,655,060,303	96,034,834	6.16%
2020	1,727,905,074	72,844,771	4.40%
2021	1,874,813,923	146,908,849	8.50%
2022	2,168,433,823	293,619,900	15.66%
2023	2,489,405,144	320,971,321	14.80%
2024	2,701,102,700	211,697,556	8.50%
2025	2,853,140,968	152,038,268	5.63%
2026	2,848,595,478	(4,545,490)	-0.16%

Source: Kendall, Comal and Bexar Appraisal Districts.

PRINCIPAL TAXPAYERS 2025* **TABLE 3**

Name	Type of Business/Property	2025 Assessed Valuation	% of Total 2025 Assessed Valuation
Spirit Realty LP	Retail Store	$ 10,922,795	0.38%
HPI Fair Oaks Storage LLC	Storage Units/Warehouses	8,315,590	0.29%
Jerry S & Esther W Hicks	Individual Residence	6,168,200	0.22%
T&J Fair Oaks LLC	Strip Mall/Plaza	5,400,000	0.19%
Frost Bank	Financial/Banking	4,372,590	0.15%
Bright Minds Montessori LLC	Day Care Center	4,350,000	0.15%
SC Casa LLC	Real Estate	4,183,680	0.15%
Fair Oaks Country Store LLC	Grocery Store	3,867,080	0.14%
Juniper Ventures of Texas LLC	Convenience Store	3,185,750	0.11%
CONFIDENTIAL	N/A	3,075,880	0.11%
		$ 53,841,565	1.89%

Source: Kendall, Comal and Bexar Appraisal Districts.

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

CLASSIFICATION OF ASSESSED VALUATION **TABLE 4**

	2026	% of Total	2025	% of Total	2024	% of Total
Real, Residential, Single-Family	$ 3,118,677,230	92.95%	$ 3,102,782,088	92.99%	$ 3,018,213,965	92.59%
Real, Residential, Multi-Family	2,621,880	0.08%	2,648,080	0.08%	2,889,749	0.09%
Real, Vacant Lots/Tracts	29,649,284	0.88%	32,014,390	0.96%	27,034,546	0.83%
Real, Acreage (Land Only)	53,813,163	1.60%	53,082,891	1.59%	53,318,324	1.64%
Improvements on Qualified OP	974,944	0.03%	14,562,650	0.44%	980,882	0.03%
Real, Farm and Ranch Improvements	37,158,301	1.11%	17,908,264	0.54%	31,832,921	0.98%
Real, Commercial and Industrial	61,735,599	1.84%	51,824,065	1.55%	49,392,505	1.52%
Real & Tangible, Personal Utilities	4,653,434	0.14%	4,471,378	0.13%	4,161,810	0.13%
Tangible Other Personal Mobile	211,710	0.01%	6,810,943	0.20%	6,739,293	0.21%
Real Property, Inventory	2,958,870	0.09%	12,396,460	0.37%	28,713,583	0.88%
Totally Exempt Property	42,841,324	1.28%	38,144,347	1.14%	36,553,281	1.12%
Total Appraised Value	$ 3,355,295,739	100.00%	$ 3,336,645,556	100.00%	$ 3,259,830,859	100.00%
Less:						
Over-65 or Disabled Exemption	$ 80,507,604		$ 77,600,107		$ 74,337,985	
Veterans' Exemption	278,490,516		232,403,104		199,165,626	
Productivity Value Loss	53,685,321		52,946,521		53,158,529	
Homestead	17,194,153		17,076,278		16,749,494	
Other Exemption	18,149,247		39,302,804		37,073,052	
10% Per Year Cap on Res. Homesteads	58,673,420		64,175,774		178,243,473	
Net Taxable Assessed Valuation	$ 2,848,595,478		$ 2,853,140,968		$ 2,701,102,700	

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table. Figures shown on this table are Certified Valuations.
Source: Kendall, Comal and Bexar Appraisal Districts.

TAX DATA **TABLE 5**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
2017	$ 1,549,811,266	0.329500	$ 5,106,628	99.19	99.81	9/30/2018
2018	1,559,025,469	0.366780	5,718,194	99.47	99.69	9/30/2019
2019	1,655,060,303	0.373500	6,181,650	99.85	99.74	9/30/2020
2020	1,727,905,074	0.373500	6,453,725	99.10	99.65	9/30/2021
2021	1,874,813,923	0.351800	6,595,595	99.00	99.70	9/30/2022
2022	2,168,433,823	0.329100	7,136,316	99.34	99.56	9/30/2023
2023	2,489,405,144	0.300500	7,480,662	96.10	97.89	9/30/2024
2024	2,701,102,700	0.285300	7,706,246	96.26	96.26	9/30/2025
2025	2,853,140,968	0.285300	8,140,011	96.02	98.06	9/30/2026*
2026	2,848,595,478					9/30/2027

*As of May 31, 2026.

TAX RATE DISTRIBUTION **TABLE 6**

	2025	2024	2023	2022	2021
M & O	$ 0.2567	$ 0.2512	$ 0.2776	$ 0.3023	$ 0.3223
I & S	0.0286	0.0341	0.0229	0.0268	0.0295
Total	$ 0.2853	$ 0.2853	$ 0.3005	$ 0.3291	$ 0.3518

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Kendall, Comal and Bexar Appraisal Districts, the Issuer's ACFR for the Fiscal Year Ended September 30, 2025, and information supplied by the Issuer.

MUNICIPAL SALES TAX COLLECTIONS **TABLE 7**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. The Issuer has an additional 1/4 of 1% sales tax for Street Maintenance and Repair, 1/4 of 1% for Property Tax Relief and 1/2 of 1% for its municipal development district. Collections on calendar year basis are as follows:

Calendar Year	Total Collected[1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Fair Oaks Ranch Municipal Development District [2]
2016	$ 565,096	13.02%	0.042	$ 160,934
2017	640,638	12.55%	0.041	190,940
2018	739,341	12.93%	0.047	231,588
2019	877,360	14.19%	0.053	241,239
2020	1,211,183	18.77%	0.070	337,006
2021	1,440,150	21.84%	0.077	379,307
2022	1,576,461	22.09%	0.073	423,150
2023	1,664,399	22.25%	0.067	455,635
2024	1,805,154	23.42%	0.067	514,269
2025	1,906,221	23.42%	0.067	546,165
2026	1,419,934		*(As of August, 2026)*	

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

(1) The City authorized its sales and use tax on October 1, 2008.

(2) The City created and authorized its 0.50% of 1% sales and use tax for its Municipal Development District on April 1, 2012.

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
Alamo CCD	$ 811,895,000	0.64%	$ 5,196,128
Bexar County	2,078,020,000	0.64%	13,299,328
Bexar County Hospital District	1,184,305,000	0.64%	7,579,552
Boerne ISD	356,554,896	16.67%	59,437,701
Comal County	86,510,000	0.90%	778,590
Comal ISD	1,375,405,214	0.40%	5,501,621
Kendall Co	24,260,000	4.93%	1,196,018
Total Gross Overlapping Debt			$ 92,988,938
Fair Oaks Ranch, City of			$ 29,135,000 *
Total Gross Direct and Overlapping Debt			$ 122,123,938 *
Ratio of Direct and Overlapping Debt to 2026 Net Assessed Valuation			4.29% *
Per Capita Direct and Overlapping Debt			$10,155.84 *

Note: The above figures show Gross General Obligation Debt for the City of Fair Oaks Ranch, Texas. The Issuer's Net General Obligation Debt is $11,175,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	$ 104,163,938 *
Ratio of Direct and Overlapping Debt to 2026 Net Assessed Valuation	3.66% *
Per Capita Direct and Overlapping Debt	$8,662.28 *

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

** Includes the Certificates and the Bonds.*

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2025 Assessed Valuation	% of Actual	2025 Tax Rate
Alamo CCD	$ 269,847,098,917	100%	$ 0.149000
Bexar Co	243,661,069,450	100%	0.302000
Bexar Co Hosp Dist	249,833,327,595	100%	0.276000
Boerne ISD	13,123,570,432	100%	1.011000
Comal Co	40,617,252,566	100%	0.269000
Comal ISD	28,152,047,119	100%	1.075000
Kendall Co	12,408,104,853	100%	0.377000

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	Amount Authorized	Amount Issued to Date	Amount Unissued
Alamo CCD	5/3/2025	$ 987,000,000	$ 223,000,000	$ 764,000,000
Bexar Co	None	-	-	-
Bexar Co Hosp Dist	None	-	-	-
Boerne ISD	None	-	-	-
Comal Co	None	-	-	-
Comal ISD	None	-	-	-
City of Fair Oaks Ranch	5/4/2024	16,000,000	9,585,000 *	6,415,000
Kendall Co	5/14/2011	10,000,000	7,500,000	2,500,000

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

*The Bonds constitute $6,000,000 (includes premium attributable to the Bonds in the amount of $45,000 which will be deposited into the construction fund) for projects authorized by voters May 4, 2024.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES **TABLE 8**

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

	Fiscal Year Ended				
	9/30/2025	9/30/2024	9/30/2023*	9/30/2022	9/30/2021
Fund Balance - Beginning of Year	$ 7,668,789	$ 6,628,607	$ 8,780,176	$ 7,355,562	$ 5,237,166
Revenues	$ 11,272,945	$ 11,283,970	$ 10,731,428	$ 10,682,358	$ 9,124,058
Expenditures	9,757,945	9,570,430	9,598,517	7,805,917	6,846,838
Excess (Deficit) of Revenues Over Expenditures	$ 1,515,000	1713540	$ 1,132,911	$2,876,441	$2,277,220
Other Financing Sources (Uses):					
Proceeds from SBITAs	$ 145,616	$ -	$ 193,012	$ -	$ -
Operating Transfers In	-	-	303,067	58,907	287,339
Operating Transfers Out	(715,934)	(893,217)	(3,797,490)	(1,511,407)	(472,493)
Bond Insurance	-	219,859	-	-	-
Proceeds from the Sale of Capital Assets	52,185	-	16,931	673	26,330
Total Other Financing Sources (Uses):	$ (518,133)	$ (673,358)	$ (3,284,480)	$ (1,451,827)	$ (158,824)
Prior Period Adjustment	996,867	1040182	(2,151,569)	1,424,614	2,118,396
Fund Balance - End of Year	$ 8,665,656	$ 7,668,789	$ 6,628,607	$ 8,780,176	$ 7,355,562

Source: The Issuer's ACFR's and information provided by the Issuer.
**Transfers out of the General Fund are for one-time capital improvements and capital equipment replacement.*
The City anticipates ending the Fiscal Year ending September 30, 2026 with an unaudited general fund balance of $8,799,273.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS — TABLE 9

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 consent of the Senate, appoints the Board, TMRS is not fiscally dependent of the State of Texas. TMRS's defined benefit plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a public available annual comprehensive financial report (ACFR) that can be obtained at www. tmrs.com For additional information see the City's 2025 ACFR, page 72.

WATER AND WASTEWATER/SEWER OPERATING SYSTEM — TABLE 10

Fiscal Year Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Revenues	$ 8,312,449	$ 7,460,262	$ 6,523,840	$ 6,552,783	$ 5,684,435
Expenses[(1)]	$ 5,633,307	$ 5,214,740	$ 5,216,551	$ 5,121,832	$ 4,098,434
Net Revenue Available for Debt Service	$ 2,679,142	$ 2,245,522	$ 1,307,289	$ 1,430,951	$ 1,586,001
Utility System Supported Debt Service	$ 1,349,110	$ 336,514	$ 339,746	$ 337,952	$ 251,824
Utility System Debt Service Coverage Ratio	1.99X	6.67X	3.85X	4.23X	6.30X
Customer Count:					
Water	3,314	3,285	3,248	3,201	3,157
Sewer	2,040	2,028	2,001	1,979	1,943

(1) *Excludes depreciation and debt service.*
Source: The Issuer's Annual Comprehensive Financial Reports.

Fair Oaks Ranch Water and Sewer Rates
Effective October 1, 2025 to September 30, 2026

*All Water and Sewer rates are subject to change each fiscal year

Water Service Availability:	
3/4" meter	$26.48
1" meter	$28.01
1 1/2" meter	$41.02
2" meter	$48.33
3" meter	$62.94
4" meter	$94.42

Tiered Water Usage Charges:

Residential

Gallons	Cost per 1,000 Gallons
0 to 6,000	Included in Service Availability
6,001 to 12,500	$3.81
12,501 to 25,000	$4.76
25,001 to 50,000	$7.14
50,001 to 75,000	$10.72
75,001 to 100,000	$16.07
Over 100,000	$24.11

Commercial

Gallons	Cost per 1,000 Gallons
0 to 6,000	Included in Service Availability
6,001 to 50,000	$3.25
50,001 to 100,000	$4.87
100,001 to 150,000	$7.31
Over 150,000	$10.97

Monthly Water Fees:

Surface Water
The cost of water distributed by the Guadalupe-Blanco River Authority (GBRA) calculated in dollars per 1,000 gallons multiplied by the 6,000 gallon minimum. A portion of the cost of water purchased from GBRA; which is then distributed to our customers. $18.50

TCEQ
The annual TCEQ (Texas Commission on Environmental Quality) water fee divided by the number of service connections from the month payment is made to TCEQ. $ .20

Trinity Glen Rose Groundwater Conservation District
The ratio of total monthly water produced divided by total monthly water billed times the TGRGCD prevailing rate per thousand gallons. $0.00

Debt Service
The water portion of the total bond payment (including principal and interest) for improvements in the fiscal year divided by number of service connections on June 1st. $23.89

Capital Reserve
The budget goal divided by number of service connections on June 1st. $2.67

Sewer Service Availability

All sewer connections:	$28.94

Sewer Usage Charges Based On Winter Average

Usage Rate: $6 per 1,000 gallons

1. Current customers winter average will be $6 per 1,000 gallons based on the individual customer's average water consumption during the months of December, January, and February. Each customer's winter average shall be updated annually in March and reflected on subsequent billing statements.

2. New customers without a three-month winter average will be billed $36 monthly based on an assigned winter average of 6,000 gallons ($6 per 1,000 gallons) until their individual winter average is established.

3. Customers moving service locations within the City will be billed in accordance with their established volumetric fee from their previous location.

Monthly Sewer Fees:

TCEQ The annual TCEQ (Texas Commission on Environmental Quality) water fee divided by the number of service connections from the month payment is made to TCEQ.	$0.05
Debt Service The sewer portion of the total bond payment (including principal and interest) for improvements in the fiscal year divided by number of service connections on June 1st.	$16.91
Capital Reserve The budget goal divided by number of service connections on June 1st.	$0.00

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF FAIR OAKS RANCH AND KENDALL, BEXAR AND COMAL COUNTIES, TEXAS

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GENERAL INFORMATION REGARDING
THE CITY OF FAIR OAKS RANCH

The City of Fair Oaks Ranch (the "City") is part of the San Antonio Greater Metropolitan area located between the City of Boerne and the City of San Antonio on Interstate Hwy 10. Currently, the original 5,000-acre city has grown with an extra territorial jurisdiction ("ETJ") of more than 3,200 acres for a total area of 8,211 acres (City's Evolution | Fair Oaks Ranch, TX - Official Website). The City strives to preserve the area, its quality of life, and the unique history surrounding the land. The City evolved from several parcels of land acquired by oilman Ralph Fair, Sr. during the 1930's and was incorporated in 1988. The City's 2026 estimated population is 12,025. The City is located in three counties; Bexar, Comal and Kendall.

The City is a Home Rule Charter subject to the State of Texas laws, as amended, Texas Government Code. The City Council is elected at-large representing all residents within the City limits. Councilmembers including the Mayor serve staggered three year terms with City Elections held each year. The Mayor Pro Tem is selected by the councilmembers each year after the election.

Economy

Major Employers in San Antonio and its surrounding areas:

Employer	Number of Employees
Joint Base San Antonio	82,639
HEB Food Stores	20,000
USAA	18,100
City of San Antonio	14,500
Northside ISD	12,900
Methodist Healthcare System	12,000
North East ISD	8,208
University of Texas Health Science	7,930
San Antonio ISD	7,500
Baptist Health System	7,291

Source: Municipal Advisory Council of Texas.

Education

Most of the City of Fair Oaks Ranch is primarily served by the Boerne Independent School District. The public schools that serve the BISD parts of Fair Oaks Ranch are Fair Oaks Ranch ES (K-5), Van Raub ES (K-5), Boerne Middle School South (6-8), Captain Mark Tyler Voss Middle School (6-8), and Boerne Champion High School. A portion of Fair Oaks Ranch in Comal County is in the Comal Independent School District. The Comal County portion is zoned to Rahe Bulverde Elementary School, Spring Branch Middle School and Smithson Valley High School.

Higher Education

Some of the numerous facilities available in nearby San Antonio include University of Texas at San Antonio, University of Texas Health Science Center, St. Mary's University, Trinity University, Incarnate Word College, Our Lady of the Lake University, Texas A&M and the Alamo Community Colleges.

BEXAR COUNTY

Bexar County (the "County") was organized in 1836 as one of the original counties of the Republic of Texas and is now the third most populous of the 254 counties in the State of Texas. Bexar County's 2020 census population was 2,009,324 with a estimated 2026 population of 2,181,234. The County has an area of approximately 1,248 square miles and contains 21 other incorporated cities within its boundaries.

The County is located in south central Texas and is a component of the Metropolitan Statistical Area ("MSA") of San Antonio. The San Antonio MSA is one of the nation's largest MSAs and the third largest MSA in Texas. The principal city within the County is San Antonio, the county seat. The City was founded in the early eighteenth century and was incorporated by the Republic of Texas in 1837. The City of San Antonio covers approximately 467 square miles and is located in south central Texas approximately 80 miles south of Austin, the state capital.

Economic Factors

The County has a diversified economic base which is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. Support for these economic activities is demonstrated by the County's ongoing commitment to economic development projects along with ongoing infrastructure improvements to support the County's growing population. As Bexar County has continued to add jobs it has also fared better than the nation with the current unemployment issues. Another economic factor attracting companies and families to the San Antonio area is the low cost of living. For metropolitan areas with one million plus populations, San Antonio is ranked among the lowest in cost of living at 91.3%, 8.7% below the national average. With one of the lowest cost workforces of any major cities in the United States, Bexar County is positioned to increase employment opportunities in various industries.

Tourism

The list of attractions in the San Antonio area includes, among many others, the Alamo (and other sites of historic significance), the River Walk, and two major theme parks (SeaWorld San Antonio and Six Flags Fiesta Texas).

The San Antonio River Improvement Project, an investment by the County, the City, and the United States Army Corps of Engineers with the San Antonio River Authority providing project and technical management, recently completed the northern portion of its flood control, amenities, ecosystem restoration and recreational improvements to the San Antonio River. The Museum Reach, as the northern portion is known, extends from the downtown area north to the San Antonio Museum of Art and the 125-year-old Pearl Brewery building, where shopping, dining, and entertainment venues are poised. The southern portion, connects the downtown river area to the historic missions in the southern part of San Antonio.

COMAL COUNTY

Comal County (the "County"), a pioneer German settlement created in 1846 from Bexar, Gonzales and Travis Counties, is a scenic southwest county named after the Comal River.

The City of New Braunfels (the "City"), the County seat of Comal County, is located in the southeast part of the County approximately twenty-five miles north of San Antonio on Interstate Highway 35 and forty miles south of Austin on Interstate Highway 35.

Agriculture

Agriculture continues as an important source of income to the area. According to latest statistics from the Annual Agricultural Increment Report, Comal County's annual income from agriculture is approximately $5 million. Some of the products include corn, hay, milo, wheat, oat, pecan and nursery crops; goat, beef, hog, horse, sheep, wool and mohair production; Christmas trees; hunting and recreation.

Commercial

The County has a wide range of commercial establishments including restaurants, motels, food stores, manufacturing, professional services, retail stores, and service stations. Those in the Canyon Lake area include motels, Cranes Mill Marina and Canyon Lake Marinas, Inc.

Educational Facilities

Local public school facilities are provided through the Comal Independent School District and New Braunfels Independent School District.

Higher educational facilities include the future Howard Payne University campus as part of the Veramendi development project. Currently, the University offers courses at New Braunfels High School and online. Texas Lutheran University - Seguin, approximately 13 miles from New Braunfels; Texas State University - San Marcos, approximately 15 miles from New Braunfels; and eight colleges and/or universities located in San Antonio, approximately 35 miles from New Braunfels.

Health Care

The City has two hospitals, CHRISTUS Santa Rosa Hospital-New Braunfels (CSRH-NB) and Resolute Health. CSRH-NB is a full-service, 94-private bed facility that continues to expand to meet the needs of New Braunfels' strong population growth. CSRH-NB employs more than 500 full and part time Associates and provides privileges to more than 150 physician staff members and nearly 100 volunteers. Innovative equipment and procedures are utilized, including an Outpatient Imaging Center, orthopedic and surgical services, rehabilitation, a renovated birthing center, including 24/7 neonatal coverage, emergency care, wound

care/hyperbaric center, comprehensive heart care, from diagnostics to open-heart surgery, and a freestanding Emergency Center at Creekside Town Center. Resolute Health opened in June 2014 and employs over 500 associates. Resolute Health invested $250 million into the 365,000 square-foot facility which has 125 beds in all-private rooms and offers a broad range of specialty services, including cardiovascular, orthopedics, oncology, imaging, wound care, rehabilitation and obstetrics. It is the only Level III neonatal intensive care unit in the area. The new hospital serves as the cornerstone of Resolute Health, a network of care in New Braunfels, which is located roughly 30 miles northeast of San Antonio. New Braunfels Regional Rehabilitation Hospital is a 40-bed hospital that specializes in severe head and neck/stroke patients. More than 110 employees work at the $28 million dollar, 40-bed facility. Bexar County, University of Texas and U. S. Veterans Administration medical facilities are located in nearby northwest San Antonio.

KENDALL COUNTY

On January 10, 1862, the Legislature of the State of Texas created a county from parts of Kerr and Blanco counties called Kendall County (the "County"). The County was named for George Wilkins Kendall (1809-1867), a journalist, one of the founders of the newspaper, "New Orleans Picayune"; poet, author; member of the renowned "Santa Fe Expedition"; and a sheep rancher. He resided at his ranch in Kendall County during his ranching years. The County is located on Interstate 10 from downtown San Antonio. The City of Boerne is the county seat of Kendall County and is off Interstate Highway 10 and U.S. Highway 87, some thirty miles northwest of San Antonio.

Hunting and fishing as well as the scenic hill country attract substantial tourist income to the area.

Education

The County is served by 5 school districts; Blanco ISD, Boerne ISD, Comal ISD, Comfort ISD and Fredricksburg ISD.

Healthcare

Methodist Boerne Emergency Center, a department of Methodist Hospital, serves Boerne and the surrounding communities with a medical center that includes the first-ever 24/7 freestanding emergency center, the only one of its kind in South and Central Texas. This unique 9-1-1 emergency facility gives the Boerne area a higher level of emergency care and the resources of an acute care hospital system for more serious illnesses or injuries.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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NORTON ROSE FULBRIGHT

September 23, 2026

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

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FINAL

IN REGARD to the authorization and issuance of the "City of Fair Oaks Ranch, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026" (the *Certificates*), dated August 15, 2026 in the aggregate principal amount of $6,945,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Fair Oaks Ranch, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2027 through 2046, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

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

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

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

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

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

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

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

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

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

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

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CITY OF
Fair Oaks Ranch

Prepared by: City of Fair Oaks Ranch Finance Department

Annual Comprehensive Financial Report

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2025

Fair Oaks Ranch, Texas

CITY
OF
FAIR OAKS RANCH • TEXAS

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

of the

City of Fair Oaks Ranch, Texas

For the Year Ended
September 30, 2025

Prepared by

Finance
Department

CITY
OF
FAIR OAKS RANCH • TEXAS

City of Fair Oaks Ranch, Texas

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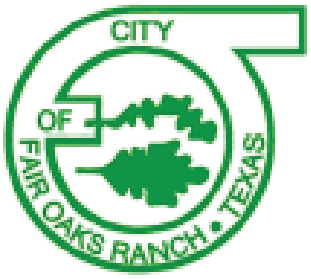
INTRODUCTORY SECTION


CITY
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CITY OF
Fair Oaks Ranch

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March 4, 2026

City of Fair Oaks Ranch, Texas

Honorable Mayor, Members of City Council and Citizens of the City of Fair Oaks Ranch:

It is my pleasure to present the Annual Comprehensive Financial Report (ACFR) for the City of Fair Oaks Ranch, Texas, for the fiscal year ended September 30, 2025. This report represents the City's official record of financial stewardship and is prepared to provide Council, residents, and other stakeholders with a transparent and reliable account of the City's financial condition.

Each year the City is required to publish a complete set of financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. This document reflects management's assertions regarding the City's financial position and operational results. Management affirms that the information presented is accurate in all material respects and is reported in a manner intended to fairly present the financial activities of all City funds. We accept full responsibility for the completeness and reliability of the data included in this report, supported by a system of internal controls designed to provide reasonable assurance that the financial statements are free of material misstatement. In addition, all disclosures necessary for readers to gain a full understanding of the City's financial activities have been included.

The financial statements have been audited by BrooksWatson & Company, an independent firm of licensed public accountants. The purpose of the audit is to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2025, are free from material misstatement. The audit process included the examination, on a test basis, of supporting evidence for amounts and disclosures; an evaluation of the accounting principles applied, and significant estimates made by management; and an assessment of the overall financial presentation. Based on this review, the auditors issued an unmodified ("clean") opinion concluding that the financial statements fairly present the financial position of the City in conformity with GAAP. The independent auditor's report is provided at the beginning of the financial section.

In accordance with GAAP, management has also prepared a Management's Discussion and Analysis (MD&A), which offers a narrative overview and analysis of the financial statements to aid readers in understanding the City's financial performance. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A follows the independent auditor's report.

PROFILE OF THE CITY

Fair Oaks Ranch was founded by a group of visionaries who shared a common goal of creating a distinctive community where residents could enjoy a high quality of life. Their efforts, supported by a single development company and a family dedicated to transforming their ranch into a welcoming residential community, created a unified approach to planning and development. This shared vision guided the City's early growth and established the foundation for a unique community known for its peaceful atmosphere, natural beauty, and enduring commitment to quality of life.

The City was incorporated in 1988 and adopted home rule status in 2017. Fair Oaks Ranch is located 27 miles northwest of downtown San Antonio, encompasses approximately 8.5 square miles, and has an estimated population of 11,744. The City is authorized to levy a property tax on real and personal property within its jurisdiction.

Fair Oaks Ranch operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing Council that is composed of a Mayor and six Council Members, all elected at large for three-year terms. Elections are staggered: the Mayor and one Council Member are elected together, three Council Members the following year, and the remaining two Council Members the year after. The City Manager, appointed by the Council, is responsible for implementing Council policies and overseeing daily operations.

The City provides a full range of municipal services, including public safety, water and wastewater services, public improvements, infrastructure maintenance, and general administrative services. Most residents receive water service directly from the City, while others are served by the San Antonio Water System. In addition, a small number of properties rely on private wells for their water supply.

The City of Fair Oaks Ranch Municipal Development District (MDD) qualifies as a component unit and is therefore presented as a discreetly reported component unit in this report. The MDD is governed by a seven-member board consisting of no more than two Council Members and five additional members appointed by the City Council. The MDD is funded through a half-cent Section 4B sales tax. The City is financially accountable for the MDD because the City Council elects the Board of Directors and approves the MDD's annual budget.

LOCAL ECONOMY

The information presented in the financial statements is best understood in the context of the broader economic environment in which the City of Fair Oaks Ranch operates.

Fair Oaks Ranch is situated near one of the most active growth corridors in Texas. Adjacent to the City of San Antonio, the second largest city in the state and seventh largest city in the nation, the

City benefits from proximity to major airports, significant military installations, and one of the region's busiest transportation hubs at Interstate 10 and Loop 1604. As a result, the City's local economy is closely tied to the San Antonio Metropolitan Statistical Area, a region supported by a diverse economic base that includes the medical and biomedical sectors, military institutions, tourism, telecommunications, insurance, finance, and manufacturing.

Property taxes and sales taxes remain the City's primary sources of general fund revenue. The local economic outlook continues to be strong, reflected in rising appraisal values, steady sales tax growth, and positive indicators such as low unemployment rates and residential development activity.

According to data from the U.S. Census Bureau, the City's median household income is $168,309, significantly higher than the Texas median of $79,721. According to this same data, the City's residents are well-educated with 68% of adults aged 25 years and older having a bachelor's degree or higher level of education, compared to 35.2% for Texas.

Fair Oaks Ranch's quality of life is a key driver of its economic stability and residential appeal. Nearby golf courses, walking trails, natural scenery, and the community's quiet hometown atmosphere attract retirees, while the highly rated school district draws families to the City. Cultural and recreational amenities in the San Antonio area, along with convenient access to Austin, New Braunfels, Canyon Lake, and the Guadalupe River, further enhance the region's appeal. As continued growth is anticipated, the City remains committed to managing development responsibly while supporting and enhancing the quality of life enjoyed by its residents.

FINANCIAL INFORMATION

Financial Policies

The City maintains a comprehensive set of financial policies designed to ensure prudent stewardship of public resources and to support long-term financial sustainability A key principle of these policies is the requirement to maintain structural balance, meaning current revenues must be sufficient to support current expenditures.

In October 2025, the City Council adopted a new Financial Management Policy that established more detailed and comprehensive guidance for reserves, debt management, procurement, long-range planning, and financial reporting. This policy strengthens the City's financial framework by formalizing reserve levels for the General Fund, water and wastewater utilities, capital replacement, emergency reserves, and budget stabilization, as well as establishing updated debt management standards to guide future issuances.

On September 19, 2024, the City Council adopted a revised Investment Policy that earned significant recognition. The Government Treasurers' Organization of Texas (GTOT) awarded the

City its first-ever Certificate of Distinction, marking an important milestone for Fair Oaks Ranch. The updated policy fully complies with the Public Funds Investment Act and meets GTOT's rigorous standards for prudent public investing. This recognition highlights the City's ongoing commitment to excellence, transparency, and sound financial management.

Consistent with these policies, the City continues to maintain a structurally balanced budget and a strong reserve position.

Long-term Financial Planning

Long-range financial planning remains essential to the City's stability and sustainability. The City Council's strategic direction includes the adoption of multi-year Capital Improvement Plans (CIPs) for drainage, roadways, and utility infrastructure. These plans allow the City to forecast, prioritize, and sequence major maintenance and construction needs to ensure infrastructure reliability and service delivery.

In March 2025, staff presented an updated Five-Year Financial Plan designed to evaluate long-term operating and capital impacts under various assumptions. This plan is a "living" analytical tool, updated annually to reflect policy decisions, economic conditions, financial forecasts, and emerging community needs. The Five-Year Financial Plan, combined with the City's updated financial policies, provides residents, City Council, and staff with the information necessary to make informed decisions regarding operations, capital investments, and financial sustainability.

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and fiscal management. In accordance with Texas Local Government Code, the City adopts legally appropriated budgets for all required governmental funds, specifically the General Fund and the Debt Service Fund. Although not legally mandated, the City also adopts annual budgets for the Water and Wastewater Utility Funds and updates its Capital Improvement Program (CIP) budgets through a similar review and approval process to ensure consistency and transparency in long-term planning.

The budget process includes multiple phases, each of which requires a joint effort by the City Council and staff. The City Manager prepares and submits a proposed budget to the City Council, after which the document is filed with the City Secretary and made available for public inspection. The City Council then conducts a public hearing to receive community input before deliberating and adopting the budget in accordance with the Texas Local Government Code and Truth-in-Taxation requirements. Once adopted, the budget serves as the legal authorization for planned expenditures and financial operations for the fiscal year.

Budgetary control is maintained to ensure compliance with the adopted financial plan. The legal level of budgetary control is at the fund level within the General Fund. The City Manager is authorized to transfer appropriations between departments within the same fund. Any amendments that increase total appropriations for a fund or require the transfer of resources

between funds must be approved by the City Council.

Throughout the fiscal year, the Finance Department works collaboratively with all operating departments to monitor revenues, expenditures, and performance against the adopted budget. This ongoing review ensures that financial decisions align with Council priorities and that public resources are managed responsibly, efficiently, and in accordance with the City's adopted financial policies.

STRATEGIC INITIATIVES

The City continued to focus on initiatives that will best help accomplish the vision and mission of Fair Oaks Ranch.

> Vision: To offer the ideal place to call home in the hill country, guided by strong community values and responsible growth that provides residents of all ages a place to relax and reconnect.
>
> Mission: To deliver exceptional public services, preserve the natural beauty of our City, protect and promote quality of life, and foster community engagement.

Investing in Our Employees

During the year, the City completed a comprehensive compensation and benefits analysis to ensure continued competitiveness in the labor market and to support the recruitment and retention of high-quality employees. The analysis resulted in the adoption of a new pay schedule, which was incorporated into the adopted FY 2026 budget and reflects current market conditions.

In addition, the City completed a full revision of the Personnel Manual, which had been in place for many years. The updated manual modernizes City policies, aligns them with best practices, and promotes a consistent and equitable workplace for all employees.

2024-2029 Bond Program

On May 4, 2024, Fair Oaks Ranch residents approved one proposition for the City's 2024–2029 Bond Program totaling $16 million and including four roadway projects. With voter approval, the City has continued to advance the design and construction of these critical transportation improvements, and one project was successfully completed during the fiscal year. The first bond issuance was completed in September 2024, and a second issuance is scheduled for September 2026 to support the next phase of project delivery. Public Works remains actively engaged in moving the remaining roadway projects forward.

Drainage and Utility Projects

Addressing drainage and aging infrastructure remains one of the City's top long-range priorities. During the fiscal year, the City began multiple drainage improvements, including the completion

of a significant infrastructure upgrade at Tivoli Way, enhancing stormwater flow and neighborhood resilience. Additional drainage projects continue on Rolling Acres Trail reflecting the City's commitment to reducing flood risk and improving overall system performance.

To advance critical utility improvements, the City issued Certificates of Obligation in September 2025, building on the initial issuance in 2024. These funds support ongoing upgrades to Water Plant 5, the Wastewater Treatment Plant, and systemwide water line and electrical improvements. The City also completed enhancements to several of its municipal wells during the year, further strengthening system reliability and capacity. The FY 2026 Budget continues to prioritize water line replacements, electrical upgrades to Water Plant 3, and the continuation of expansion and improvements at the Wastewater Treatment Plant.

Leveraging Grant Opportunities

During the year, the City continued to successfully leverage external grant opportunities that support key operational and strategic priorities. The Municipal Development District awarded a sales-tax supported grant to construct the new Gateway Monument, enhancing the City's primary entryway with an iconic feature that promotes civic pride, strengthens community identity, and supports long-term economic growth. In addition, the City received a cybersecurity grant from the Office of the Governor to conduct a comprehensive IT vulnerability assessment. This assessment strengthens the City's overall security by identifying potential risks, improving system resilience, and safeguarding the integrity of our technology infrastructure, ultimately protecting City operations and the sensitive data entrusted to us.

CERTIFICATE OF ACHIEVEMENT AND AWARDS

For the eighth consecutive year the City of Fair Oaks Ranch was awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA) for its annual comprehensive financial report (ACFR) for the fiscal year ended September 30, 2024. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition to the ACFR award, the City also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) and the Distinguished Budget Presentation Award for the fiscal year. Earning all three recognitions in the same fiscal year earned the City GFOA's "Triple Crown" designation, reflecting our continued commitment to producing high-quality, transparent, and professional financial documents.

ACKNOWLEDGEMENTS

The preparation of this report reflects the dedication, professionalism, and collaborative efforts of the Finance and Administration staff, whose work ensures accurate, timely, and transparent financial reporting. I am sincerely grateful for their continued commitment and attention to detail throughout the year. I would also like to thank the Mayor and City Council for their ongoing support of sound financial management and for their leadership in upholding high standards of accountability and stewardship of public resources.

Respectfully submitted,

Summer Fleming
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fair Oaks Ranch
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

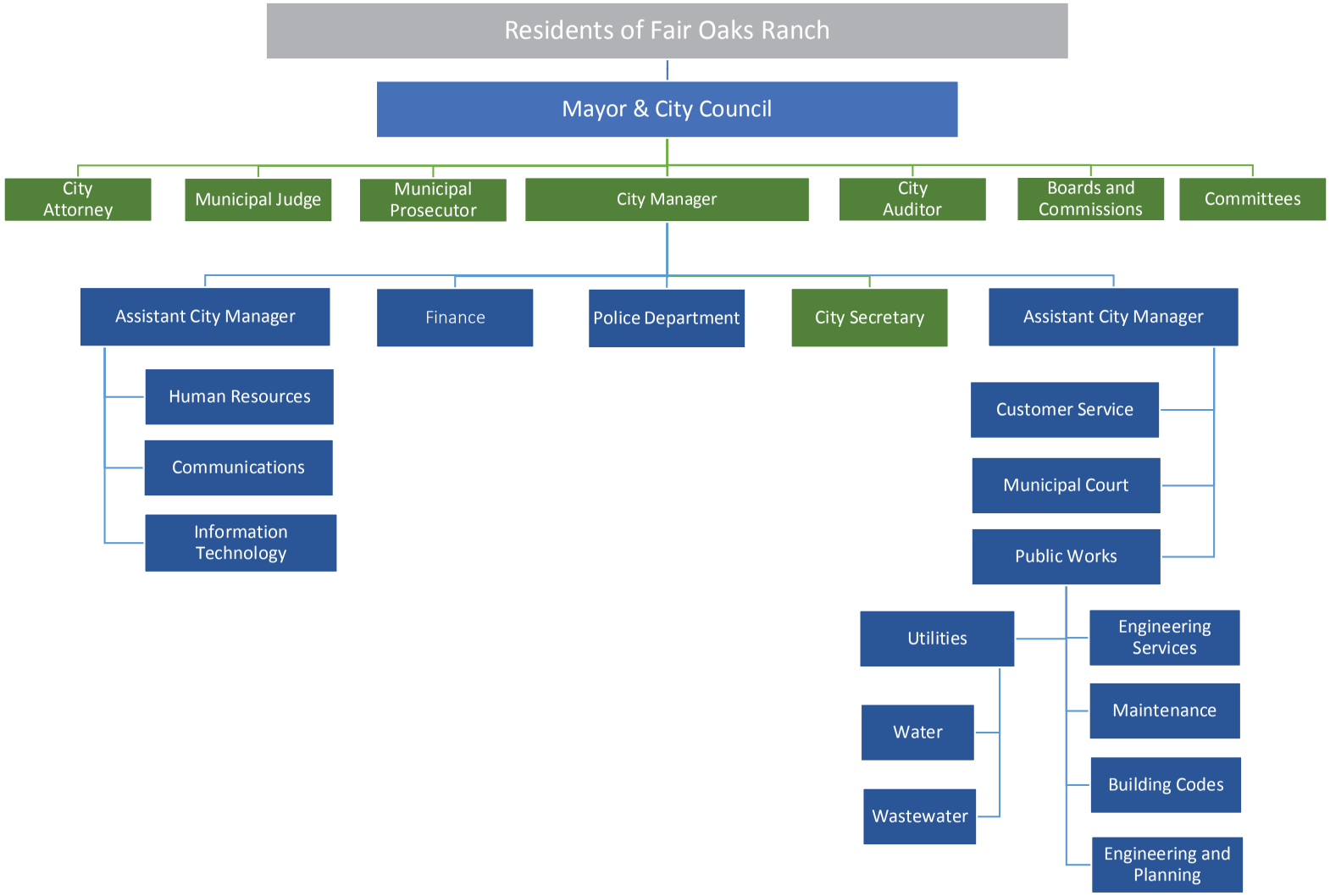
Executive Director/CEO

CITY OF FAIR OAKS RANCH, TEXAS

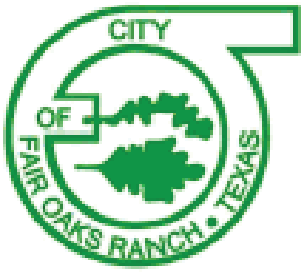
PRINCIPAL OFFICIALS

September 30, 2025

MAYOR	GREG MAXTON
MAYOR PRO TEM – PLACE 2	KEITH RHODEN
CITY COUNCIL MEMBERS	
PLACE 1	EMILY STROUP
PLACE 3	RUBEN J. OLVERA
PLACE 4	DALE PEARSON
PLACE 5	SCOTT PARKER
PLACE 6	JONATHAN SWAREK
CITY MANAGER	SCOTT M. HUIZENGA
ATTORNEY	DENTON, NAVARRO, RODRIGUEZ, BERNAL, SANTEE, & ZECH, P.C.
AUDITOR	BROOKSWATSON & CO., PLLC


Residents of Fair Oaks Ranch
Mayor & City Council
City Attorney
Municipal Judge
Municipal Prosecutor
City Manager
City Auditor
Boards and Commissions
Committees
Assistant City Manager
Finance
Police Department
City Secretary
Assistant City Manager
Human Resources
Communications
Information Technology
Customer Service
Municipal Court
Public Works
Utilities
Engineering Services
Maintenance
Water
Building Codes
Wastewater
Engineering and Planning

FINANCIAL SECTION


CITY
OF
FAIR OAKS RANCH • TEXAS

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Fair Oaks Ranch, Texas:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Fair Oaks Ranch, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matter

As discussed in Note V.H. to the financial statements, due to the implementation of GASB Statement No. 101, *Compensated Absences*, and a change in major funds, the City restated beginning net position/fund balance for governmental activities, debt service fund, nonmajor governmental funds, business-type activities, and the water and wastewater fund. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

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

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 4, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY
OF
FAIR OAKS RANCH • TEXAS

City of Fair Oaks Ranch, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2025

As management of the City of Fair Oaks Ranch, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

Financial Highlights

- The City's total combined net position is $42,614,035 at September 30, 2025.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $14,524,706, a decrease of $363,336.
- As of the end of the year, the unassigned fund balance of the general fund was $3,575,668, or 37% of total general fund expenditures.
- The City had an overall increase in net position of $2,993,907, which is primarily due to the surplus in primary government revenues over expenses during the year.

Overview of the Financial Statements

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

Government-Wide Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, human resources/communication, finance, and engineering. The business-type activities of the City include water and wastewater operations.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

The City of Fair Oaks Ranch maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, strategic & capital project, bond capital, debt service, equipment replacement, and nonmajor governmental funds. The general, strategic projects, bond capital, debt service, and equipment replacement funds are considered to be major funds.

The City of Fair Oaks Ranch adopts an annual appropriated budget for all governmental funds. A budgetary comparison schedule has been provided to demonstrate compliance with all governmental funds with an adopted budget.

Proprietary Funds

The City maintains one proprietary fund. The proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for its public utilities. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private enterprise.

Fiduciary Funds

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

The City maintains one fiduciary fund. *Fiduciary fund* is used to account for resources held in trust for employees to pay for employee medical expenses. Contributions into the fund come from the employees.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Fair Oaks Ranch Municipal Development District is a discretely presented component unit displayed on the government-wide financial statements.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires is a budgetary comparison schedule for the general fund, major governmental special revenue funds, and

schedules for the City's Defined Pension Plan and Other Post Employment Benefit Plans. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Fair Oaks Ranch, assets and deferred outflows exceeded liabilities and deferred inflows by $42,614,035 as of September 30, 2025, in the primary government.

The largest portion of the City's net position, $23,254,742, reflects its investments in capital assets (e.g., land, city hall, streets, and utility systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and other assets of the government activities decreased by $1,088,755, or 7%, primarily reflecting the planned use of reserves for one-time capital and strategic initiatives. Significant expenditures included drainage infrastructure improvements, a comprehensive compensation and benefits study, and development of an IT Master Plan to guide future operational and technology planning.

Current and other assets of the business-type activities increased by $6,825,446, or 52%, primarily attributable to higher cash balances from unspent bond proceeds at fiscal year-end. This increase resulted from the planned second issuance of Certificates of Obligation to fund ongoing projects within the Utility Capital Improvements Plan, with proceeds to be expended as projects progress.

Capital assets of the primary government increased by $3,362,941, or 13%, primarily due to continued work on four General Obligation Bond-funded roadway projects and utility infrastructure improvements, with a significant portion reported as construction in progress at year-end.

Deferred outflows of the primary government decreased by $494,187, or 46%. The decrease was primarily due to actuarial changes in the City's pension inputs over the course of the year.

Other liabilities of the government activities decreased $1,184,316, or 45%, primarily due to a decrease in capital outlay activity near year end within the strategic projects fund.

Other liabilities of the business-type activities decreased $859,950, or 47%, primarily due to an increase in a capital asset project expenses accrued for at prior year end.

Long-term liabilities of the governmental activities decreased by $502,604, or 7%, largely due to a decrease in net pension liability. Conversely, long-term liabilities of business-type activities increased by $8,290,053, or over 100%, due to planned debt issuances undertaken to continue funding projects within the Utility Capital Improvements Plan.

Total deferred inflows of the primary government increased by $235,133, or over 100%. This variance was directly related to net pension liability and actuarial changes in the City's pension inputs over the course of the year.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

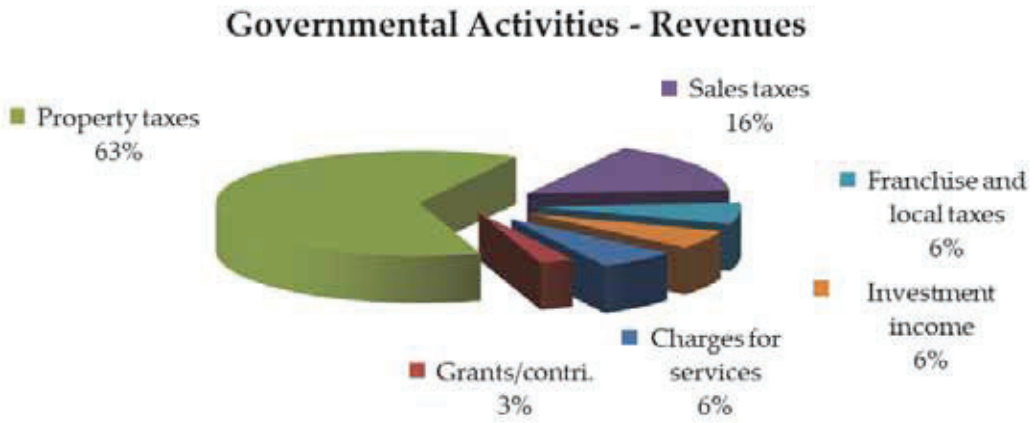
	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 15,611,394	$ 19,881,624	$ 35,493,018	$ 16,700,149	$ 13,056,178	$ 29,756,327
Capital assets, net	15,500,926	13,540,200	29,041,126	13,901,383	11,776,802	25,678,185
Total Assets	31,112,320	33,421,824	64,534,144	30,601,532	24,832,980	55,434,512
Total Deferred Outflows	416,775	155,345	572,120	910,253	156,054	1,066,307
Other liabilities	1,428,475	976,906	2,405,381	2,612,791	1,836,856	4,449,647
Long-term liabilities	7,045,349	12,718,804	19,764,153	7,547,953	4,428,751	11,976,704
Total Liabilities	8,473,824	13,695,710	22,169,534	10,160,744	6,265,607	16,426,351
Total Deferred Inflows	235,075	87,620	322,695	74,747	12,815	87,562
Net Position:						
Net investment in capital assets	12,059,408	11,195,334	23,254,742	9,594,671	10,043,345	19,638,016
Restricted	177,394	-	177,394	235,514	-	235,514
Unrestricted	10,583,394	8,598,505	19,181,899	11,446,109	8,667,267	20,113,376
Total Net Position	$ 22,820,196	$ 19,793,839	$ 42,614,035	$ 21,276,294	$ 18,710,612	$ 39,986,906

Statement of Activities:

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

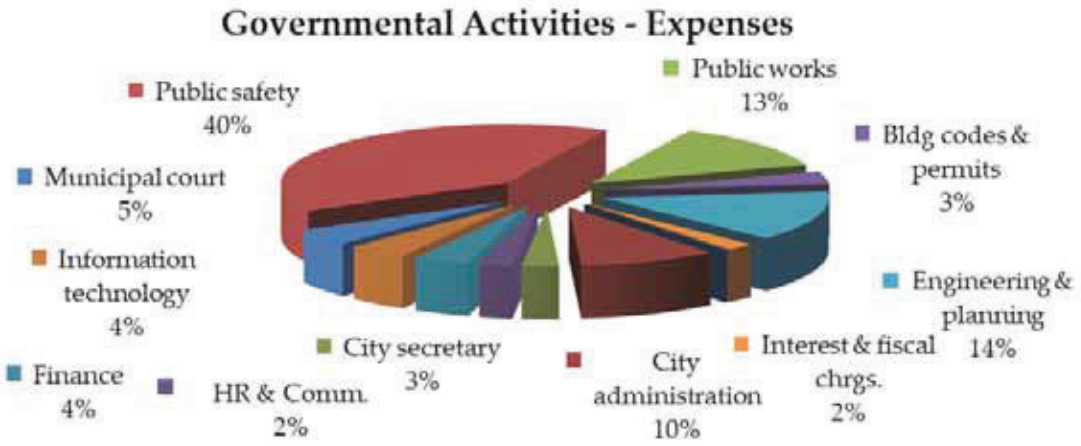
	For the Year Ended September 30, 2025			For the Year Ended September 30, 2024		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 760,866	$ 7,650,459	$ 8,411,325	$ 961,983	$ 6,974,514	$ 7,936,497
Operating grants	327,407	-	327,407	141,826	-	141,826
General revenues:						
Property taxes	7,651,746	-	7,651,746	7,390,813	-	7,390,813
Sales taxes	1,929,946	-	1,929,946	1,817,285	-	1,817,285
Franchise and local taxes	793,093	-	793,093	743,231	-	743,231
Investment income	700,984	561,211	1,262,195	712,804	427,654	1,140,458
Other revenue	46,403	100,779	147,182	138,785	58,094	196,879
Total Revenues	12,210,445	8,312,449	20,522,894	11,906,727	7,460,262	19,366,989
Expenses						
Mayor & council	10,063	-	10,063	2,899	-	2,899
City administration	1,027,218	-	1,027,218	893,391	-	893,391
City secretary	276,298	-	276,298	273,114	-	273,114
HR & communication	247,195	-	247,195	258,298	-	258,298
Finance	415,724	-	415,724	342,958	-	342,958
Information technology	449,822	-	449,822	371,430	-	371,430
Municipal court	477,459	-	477,459	270,852	-	270,852
Public safety	4,176,482	-	4,176,482	4,179,786	-	4,179,786
Public works	1,327,182	-	1,327,182	1,433,859	-	1,433,859
Bldg codes & permits	357,411	-	357,411	270,819	-	270,819
Engineering & planning	1,435,123	-	1,435,123	1,369,461	-	1,369,461
Interest & fiscal chrgs.	211,006	407,450	618,456	258,955	153,431	412,386
Water and wastewater	-	6,710,554	6,710,554	-	6,187,642	6,187,642
Total Expenses	10,410,983	7,118,004	17,528,987	9,925,822	6,341,073	16,266,895
Change in Net Position	1,799,462	1,194,445	2,993,907	1,980,905	1,119,189	3,100,094
Adoption of GASB 101	(255,560)	(111,218)	(366,778)	-	-	-
Beginning Net Position	21,276,294	18,710,612	39,986,906	19,295,389	17,591,423	36,886,812
Ending Net Position	$ 22,820,196	$ 19,793,839	$ 42,614,035	$ 21,276,294	$ 18,710,612	$ 39,986,906

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



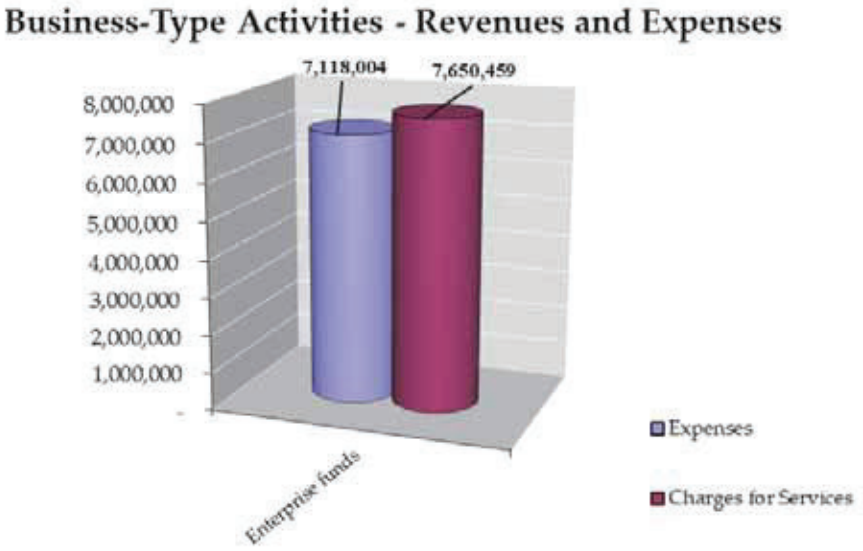
For the year ended September 30, 2025, revenues from governmental activities totaled $12,210,445. Property tax and sales tax are the City's largest revenue sources. Charges for services decreased by $201,117, or 21%, primarily due to lower tree mitigation fees. The prior year included a substantial one-time payment from a specific development project that did not recur in the current year. Grants and contributions increased by $185,581, or over 100%, due to a nonrecurring grant received from the Municipal Development District to support construction of a Gateway Monument at a primary entryway to the City, enhancing community identity and sense of place. Sales taxes increased by $112,661, or 6%, primarily due to sustained economic activity, with growth largely attributable to online sales subject to local sales tax allocation, given the City's limited brick-and-mortar commercial base. Franchise and local taxes increased $49,862, or 7%, primarily due to increased solid waste franchise fees resulting from a new service provider contract effective October 1, 2024. Other revenue decreased by $92,382, or 67%, primarily due to nonrecurring loss on sale of assets in the current year. The City did not record any such losses in the prior year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2025, expenses for governmental activities totaled $10,410,983. The City's largest functional expense is public safety of $4,176,482, which includes administrative and operating costs for the City's police department. City administration expenses increased by $133,827, or 15%, primarily due to recognizing a full year's salary for the new assistant city manager who was hired in July 2024. Public works expenses decreased by $106,677, or 7%, primarily due to nonrecurring building repairs/maintenance costs incurred in the prior year. Information technology expenses increased by $78,392, or 21%, primarily due to nonrecurring contracting for a vulnerability assessment in the current year. The purpose of the assessment is to identify, evaluate, and report security weaknesses in the City's IT systems, applications, and networks. Building codes and permit expenses increased $86,592, or 32%, primarily due to the City having a vacancy for the building official position in the prior year. Municipal court expenses increased $206,607, or 76%, primarily due to the recording of an allowance for uncollectible court fines totaling $232,498 as part of standard accounting procedures. The City did not record any significant bad debt expenses in the prior year. All other expenses remained relatively consistent with the previous year.

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



For the year ended September 30, 2025, charges for services by business-type activities totaled $7,650,459. Charges for services increased by $675,945, or 10%, primarily due to an increase in the utility debt service fee assessed to fund annual debt service payments on certificates of obligation issued for utility infrastructure improvements. Investment income increased by $133,557, or 31%, due to greater interest-bearing accounts in the current year. Other revenue increased $42,685, or 73%, primarily due to gains on sale of assets in the current year.

For the year ended September 30, 2025, total business-type expenses increased $776,931, or 12%, compared to the prior year. Water and wastewater expenses increased $522,912, or 8%, with roughly half of the increase attributable to personnel costs associated with filling prior-year vacancies and the other half related to increased water purchase costs and the implementation of a tank maintenance program to support long-term asset preservation. Interest and fiscal charges increased $254,019, or over 100%, due to bond issuance and interest costs in the current year, resulting from current year bond issuance.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the

City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.
As of the end of the year the general fund reflected a total fund balance of $8,665,656, $3,575,668 of which was unassigned. The general fund increased by $996,867 primarily due to greater than anticipated revenues, less than anticipated expenditures, and a decline in transfers (out) to other funds compared to the prior year. In addition, sales tax revenues increased 6% due to local economic growth and capital outlay related expenditures decreased by $188,689 compared to fiscal year 2024.

As of the end of the year the strategic & capital project fund reflected a total fund balance of $1,089,978, a decrease of $1,207,512. The decrease was primarily due to capital outlay expenditures exceeding transfers in from other funds during the year.

The bond capital fund reflected a fund balance of $3,162,587, a decrease of $434,063. The decrease was due to capital outlay expenditures exceeding investment income during the year.

The equipment replacement fund reflected a fund balance of $1,542,604, an increase of $322,438 from the previous year. The increase was solely a result of transfers in from other funds during the year.

The debt service fund reflected a fund balance of $33,680, a decrease of $71,267 from the previous year. The decrease was primarily due to debt service payments exceeding revenues during the year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund ended the fiscal year with a total positive budgetary variance of $1,241,315. Revenues exceeded the final budget by $284,951, primarily driven by stronger-than-anticipated property tax collections. Property tax revenue increased as a result of the tax levy rising following the resolution of a significant number of appraisal review board protests, which had previously constrained the taxable value base. Sales tax receipts also outperformed budget projections, with continued growth in online sales activity contributing to higher collections. In addition, investment income exceeded budget expectations as interest rates remained elevated throughout much of the fiscal year, allowing the City to capitalize on favorable market conditions.

Other financing sources surpassed budget by $168,305 , largely attributable to proceeds from the sale of surplus City assets and the recognition of Subscription-Based Information Technology Arrangements (SBITAs) entered into during the year. On the expenditure side, total expenditures were $788,059 below budget. The favorable variance was primarily concentrated in public safety and engineering personnel costs due to vacancies that existed throughout portions of the year. Additional savings were realized from lower-than-anticipated software expenditures and other operational efficiencies. Collectively,

these variances reflect conservative budgeting practices, strong revenue performance, and prudent expenditure management during the fiscal year.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested $15,500,926 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested $13,540,200 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Significant capital asset activity during the current year include the following:

- Completion of Tivoli Way drainage project with expenditures totaling $755,028.
- Construction of a High-Water Alert Lifesaving Technology (HALT) system on Rolling Acres Trail totaling $167,567. The HALT system provides automated monitoring and warning capabilities at low-water crossings to enhance public safety during heavy rainfall events and flash flooding conditions.
- Design costs for the Dietz Elkhorn and Ammann Road reconstruction projects totaling $598,686, and completion of Battle Intense roadway improvements totaling $158,292.
- Improvements to City facilities and technology infrastructure, including completion of City Hall renovations ($58,958), access control system upgrades for City Hall, Police, and Fire Station #3 facilities ($70,311), and network and computer equipment upgrades ($108,804).
- Construction of a Gateway monument at the City's primary entrance totaling $226,320, funded through a grant from the Municipal Development District.
- Ongoing utility infrastructure improvements totaling $2,540,103, consisting of well improvements ($334,038), water line improvements ($955,850), Wastewater Treatment Plant upgrades ($410,686), the Water Plant 5 storage tank expansion ($287,492), and continued progress on the elevated storage tank project ($552,037).
- Acquisition of new vehicles and equipment for governmental activities ($348,412) and business-type activities ($160,748), partially funded through the Capital Replacement Fund to support planned replacement of vehicles and equipment.

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of $17,610,000 (excluding premiums). The City issued new Certificates of Obligation for $7,815,000. During the year, the City

made principal payments on these bonds of $1,990,000. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the fiscal year 2026 budget, elected officials considered current economic conditions, projected growth, and long-term financial sustainability when establishing tax rates and user fees. The City adopted an ad valorem tax rate of $0.2853 per $100 of assessed valuation for fiscal year 2026, unchanged from fiscal year 2025. However, due to continued growth and increasing property valuations, property tax revenues are projected to increase approximately 7% over the prior year.
Water and wastewater volumetric rates remain unchanged for fiscal year 2026. Continued residential and commercial growth is expected to generate modest increases in utility revenues compared to fiscal year 2025.

Fiscal year 2026 priorities include continued implementation of the City's Strategic Plan and advancement of the Capital Improvement Program to address infrastructure needs, support growth, and maintain service levels.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Fair Oaks Ranch's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the contact City Hall, 7286 Dietz Elkhorn, Fair Oaks Ranch, Texas 78015 (210-698-0900) or (866-258-2505).

FINANCIAL STATEMENTS

City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 11,016,854	$ 19,138,568	$ 30,155,422
Restricted cash	3,265,584	-	3,265,584
Receivables, net	693,292	746,061	1,439,353
Due from component unit	225,999	-	225,999
Inventory	-	214,376	214,376
Prepaids	133,420	56,299	189,719
Due from the fiduciary fund	2,565	-	2,565
Internal balances	273,680	(273,680)	-
Total Current Assets	15,611,394	19,881,624	35,493,018
Capital assets:			
Non-depreciable	992,488	3,028,289	4,020,777
Net depreciable capital assets	14,508,438	10,511,911	25,020,349
Total Noncurrent Assets	15,500,926	13,540,200	29,041,126
Total Assets	31,112,320	33,421,824	64,534,144
Deferred Outflows of Resources			
Pension outflows	415,134	154,733	569,867
OPEB outflows	1,641	612	2,253
Total Deferred Outflows of Resources	416,775	155,345	572,120

See Notes to Financial Statements.

Component Unit Municipal Dev. District
$ 3,899,293
-
89,840
-
-
-
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3,989,133
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3,989,133
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City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	$ 913,859	$ 548,568	$ 1,462,427
Accrued interest	33,803	85,017	118,820
Customer deposits	-	1,780	1,780
Unearned revenue	-	145,712	145,712
Due to primary government	-	-	-
Compensated absences, current	480,813	195,829	676,642
Long term debt due within one year	680,117	846,931	1,527,048
Total Current Liabilities	2,108,592	1,823,837	3,932,429
Noncurrent liabilities:			
Debt due in more than one year	5,492,411	11,540,153	17,032,564
Compensated absences, noncurrent	167,757	68,922	236,679
OPEB liability- TMRS	95,211	35,488	130,699
Net pension liability	609,853	227,310	837,163
Total Noncurrent Liabilities	6,365,232	11,871,873	18,237,105
Total Liabilities	8,473,824	13,695,710	22,169,534
Deferred Inflows of Resources			
Pension inflows	211,166	78,708	289,874
OPEB inflows	23,909	8,912	32,821
Total Deferred Inflows of Resources	235,075	87,620	322,695
Net Position			
Net investment in capital assets	12,059,408	11,195,334	23,254,742
Restricted for:			
Municipal court and felony forfeiture	114,968	-	114,968
PEG fees	4,319	-	4,319
Public safety	24,427	-	24,427
Debt service	33,680	-	33,680
Unrestricted	10,583,394	8,598,505	19,181,899
Total Net Position	$ 22,820,196	$ 19,793,839	$ 42,614,035

See Notes to Financial Statements.

Component Unit Municipal Dev. District
$ -
-
-
-
225,999
-
-
225,999
-
-
-
-
-
225,999
-
-
-
-
-
-
-
-
3,763,134
$ 3,763,134

City of Fair Oaks Ranch, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities			
Mayor & council	$ 10,063	$ -	$ -
City administration	1,027,218	393,261	327,407
City secretary	276,298	-	-
Human resources & communication	247,195	-	-
Finance	415,724	-	-
Information technology	449,822	-	-
Municipal court	477,459	162,547	-
Public safety	4,176,482	2,061	-
Public works	1,327,182	-	-
Building codes and permits	357,411	202,997	-
Engineering & planning	1,435,123	-	-
Interest and fiscal charges	211,006	-	-
Total Governmental Activities	10,410,983	760,866	327,407
Business-Type Activities			
Water and wastewater	6,710,554	7,650,459	-
Interest and fiscal charges	407,450	-	-
Total Business-Type Activities	7,118,004	7,650,459	-
Total Primary Government	$ 17,528,987	$ 8,411,325	$ 327,407
Component Units			
Municipal Development District	267,947	-	-
	$ 267,947	$ -	$ -

General Revenues:	
Taxes	
Property taxes	
Sales taxes	
Franchise and local taxes	
Investment income	
Other revenues	
Total General Revenues	
Change in Net Position	
Beginning Net Position (as previously presented)	
New Acct. Standard - GASB 101	
Beginning Net Position (as adjusted)	
Ending Net Position	

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Municipal Dev. District
$ (10,063)	$ -	$ (10,063)	$ -
(306,550)	-	(306,550)	-
(276,298)	-	(276,298)	-
(247,195)	-	(247,195)	-
(415,724)	-	(415,724)	-
(449,822)	-	(449,822)	-
(314,912)	-	(314,912)	-
(4,174,421)	-	(4,174,421)	-
(1,327,182)	-	(1,327,182)	-
(154,414)	-	(154,414)	-
(1,435,123)	-	(1,435,123)	-
(211,006)	-	(211,006)	-
(9,322,710)	-	(9,322,710)	-
-	939,905	939,905	-
-	(407,450)	(407,450)	-
-	532,455	532,455	-
(9,322,710)	532,455	(8,790,255)	-
			(267,947)
			(267,947)
7,651,746	-	7,651,746	-
1,929,946	-	1,929,946	540,112
793,093	-	793,093	-
700,984	561,211	1,262,195	159,514
46,403	100,779	147,182	-
11,122,172	661,990	11,784,162	699,626
1,799,462	1,194,445	2,993,907	431,679
21,276,294	18,710,612	39,986,906	3,331,455
(255,560)	(111,218)	(366,778)	-
21,020,734	18,599,394	39,620,128	3,331,455
$ 22,820,196	$ 19,793,839	$ 42,614,035	$ 3,763,134

City of Fair Oaks Ranch, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025

	General	Strategic & Capital Project	Bond Capital Fund	Debt Service
Assets				
Cash and cash equivalents	$ 9,918,599	$ -	$ 21,132	$ 33,422
Restricted cash	-	-	3,265,584	-
Prepaids	133,420	-	-	-
Receivables, net	675,429	-	-	17,863
Due from component unit	225,999	-	-	-
Due from other funds	-	1,308,357	-	-
Due from fiduciary fund	2,565	-	-	-
Total Assets	$ 10,956,012	$ 1,308,357	$ 3,286,716	$ 51,285
Liabilities				
Accounts payable and accrued liabilities	$ 571,351	$ 218,379	$ 124,129	$ -
Due to other funds	1,563,781	-	-	-
Total Liabilities	2,135,132	218,379	124,129	-
Deferred Inflows of Resources				
Unavailable revenue				
Property taxes	129,689	-	-	17,605
Court fines	25,535	-	-	-
Total Deferred Inflows of Resources	155,224	-	-	17,605
Fund Balances				
Nonspendable:				
Prepaids	133,420	-	-	-
Restricted for:				
Municipal court and felony forfeiture	84,767	-	-	-
PEG fees	4,319	-	-	-
Public safety	24,427	-	-	-
Capital projects	-	-	3,162,587	-
Debt service	-	-	-	33,680
Vehicle/equip. replacement	-	-	-	-
Assigned for:				
Strategic expenditures	-	1,089,978	-	-
Capital equipment	-	-	-	-
Legal and tree mitigation reserve	154,936	-	-	-
Six month operating reserve	4,688,119	-	-	-
Unassigned reported in:				
General fund	3,575,668	-	-	-
Total Fund Balances	8,665,656	1,089,978	3,162,587	33,680
Total Liabilities, Deferred Inflows, and Fund Balances	$ 10,956,012	$ 1,308,357	$ 3,286,716	$ 51,285

See Notes to Financial Statements.

Equipment Replacement	Nonmajor Governmental	Total Governmental Funds
$ 1,013,500	$ 30,201	$ 11,016,854
-	-	3,265,584
-	-	133,420
-	-	693,292
-	-	225,999
529,104	-	1,837,461
-	-	2,565
$ 1,542,604	$ 30,201	$ 17,175,175
$ -	$ -	$ 913,859
-	-	1,563,781
-	-	2,477,640
-	-	147,294
-	-	25,535
-	-	172,829
-	-	133,420
-	30,201	114,968
-	-	4,319
-	-	24,427
-	-	3,162,587
-	-	33,680
-	-	-
-	-	1,089,978
1,542,604	-	1,542,604
-	-	154,936
-	-	4,688,119
-	-	3,575,668
1,542,604	30,201	14,524,706
$ 1,542,604	$ 30,201	$ 17,175,175

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City of Fair Oaks Ranch, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2025

Fund Balances - Total Governmental Funds	$	14,524,706
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		992,488
Capital assets - net depreciable		14,508,438
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		147,294
Court receivables		25,535
Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure)/(revenue) until then.		
Pension outflows		415,134
Pension inflows		(211,166)
OPEB outflows		1,641
OPEB inflows		(23,909)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(33,803)
Compensated absences		(648,570)
Bond premiums		(205,946)
Long-term debt obligations, excluding premiums		(5,966,582)
Net pension liability		(609,853)
OPEB liability - TMRS		(95,211)
Net Position of Governmental Activities	$	22,820,196

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 1 of 2)

For the Year Ended September 30, 2025

	General	Strategic Projects	Bond Capital Fund	Debt Service
Revenues				
Property tax	$ 6,772,561	$ -	$ -	$ 915,511
Sales tax	1,929,946	-	-	-
Franchise and local taxes	793,093	-	-	-
License and permits	202,997	-	-	-
Animal control	2,061	-	-	-
Utility management fee	295,847	-	-	-
Contributions and donations	327,407	-	-	-
Other fees and services	97,414	-	-	-
Fines and forfeitures	122,568	-	-	-
Investment income	541,869	-	152,901	6,214
Other revenue	187,182	-	-	-
Total Revenues	11,272,945	-	152,901	921,725
Expenditures				
Current:				
Mayor & council	10,063	-	-	-
City administration	715,908	-	-	-
City secretary	274,981	-	-	-
Human resources & communication	246,162	-	-	-
Finance	411,250	-	-	-
Information technology	390,068	-	-	-
Municipal court	244,252	-	-	-
Public safety	3,912,726	-	-	-
Public works	858,161	-	-	-
Building codes and permits	354,515	-	-	-
Engineering & planning	1,430,681	-	-	-
Nondepartmental	204,164	-	-	-
Debt service:				
Principal	93,216	-	-	785,000
Interest and fiscal charges	9,945	-	-	207,992
Capital outlay	601,853	1,577,512	586,964	-
Total Expenditures	9,757,945	1,577,512	586,964	992,992
Excess of Revenues Over (Under) Expenditures	1,515,000	(1,577,512)	(434,063)	(71,267)

Equipment Replacement	Nonmajor Governmental	Total Governmental Funds
$ -	$ -	$ 7,688,072
-	-	1,929,946
-	-	793,093
-	-	202,997
-	-	2,061
-		295,847
-	-	327,407
-	-	97,414
-	6,705	129,273
-	-	700,984
-	-	187,182
-	6,705	12,354,276
-	-	10,063
-	-	715,908
-	-	274,981
-	-	246,162
-	-	411,250
-	-	390,068
-		244,252
-	-	3,912,726
-	-	858,161
-	-	354,515
-	-	1,430,681
-	-	204,164
-	-	878,216
-	-	217,937
-	-	2,766,329
-	-	12,915,413
-	6,705	(561,137)

City of Fair Oaks Ranch, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS (Page 2 of 2)
For the Year Ended September 30, 2025

	General	Strategic & Capital Project	Bond Capital Fund	Debt Service
Other Financing Sources (Uses)				
Transfers in	$ -	$ 370,000	$ -	$ -
Transfers (out)	(715,934)	-	-	-
Sale of assets	52,185	-	-	-
SBITA lease issuance	145,616	-	-	-
Total Other Financing Sources (Uses)	(518,133)	370,000	-	-
Net Change in Fund Balances	996,867	(1,207,512)	(434,063)	(71,267)
Beg. Fund Balance, as previously reported	7,668,789	2,297,490	3,596,650	-
Change in reporting entity (nonmajor to major)	-	-	-	104,947
Beg. Fund Balance, as adjusted	7,668,789	2,297,490	3,596,650	104,947
Ending Fund Balances	$ 8,665,656	$ 1,089,978	$ 3,162,587	$ 33,680

See Notes to Financial Statements.

Equipment Replacement	Nonmajor Governmental	Total Governmental Funds
$ 322,438	$ 23,496	$ 715,934
-	-	(715,934)
-	-	52,185
-	-	145,616
322,438	23,496	197,801
322,438	30,201	(363,336)
1,220,166	104,947	14,888,042
-	(104,947)	-
1,220,166	-	14,888,042
$ 1,542,604	$ 30,201	$ 14,524,706

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City of Fair Oaks Ranch, Texas

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

For the Year Ended September 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	$	(363,336)
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		2,715,288
Depreciation expense		(835,037)
Adjustment for disposal of capital assets		(280,708)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Court receivables		(199,224)
Property tax receivable		(36,326)
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		(83,134)
Accrued interest		(8,825)
Pension expense		38,696
OPEB - TMRS expense		15,968
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
SBITA lease issuance		(145,616)
Impact of SBITA lease contract termination		87,744
Current year amortization of bond premiums		15,756
Principal payments		878,216
Change in Net Position of Governmental Activities	$	1,799,462

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUNDS

September 30, 2025

	Water & Wastewater Fund
Assets	
Current Assets	
Cash and cash equivalents	$ 19,138,568
Receivables, net	746,061
Inventory	214,376
Prepaids	56,299
Total Current Assets	20,155,304
Noncurrent Assets	
Capital assets:	
Non-depreciable	3,028,289
Net depreciable capital assets	10,511,911
Total Noncurrent Assets	13,540,200
Total Assets	33,695,504
Deferred Outflows of Resources	
Pension outflows	154,733
OPEB outflows	612
Total Deferred Outflows of Resources	155,345

City of Fair Oaks Ranch, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUNDS

September 30, 2025

	Water & Wastewater Fund
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	$ 548,568
Accrued interest	85,017
Customer deposits	1,780
Unearned revenue	145,712
Due to other funds	273,680
Compensated absences - current	195,829
Long-term debt-current	846,931
Total Current Liabilities	2,097,517
Noncurrent Liabilities	
Compensated absences, noncurrent	68,922
Net pension liability	227,310
OPEB liability - TMRS	35,488
Long term debt-noncurrent	11,540,153
Total Noncurrent Liabilities	11,871,873
Total Liabilities	13,969,390
Deferred Inflows of Resources	
Pension inflows	78,708
OPEB inflows	8,912
Total Deferred Inflow of Resources	87,620
Net Position	
Net investment in capital assets	11,195,334
Unrestricted	8,598,505
Total Net Position	$ 19,793,839

See Notes to Financial Statements.

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City of Fair Oaks Ranch, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Water & Wastewater Fund
Operating Revenues	
Charges for services	$ 7,650,459
Other revenue	100,779
Total Operating Revenues	7,751,238
Operating Expenses	
Personnel	2,167,991
Professional fees	360,926
Repairs/maintenance	508,909
Administration	477,872
Utilities	246,190
Management fees	295,847
Water reservation fees	1,575,572
Depreciation	1,077,247
Total Operating Expenses	6,710,554
Operating Income (Loss)	1,040,684
Nonoperating Revenues (Expenses)	
Investment income	561,211
Bond issuance costs	(197,726)
Interest and amortization expense	(209,724)
Total Nonoperating Revenues (Expenses)	153,761
Change in Net Position	1,194,445
Beginning net position (as previously presented)	18,710,612
GASB 101 Restatement	(111,218)
Beginning net position (as adjusted)	18,599,394
Ending Net Position	$ 19,793,839

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2025

	Water & Watewater Fund
Cash Flows from Operating Activities	
Receipts from customers	$ 7,677,056
Payments to suppliers	(3,491,648)
Payments to employees	(2,042,572)
Net Cash Provided by (Used) by Operating Activities	2,142,836
Cash Flows from Capital and Related Financing Activities	
Capital purchases	(2,738,326)
Disposals of capital assets	42,319
Impact of SBITA lease contract termination	(44,543)
Proceeds from capital debt	8,127,726
Principal paid on debt	(1,278,883)
Bond issuance costs paid	(197,726)
Interest paid on debt	(152,998)
Net Cash Provided (Used) by Capital and Related Financing Activities	3,757,569
Cash Flows from Investing Activities	
Interest on investments	561,211
Net Cash Provided by Investing Activities	561,211
Net Increase (Decrease) in Cash and Cash Equivalents	6,461,616
Beginning cash and cash equivalents	12,676,952
Ending Cash and Cash Equivalents	$ 19,138,568

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2025

	Water & Wastewater Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income / (Loss)	$ 1,040,684
Adjustments to reconcile operating income / (loss) to net cash provided / (used):	
Depreciation	1,077,247
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(75,962)
Inventory	(16,393)
Prepaids	(2,571)
Deferred outflows of resources - pension	1,072
Deferred outflows of resources - OPEB	(363)
Deferred inflows of resources - pension	74,805
Increase (Decrease) in:	
Accounts payable and accrued liabilities	261,536
Due to other funds	(268,904)
Compensated absences	29,443
Customer deposits	1,780
Net pension liability	3,700
OPEB liabilities	16,762
Net Cash Provided (Used) by Operating Activities	$ 2,142,836
Schedule of Noncash Capital and Related Financing Activities	
SBITA debt issuance	$ 144,638

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

September 30, 2025

		Employee Benefit Trust Fund
Assets		
Cash and cash equivalents		$ 13,677
Other receivables		1,959
	Total Assets	15,636
Liabilities		
Due to the general fund		2,565
	Total Liabilities	2,565
Net Position		
Net position held in trust for employees		13,071
	Total Net Position	13,071
	Total Liabilities and Net Position	$ 15,636

See Notes to Financial Statements.

City of Fair Oaks Ranch, Texas

STATEMENT OF CHANGES IN NET POSITION

FIDUCIARY FUND

For the Year Ended September 30, 2025

		Employee Benefit Trust Fund
Additions:		
Contributions from employees		$ 36,581
	Total Additions	$ 36,581
Deductions:		
Benefit payments		34,121
	Total Deductions	34,121
Increase (decrease) in net position		2,460
Net position, beginning of year		10,611
Net position, end of year		$ 13,071

See Notes to Financial Statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

The City of Fair Oaks Ranch, Texas (the "City") was incorporated on January 27, 1988, and operates under a Council-Manager form of government.

The City Council is the principal legislative and administrative body of the City.

The City Manager is the head of the administrative departments of the City and is the supervisor of all administrative officers, employees, directors, and department heads. Departments and agencies of the City submit budget requests to the City Manager.

The City provides the following services: general government, streets, public safety, municipal court, public works, and water and wastewater services.

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

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

Discretely Presented Component Unit

Fair Oaks Ranch Municipal Development District ("MDD")

The City of Fair Oaks Ranch Municipal Development District ("MDD") was organized in accordance with Chapter 377 of the Texas Local Government Code for the purpose of developing and financing projects beneficial to the City. The MDD collects a ½ cent sales tax to finance projects that promote the economic growth in the City. The City Council appoints the governing Board of the MDD and approves annual budgets. The MDD meets the criteria of a discretely presented component unit, described as above, and is presented in the government-wide financial statements. Complete financial statements for the Fair Oaks Ranch Municipal Development District may be obtained at City Hall.

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

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

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

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

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

The government reports the following major governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The City presents the following major governmental funds.

General Fund

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

Strategic & Capital Project Fund

The City's strategic & capital project fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

Equipment Replacement Fund

The City's equipment replacement fund accounts for funds assigned for capital equipment additions.

Debt Service Fund

The debt service fund is used to account for debt service activities for governmental fund types.

Bond Capital Fund

The City's bond capital fund is a fund established to account for capital outlays financed by general obligation bond proceeds. Capital projects funded by general obligation bonds generally include large-scale infrastructure projects, such as building new or reconstructing existing roads.

The government reports the following nonmajor governmental funds:

Court Security & Technology Fund

The court security & technology fund is used to account for court fees that are legally restricted for court security and technology expenses.

Court Efficiency Fund

The court efficiency fund is a dedicated account designed to support the technology, personnel, and operational costs of the municipal court system.

Court Youth Diversion Fund

The court youth diversion fund accounts for court fees that are legally restricted to offset the operational costs of youth diversion program expenses.

Court Jury Fund

The court jury fund accounts for court fees collected to be used to pay for jury duty reimbursements.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues

and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB). The City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise funds:

Water and Wastewater Fund

This fund is used to account for the operations that provide water and wastewater services to the citizens of the City. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

The government reports the following fiduciary fund types:

Fiduciary Fund

The City's fiduciary fund used to account for resources held in trust for employees to pay for employee medical expenses. Contributions into the fund come from the employees.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross

amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

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

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time

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

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

1. Deposits and Investments

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

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

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

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools
- No-load money market mutual funds that comply with SEC Rule 2a-7

2. Fair Value

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

3. Receivables and Interfund Transactions

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

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

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

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

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

6. Capital Assets

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

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

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

Asset Description	Estimated Useful Life
Machinery & equipment	5 - 10 years
Utility system in service	20 – 40 years
Infrastructure	5 - 40 years
Land improvements	5 – 10 years
Buildings and improvements	20 - 40 years
Right-to-use lease assets	2 – 5 years
Right-to-use SBITA assets	2 – 5 years

7. Deferred Outflows/Inflows of Resources

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

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

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

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

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

11. Compensated Absences

The City allows employees who are eligible for vacation and sick leave (compensated absences) to accumulate and carry over the accumulation to subsequent years within certain limitations. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Sick leave days are not paid when an employee leaves City employment. A liability is recorded for sick leave for the portion that is considered likely to be used or paid out.

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

12. Long-Term Obligations

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

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

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

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

13. Unearned revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue is carried as a liability until the revenue recognition criteria are met and the liability is relieved to revenue.

14. Estimates

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

15. Pensions

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

16. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDBF) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month

period preceding the month of death. The death benefit amount for retirees is $7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

17. Leases

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

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

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

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

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

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

18. Subscription Based Information Technology Arrangements ("SBITA")

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and enterprise fund. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The general fund, debt service fund, strategic & capital project fund, bond capital fund, and equipment replacement fund maintain legally adopted budgets.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. All annual budget appropriations lapse at fiscal year end.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Investment Type	Carrying Value	Average Maturity (Years)
External investment pool - Texpool	$ 15,722,489	0.12
External investment pool - TexasCLASS	$ 16,615,884	0.12
Total	$ 32,338,373	
Portfolio weighted average maturity		0.12

As of September 30, 2025, the component unit had the following investments:

Investment Type	Carrying Value	Average Maturity (Years)
External investment pool - Texpool	$ 1,595,702	0.12
External investment pool - TexasCLASS	2,281,774	0.12
Total	$ 3,877,476	
Portfolio weighted average maturity		0.12

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity of its operating investment portfolio to less than 13 months. The City's investment portfolio policy limits the final stated maturity of any security to no more than two years; structuring the investment portfolio so that securities mature to meet cash

requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk – The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2025, the market values of pledged securities and FDIC exceeded bank balances.

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

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool

AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

TexasCLASS

Texas CLASS is a local government investment pool created to meet the cash management and short-term investment needs of Texas governmental entities. Texas CLASS Government seeks to provide participants with a competitive market yield while maintaining daily liquidity and a stable net asset value. Texas CLASS Government is rated 'AAAm' by S&P Global Ratings. There were no limitations or restrictions on withdrawals.

B. Receivables

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

	General	Debt Service	Water & Wastewater	Total
Property taxes	$ 129,690	$ 17,863	$ -	$ 147,553
Sales tax	332,931	-	-	332,931
Franchise & local taxes	163,891	-	-	163,891
Court	464,996	-	-	464,996
Other	48,416	-	-	48,416
Accounts	501	-	772,694	773,195
Allowance	(464,996)	-	(26,633)	(491,629)
	$ 675,429	$ 17,863	$ 746,061	$ 1,439,353

The Municipal Development District's $89,840 receivable at year end related entirely to sales tax.

C. Inventory

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

Inventory type	Cost
Water Department	$ 214,376
Total	$ 214,376

D. Capital Assets

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

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land and improvements	$ 116,798	$ -	$ -	$ 116,798
Construction in progress	2,165,274	1,487,994	(2,777,578)	875,690
Total capital assets not being depreciated	2,282,072	1,487,994	(2,777,578)	992,488
Capital assets, being depreciated:				
Buildings and improvements	4,037,291	70,312	962,316	5,069,919
Vehicles and equipment	3,246,462	457,215	(181,376)	3,522,301
Infrastructure	10,245,746	552,779	1,627,388	12,425,913
Right-of-use assets (office equip.) - leases	113,647	-	-	113,647
Right-of-use assets (software) - SBITA	247,160	146,988	(178,349)	215,799
Total capital assets being depreciated	17,890,306	1,227,294	2,229,979	21,347,579
Less accumulated depreciation				
Buildings and improvements	(1,659,793)	(124,105)	(56,765)	(1,840,663)
Vehicles and equipment	(1,999,381)	(343,909)	235,653	(2,107,637)
Infrastructure	(2,442,457)	(281,571)	-	(2,724,028)
Right-of-use assets (office equip.) - leases	(71,990)	(22,941)	-	(94,931)
Right-of-use assets (software) - SBITA	(97,374)	(62,511)	88,003	(71,882)
Total accumulated depreciation	(6,270,995)	(835,037)	266,891	(6,839,141)
Net capital assets being depreciated	11,619,311	392,257	2,496,870	14,508,438
Total Capital Assets	$ 13,901,383	$ 1,880,251	$ (280,708)	$ 15,500,926

Depreciation was charged to governmental functions as follows:

Administration	$ 101,067
Public safety	257,880
Information technology	57,817
Public works	418,273
Total Governmental Activities Depreciation Expense	$ 835,037

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

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 53,600	$ -	$ -	$ 53,600
Construction in progress	896,244	2,376,075	(297,630)	2,974,689
Total capital assets not being depreciated	949,844	2,376,075	(297,630)	3,028,289
Capital assets, being depreciated:				
Infrastructure	21,003,558	201,787	297,630	21,502,975
Vehicles and equipment	1,758,072	160,464	(145,377)	1,773,159
Right-of-use assets (office equip.) - leases	15,463	-	-	15,463
Right-of-use assets (software equip.) - SBITA	185,319	144,638	(100,186)	229,771
Total capital assets being depreciated	22,962,412	506,889	52,067	23,521,368
Less accumulated depreciation				
Infrastructure	(11,108,625)	(855,758)	-	(11,964,383)
Vehicles and equipment	(945,777)	(152,670)	145,377	(953,070)
Right-of-use assets (office equip.) - leases	(8,771)	(3,072)	-	(11,843)
Right-of-use assets (software equip.) - SBITA	(72,281)	(65,747)	57,867	(80,161)
Total accumulated depreciation	(12,135,454)	(1,077,247)	203,244	(13,009,457)
Net capital assets being depreciated	10,826,958	(570,358)	255,311	10,511,911
Total Capital Assets	$ 11,776,802	$ 1,805,717	$ (42,319)	$ 13,540,200

Depreciation was charged to business-type activities as follows:

Water	$ 686,740
Wastewater	390,507
Total Business-type Activities Depreciation Expense	$ 1,077,247

E. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended. The City uses the debt service and general funds to liquidate governmental activities debts. The City uses the enterprise fund to liquidate business-type activities debts.

	Beginning Balance	Additions	Other Reductions	Amortization/ Payments	Ending Balance	Amounts Due within One Year
Governmental Activities:						
Bonds, notes and other payables:						
General obligation bonds	$ 6,605,000	$ -	$ -	$ (785,000)	$ 5,820,000	$ 600,000
Less deferred amounts:						
For issuance premiums	221,702	-	-	(15,756)	205,946	-
Other liabilities:						
SBITA liabilities	137,729	145,616	(87,744) *	(69,570)	126,031	64,819
Lease liabilities	44,197	-	-	(23,646)	20,551	15,298
Total Governmental Activities	$ 7,008,628	$ 145,616	$ (87,744)	$ (893,972)	$ 6,172,528	$ 680,117
Long-term liabilities due in more than one year					$ 5,492,411	
Business-Type Activities:						
Bonds, notes and other payables:						
Certificates of obligation	$ 5,180,000	$ 7,815,000	$ -	$ (1,205,000)	$ 11,790,000	$ 775,000
Less deferred amounts:						
For issuance premiums	145,876	312,726	-	(7,293)	451,309	-
Other liabilities:						
SBITA liabilities	112,383	144,638	(44,543) *	(70,680)	141,798	68,954
Lease liabilities	7,180	-	-	(3,203)	3,977	2,977
Total Business-Type Activities	$ 5,445,439	$ 8,272,364	$ (44,543)	$ (1,286,176)	$ 12,387,084	$ 846,931
Long-term liabilities due in more than one year					$ 11,540,153	

* Contracts terminated prior to completion.

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

	Governmental Activities	Business - Type Activities
General Obligation Bonds:		
$7,000,000 General Obligation Bond, Series 2015, due in annual installments through 2030, interest at 1% to 3%	$ 2,575,000	$ -
$3,550,000 General Obligation Bond, Series 2024, due in installments through 2044, interest at 4% to 5%	3,245,000	-
Total General Obligation Bonds	$ 5,820,000	$ -
Certificates of Obligation:		
$2,660,000 Certificates of Obligation, Series 2020, due in annual installments through 2029, interest at 1.01%	$ -	$ 1,150,000
$3,705,000 Certificates of Obligation, Series 2024, due in installments through 2044, interest at 4% to 5%	-	2,825,000
$7,815,000 Certificates of Obligation, Series 2025, due in installments through 2045, interest at 4% to 5%	-	7,815,000
Total Certificates of Obligation	$ -	$ 11,790,000
Plus Deferred Amounts:		
Issuance premium	$ 205,946	$ 451,309
Total Deferred Amounts	$ 205,946	$ 451,309
SBITA Liabilities:		
$215,842 software subscriptions (15 in total), due in installments through 2028, interest at 3.88% to 4.92%	$ 126,031	$ -
$229,720 software subscriptions (12 in total), due in installments through 2028, interest at 3.88% to 4.92%	-	141,798
Total SBITA Liabilities	$ 126,031	$ 141,798
Lease Liabilities:		
$104,630 lease payables for office equipment, due in annual installments through 2027, interest 5.25%	20,551	3,977
Total Lease Liabilities	$ 20,551	$ 3,977
Total Long-term Liabilities	$ 6,172,528	$ 12,387,084

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending	General Obligation Bonds		Lease & SBITA Liabilities	
September 30,	Principal	Interest	Principal	Interest
2026	$ 600,000	$ 198,450	$ 80,117	$ 5,908
2027	615,000	180,450	56,816	2,601
2028	635,000	161,888	9,649	479
2029	655,000	142,700	-	-
2030	675,000	121,475	-	-
2031-2035	770,000	460,750	-	-
2036-2040	955,000	281,500	-	-
2041-2044	915,000	74,900	-	-
	$ 5,820,000	$ 1,622,113	$ 146,582	$ 8,988

The City has entered into multiple equipment lease agreements (GASB 87 and 96) under governmental activities. The lease agreements were for office equipment and software licenses. The lease agreements will be fully paid off in 2028. The current book value of the leases are $162,633 as of September 30, 2025.

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

Year ending	Certificates of Obligation		Lease & SBITA Liabilities	
September 30,	Principal	Interest	Principal	Interest
2026	$ 775,000	$ 472,424	$ 71,931	$ 5,270
2027	770,000	446,866	57,319	3,156
2028	655,000	424,508	16,525	934
2029	490,000	405,758	-	-
2030	405,000	386,575	-	-
2031-2035	2,340,000	1,603,725	-	-
2036-2040	2,950,000	994,700	-	-
2041-2045	3,405,000	335,500	-	-
	$ 11,790,000	$ 5,070,056	$ 145,775	$ 9,360

The City entered into General Obligation Bonds, Series 2025 in the current year. The bonds will be paid annually through February 1, 2045 and bear an interest rate ranging from 4% to 5%. The unpaid balance as of September 30, 2025 is $7,815,000.

The City has entered into multiple agreements (GASB 87 and 96) under governmental and business-type activities. The agreements were for office equipment and software licenses. The agreements will be fully paid off in 2028. The current book value of the leases are $162,633 and $153,230, respectively, as of September 30, 2025.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City.

F. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended September 30, 2025. In general, the City uses the general and enterprise funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	$ 565,436	$ 592,026	$ (508,892)	$ 648,570	$ 480,813
Total Governmental Activities	$ 565,436	$ 592,026	$ (508,892)	$ 648,570	$ 480,813
Other Long-term Liabilities Due in More than One Year				$ 167,757	
Business-Type Activities:					
Compensated Absences	$ 235,308	$ 241,220	$ (211,777)	$ 264,751	$ 195,829
Total Business-Type Activities	$ 235,308	$ 241,220	$ (211,777)	$ 264,751	$ 195,829
Other Long-term Liabilities Due in More than One Year				$ 68,922	

G. Unearned revenue

The City has entered into agreements with certain developers to provide water and wastewater services to planned future developments. The City has agreed to provide treated water from the City's water production, storage and distribution system and to provide wastewater service from the City's wastewater treatment plant, both of which may require expansion or modifications. The developers have agreed to extend utilities from their present locations to the boundaries of the developed properties and to provide for offsets and/or credits toward "Contributions in Aid of Construction". The City will credit the contributions in

aid provided by the developers against impact fees due upon development of the property. Impact fees are collected at the time a building permit is issued for a particular lot. Therefore, the contributions in aid are unearned until such time as the lots are permitted for construction. The City received $0 contributions in aid during the year ended September 30, 2025. The City has received $622,528 in contributions in aid to date and has earned a total of $476,816 in fees. The remaining $145,712 of contributions are reported as unearned revenue accordingly.

H. Interfund Transactions

Amounts transferred between funds relate to amounts collected, various capital expenditures, annual funding, and reallocation of pension expenses.

	Transfer In:			
Transfer Out:	Strategic & Capital Project	Equip. Replacement	Nonmajor Governmental	Total
General	$ 370,000	$ 322,438	$ 23,496	$ 715,934
	$ 370,000	$ 322,438	$ 23,496	$ 715,934

The composition of interfund due to/from balances as of the year ended September 30, 2025 were as follows:

	Due from (receivable fund):		
Due to (payable fund):	Strategic & Capital Project	Equip. Replacement	Total
General	$ 1,034,677	$ 529,104	$ 1,563,781
Water & wastewater	273,680	-	273,680
	$ 1,308,357	$ 529,104	$ 1,837,461

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

The composition of amounts owed to/from the primary government to the component unit as of September 30, 2025 were as follows:

	Receivable fund:
Payable fund:	**General Fund**
Fair Oaks Ranch MDD	$ 225,999
	$ 225,999

The composition of amounts owed to/from the primary government to the fiduciary fund as of September 30, 2025 were as follows:

	Receivable fund:
Payable fund:	**General Fund**
Employee Benefit Trust	$ 2,565
	$ 2,565

I. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of restrictions and assignments of fund balances for the City:

	Restricted	Assigned
Special revenue:		
Municipal court & forfeitures	$ 114,968 *	$ -
PEG fees	4,319 *	-
Public safety	24,427 *	-
Bond capital	3,162,587	-
Debt service	33,680	-
Strategic expenditures	-	1,089,978
Capital equipment	-	1,542,604
Legal and tree mitigation reserve	-	154,936
Six month operating reserve	-	4,688,119
Total	$ 3,339,981	$ 7,475,637

* Restricted by enabling legislation.

V. OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. The City corrects billing errors when identified. The City then assesses the impact of prior billings to determine whether any refunds or further billings are appropriate. Liabilities for any prior billing errors are recorded if and when known and probable, and calculable.

C. Pending Litigations

Jeremy Sagray v. City of Fair Oaks Ranch
The City is being sued for unreasonable search and seizure over a City warrant to search data on an Iphone of the plaintiff. This matter is scheduled to go through mediation in February 2026, and completion of discovery in March 2026. No trial date has been set.

The claim is covered under the City's liability insurance policy, subject to applicable deductibles. Management does not expect the resolution of this matter to have a material impact on the City's financial statements.

Lacey Gonzales v. City of Fair Oaks Ranch

The City is being sued for wrongful termination of former City police officer Lacey Gonzales. The plaintiff did not specify an exact damage amount within their petition, but is seeking lost wages and benefits from the City, emotional pain and suffering, mental anguish, inconvenience, loss of enjoyment of life, and attorney's fees and court costs. The litigation is set for trial on July 26, 2026. At this time, an evaluation of the likelihood of a favorable or unfavorable outcome cannot be made, nor can the amount or range of potential loss be estimated in the event of an unfavorable outcome.

D. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

E. Defined Benefit Pension Plans

1. Plan Description

The City of Fair Oaks Ranch, Texas participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of

the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

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

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

	Plan Year 2023	Plan Year 2024
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI Retroactive Repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	58
Active employees	72
Total	158

3. Contributions

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

Employees for the City of Fair Oaks Ranch were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Fair Oaks Ranch were 12.23% and 12.65% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $722,928, and were equal to the required contributions.

4. Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85% per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return

assumption under the various alternative asset allocation portfolios, Gabriel, Roeder, Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

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

Discount Rate:

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

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/23	$ 14,566,264	$ 13,038,348	$ 1,527,916
Changes for the year:			
Service Cost	973,137	-	973,137
Interest (on the Total Pension Liab.)	998,807	-	998,807
Change in assumptions	-	-	-
Difference between expected and actual experience	(252,286)	-	(252,286)
Contributions – employer	-	672,780	(672,780)
Contributions – employee	-	385,074	(385,074)
Net investment income	-	1,361,450	(1,361,450)
Benefit payments, including refunds of emp. contributions	(511,384)	(511,384)	-
Administrative expense	-	(8,688)	8,688
Other changes	-	(205)	205
Net changes	1,208,274	1,899,027	(690,753)
Balance at 12/31/24	$ 15,774,538	$ 14,937,375	$ 837,163

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:

1% Decrease 5.75%	Current Single Rate 6.75%	1% Increase 7.75%
$ 3,567,644	$ 837,163	$ (1,336,485)

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2025, the City recognized pension expense of $759,302.

At September 30, 2025, the City reported deferred outflows 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	$ -	$ (53,365)
Changes in assumptions	-	(43,038)
Difference between projected and investment earnings	-	(193,471)
Contributions subsequent to the measurement date	569,867	-
Total	$ 569,867	$ (289,874)

The City reported $569,867 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026.

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

Year ended December 31:	
2025	$ 34,352
2026	73,426
2027	(281,093)
2028	(116,559)
2029	-
Thereafter	-
	$ (289,874)

F. Postemployment Benefits Other Than Pensions

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 and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	11
Active employees	72
Total	102

The City's retiree contribution rates to the TMRS SDBF for the years ended 2025, 2024 and 2023 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2023	0.04%	0.04%	100.0%
2024	0.04%	0.04%	100.0%
2025	0.05%	0.05%	100.0%

The City's contributions to the TMRS SDBF for retirees for the years ended 2025 and 2024, were $2,753 and $2,198, respectively, which equaled the required contributions each year.

Total OPEB Liability – Supplemental Death Benefits Insurance Fund

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

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	4.08%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by the most recent Scale MP=2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

Discount Rate:

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

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

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

1% Decrease 3.08%	Current Single Rate 4.08%	1% Increase 5.08%
$ 157,102	$ 130,699	$ 110,360

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	$ 127,954
Changes for the year:	
Service Cost	8,252
Interest	4,938
Difference between expected and actual experience	(730)
Changes of assumptions	(7,515)
Benefit payments	(2,200)
Net changes	2,745
Balance at 12/31/24	$ 130,699

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

For the year ended September 30, 2025, the City recognized OPEB expense of $7,697.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	$ -	$ (6,750)
Changes in assumptions	-	(26,071)
Contributions subsequent to measurement date	2,253	-
Total	$ 2,253	$ (32,821)

The City reported $2,253 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026.

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

Year ended December 31:	
2025	$ (5,480)
2026	(6,509)
2027	(9,072)
2028	(9,902)
2029	(846)
Thereafter	(1,012)
	$ (32,821)

G. New Accounting Pronouncements

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

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

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

This standard was applied retroactively and resulted in a sick leave liability of $366,778 as of September 30, 2025.

H. Restatement

Due to the full implementation of GASB Statement No. 101, *Compensated Absences*, and change in reporting entity, the City restated beginning net position/fund balance for governmental activities, debt service fund, nonmajor governmental funds, business-type activities, and the water and wastewater fund. The restatements were as follows:

	Governmental Activities	Debt Service	Nonmajor Governmental	Business-Type Activities	Water & Wastewater
Prior year ending net position/fund balance, as reported	$ 21,276,294	$ -	$ 104,947	$ 18,710,612	$ 18,710,612
New Acct. Standard - GASB 101 (compensated absences)	(255,560)	-	-	(111,218)	(111,218)
Change in reporting entity (nonmajor to major)	-	104,947	(104,947)	-	-
Restated beginning net position/fund balance	$ 21,020,734	$ 104,947	$ -	$ 18,599,394	$ 18,599,394

I. Subsequent Events

There were no material subsequent events through March 4, 2026, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Fair Oaks Ranch, Texas

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

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property tax	$ 6,612,107	$ 6,612,107	$ 6,772,561	$ 160,454
Sales tax	1,870,222	1,870,222	1,929,946	59,724
Franchise and local taxes	762,350	762,350	793,093	30,743
License and permits	168,200	168,200	202,997	34,797
Animal control	1,495	1,495	2,061	566
Utility management fee	292,365	292,365	295,847	3,482
Contributions and donations	88,600	313,440	327,407	13,967
Other fees and services	68,050	68,050	97,414	29,364
Fines and forfeitures	207,300	207,300	122,568	(84,732)
Investment income	450,000	450,000	541,869	91,869
Other revenue	242,465	242,465	187,182	(55,283)
Total Revenues	10,763,154	10,987,994	11,272,945	284,951
Expenditures				
Current:				
Mayor & council	30,145	30,145	10,063	20,082
City administration	715,330	732,830	715,908	16,922
City secretary	295,019	275,519	274,981	538
Human resources & communication	277,823	277,823	246,162	31,661
Finance	408,207	418,557	411,250	7,307
Information technology	423,509	511,731	390,068	121,663
Municipal court	264,346	266,026	244,252	21,774
Public safety	4,255,849	4,281,576	3,912,726	368,850
Public works	934,618	939,917	858,161	81,756
Building codes and permits	368,910	370,419	354,515	15,904
Engineering & planning	1,680,774	1,693,981	1,430,681	263,300
Nondepartmental	225,704	223,814	204,164	19,650
Debt service:				
Principal	-	-	93,216	(93,216)
Interest and fiscal charges	-	-	9,945	(9,945)
Capital outlay	226,975	523,666	601,853	(78,187)
Total Expenditures	10,107,209	10,546,004	9,757,945	788,059
Revenues Over (Under) Expenditures	655,945	$ 441,990	$ 1,515,000	$ 1,073,010

City of Fair Oaks Ranch, Texas

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

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ -	$ -
Transfers (out)	(686,438)	(686,438)	(715,934)	(29,496)
Sale of assets	-	-	52,185	52,185
SBITA lease issuance	-	-	145,616	145,616
Total Other Financing Sources (Uses)	(686,438)	(686,438)	(518,133)	168,305
Net Change in Fund Balance	(30,493)	$ (244,448)	996,867	$ 1,241,315
Beginning fund balance			7,668,789	
Ending Fund Balance			$ 8,665,656	

Notes to Required Supplementary Information

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

City of Fair Oaks Ranch, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years ended December 31,

	2024	2023	2022	2021
Total pension liability				
Service cost	$ 973,137	$ 915,043	$ 836,697	$ 747,891
Interest (on the Total Pension Liability)	998,807	914,291	796,374	700,139
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(252,286)	(50,180)	433,116	186,130
Changes of assumptions	-	(75,520)	-	-
Benefit payments, including refunds of participant contributions	(511,384)	(449,807)	(267,066)	(238,666)
Net change in total pension liability	1,208,274	1,253,827	1,799,121	1,395,494
Total pension liability - beginning	14,566,264	13,312,437	11,513,316	10,117,822
Total pension liability - ending (a)	$ 15,774,538	$ 14,566,264	$ 13,312,437	$ 11,513,316
Plan fiduciary net position				
Contributions - employer	672,780	630,101	571,343	499,891
Contributions - members	385,074	376,340	342,708	302,440
Net investment income	1,361,450	1,301,500	(833,252)	1,250,635
Benefit payments, including refunds of participant contributions	(511,384)	(449,807)	(267,066)	(238,666)
Administrative expenses	(8,688)	(8,238)	(7,184)	(5,769)
Other	(205)	(58)	8,572	40
Net change in plan fiduciary net position	1,899,027	1,849,838	(184,879)	1,808,571
Plan fiduciary net position - beginning	13,038,348	11,188,510	11,373,389	9,564,818
Plan fiduciary net position - ending (b)	$ 14,937,375	$ 13,038,348	$ 11,188,510	$ 11,373,389
Fund's net pension liability - ending (a) - (b)	$ 837,163	$ 1,527,916	$ 2,123,927	$ 139,927
Plan fiduciary net position as a percentage of the total pension liability	94.69%	89.51%	84.05%	98.78%
Covered payroll	$ 5,501,056	$ 5,376,281	$ 4,895,830	$ 4,320,572
Fund's net position as a percentage of covered payroll	15.22%	28.42%	43.38%	3.24%

Notes to schedule:

2020	2019	2018	2017	2016	2015
$ 687,662	$ 648,430	$ 577,241	$ 483,263	$ 415,604	$ 372,932
618,696	550,195	478,426	428,795	377,577	347,674
-	-	-	-	-	-
100,676	(79,808)	86,113	(101,894)	47,016	(72,739)
-	51,465	-	-	-	51,102
(222,498)	(127,623)	(100,655)	(143,110)	(87,360)	(99,327)
1,184,536	1,042,659	1,041,125	667,054	752,837	599,642
8,933,286	7,890,627	6,849,502	6,182,448	5,429,611	4,829,969
$ 10,117,822	$ 8,933,286	$ 7,890,627	$ 6,849,502	$ 6,182,448	$ 5,429,611
464,390	437,261	400,446	$ 318,292	$ 276,800	$ 265,412
277,603	261,163	232,624	194,528	172,450	158,118
640,072	1,052,635	(193,745)	742,178	316,200	6,418
(222,498)	(127,623)	(100,655)	(143,110)	(87,360)	(99,327)
(4,131)	(5,933)	(3,738)	(3,841)	(3,568)	(3,909)
(161)	(178)	(195)	(195)	(192)	(193)
1,155,275	1,617,325	334,737	1,107,852	674,330	326,519
8,409,543	6,792,218	6,457,481	5,349,629	4,675,299	4,348,780
$ 9,564,818	$ 8,409,543	$ 6,792,218	$ 6,457,481	$ 5,349,629	$ 4,675,299
$ 553,004	$ 523,743	$ 1,098,409	$ 392,021	$ 832,819	$ 754,312
94.53%	94.14%	86.08%	94.28%	86.53%	86.11%
$ 3,965,754	$ 3,730,898	$ 3,323,206	$ 2,778,969	$ 2,463,571	$ 2,258,825
13.94%	14.04%	33.05%	14.11%	33.81%	33.39%

City of Fair Oaks Ranch, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Actuarially determined employer contributions	$ 722,928	$ 665,807	$ 628,870	$ 568,318
Contributions in relation to the actuarially determined contribution	$ 722,928	$ 665,807	$ 628,870	$ 568,318
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Annual covered payroll	$ 5,756,398	$ 5,496,024	$ 5,371,078	$ 4,880,414
Employer contributions as a percentage of covered payroll	12.56%	12.11%	11.71%	11.64%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There wer no benefit changes during the year.

9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
$ 490,444	$ 479,231	$ 427,169	$ 375,269	$ 306,515	$ 272,041
$ 490,444	$ 479,231	$ 427,169	$ 375,269	$ 306,515	$ 272,041
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,045,825	$ 4,091,573	$ 3,616,851	$ 3,150,696	$ 2,689,459	$ 2,387,202
12.12%	11.71%	11.81%	11.91%	11.40%	11.40%

City of Fair Oaks Ranch, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

Years ended December 31,

	2024	2023	2022	2021
Total OPEB liability				
Service cost	$ 8,252	$ 11,828	$ 13,219	$ 13,826
Interest (on the OPEB Liability)	4,938	4,695	3,106	2,913
Differences between expected and actual experience	(730)	(3,754)	(3,252)	2,905
Changes of assumptions	(7,515)	6,255	(63,202)	5,642
Benefit payments, including refunds of participant contributions	(2,200)	(2,151)	(1,958)	(1,728)
Net changes	2,745	16,873	(52,087)	23,558
Total OPEB liability - beginning	127,954	111,081	163,168	139,610
Total OPEB liability - ending	$ 130,699	$ 127,954	$ 111,081	$ 163,168
Covered-employee payroll	$ 5,501,056	$ 5,376,281	$ 4,895,830	$ 4,320,572
Total OPEB Liability as a percentage of	2.38%	2.38%	2.27%	3.78%

Notes to schedule:

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

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

2020	2019	2018	2017 [1]
$ 10,311	$ 7,462	$ 7,311	$ 5,280
3,233	3,385	2,830	2,653
(6,486)	(5,875)	2,643	-
20,334	20,311	(6,763)	6,688
(397)	(373)	(332)	(278)
26,995	24,910	5,689	14,343
112,615	87,705	82,016	67,673
$ 139,610	$ 112,615	$ 87,705	$ 82,016 [2]
$ 3,965,754	$ 3,730,898	$ 3,323,206	$ 2,778,969
3.52%	3.02%	2.64%	2.95%

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OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

COURT SECURITY & TECHNOLOGY FUND

This fund accounts for court fees that are legally restricted for court security and technology expenses.

COURT EFFICIENCY FUND

This fund is a dedicated account designed to support the technology, personnel, and operational costs of the municipal court system.

COURT YOUTH DIVERSION FUND

This fund accounts for court fees that are legally restricted to offset the operational costs of youth diversion program expenses.

COURT JURY

This fund accounts for court fees collected to be used to pay for jury duty reimbursements.

City of Fair Oaks Ranch, Texas

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2025

	Debt Service	Court Security & Technology	Court Efficiency	Court Youth Diversion
Assets				
Cash and cash equivalents	$ -	$ 2,044	$ 1,951	$ 25,842
Total Assets	$ -	$ 2,044	$ 1,951	$ 25,842
Fund Balances				
Restricted for:				
Municipal court	-	2,044	1,951	25,842
Total Fund Balances	-	2,044	1,951	25,842
Total Liabilities, Deferred Inflows, and Fund Balances	$ -	$ 2,044	$ 1,951	$ 25,842

Court Jury	Total Nonmajor Governmental
$ 364	$ 30,201
$ 364	$ 30,201
364	30,201
364	30,201
$ 364	$ 30,201

City of Fair Oaks Ranch, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	Debt Service	Court Security & Technology	Court Efficiency	Court Youth Diversion
Revenues				
Fines and forfeitures	$ -	$ 2,044	$ 270	$ 4,308
Total Revenues	-	2,044	270	4,308
Excess of Revenues Over (Under) Expenditures	-	2,044	270	4,308
Other Financing Sources (Uses)				
Transfers in	-	-	1,681	21,534
Total Other Financing Sources (Uses)	-	-	1,681	21,534
Net Change in Fund Balances	-	2,044	1,951	25,842
Beg. fund balance, as previously reported	104,947	-	-	-
Change in reporting entity (nonmajor to major)	(104,947)	-	-	-
Beg. fund balance, as adjusted	-	-	-	-
Ending Fund Balances	$ -	$ 2,044	$ 1,951	$ 25,842

Court Jury	Total Nonmajor Governmental
$ 83	$ 6,705
83	6,705
83	6,705
281	23,496
281	23,496
364	30,201
-	104,947
-	(104,947)
-	-
$ 364	$ 30,201

City of Fair Oaks Ranch, Texas

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

For the Year Ended September 30, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)	
Revenues				
Property tax	$ 896,617	$ 915,511	$ 18,894	
Investment income	7,500	6,214	(1,286)	
Total Revenues	904,117	921,725	17,608	
Expenditures				
Debt service:				
Principal	785,000	785,000	-	
Interest and fiscal charges	206,265	207,992	(1,727)	
Total Expenditures	991,265	992,992	(1,727)	*
Revenues Over (Under) Expenditures	$ (87,148)	$ (71,267)	$ 15,881	
Net Change in Fund Balance	$ (87,148)	(71,267)	$ 15,881	
Beginning fund balance		104,947		
Ending Fund Balance		$ 33,680		

Notes to Other Supplementary Information

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

* 2. Expenditures exceeded appropriations at the legal level of control.

City of Fair Oaks Ranch, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL STRATEGIC AND CAPITAL PROJECT FUND

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures				
Capital outlay	$ 369,044	$ 2,841,894	$ 1,577,512	$ 1,264,382
Total Expenditures	369,044	2,841,894	1,577,512	1,264,382
Revenues Over (Under) Expenditures	$ (369,044)	$ (2,841,894)	$ (1,577,512)	$ 1,264,382
Other Financing Sources (Uses)				
Transfers in	370,000	370,000	370,000	-
Total Other Financing Sources	370,000	370,000	370,000	-
Net Change in Fund Balance	$ 956	$ (2,471,894)	(1,207,512)	$ 1,264,382
Beginning fund balance			2,297,490	
Ending Fund Balance			$ 1,089,978	

Notes to Other Supplementary Information

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

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City of Fair Oaks Ranch, Texas

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

For the Year Ended September 30, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses)			
Transfers in	$ 373,138	$ 322,438	$ (50,700)
Transfers (out)	(56,700)	-	56,700
Total Other Financing Sources (Uses)	316,438	322,438	6,000
Net Change in Fund Balance	$ 316,438	322,438	$ 6,000
Beginning fund balance		1,220,166	
Ending Fund Balance		$ 1,542,604	

Notes to Required Supplementary Information

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

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City of Fair Oaks Ranch, Texas

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

For the Year Ended September 30, 2025

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Investment income	$ 17,000	$ 152,901	$ 135,901
Total Revenues	17,000	152,901	135,901
Expenditures			
Capital outlay	2,953,621	586,964	2,366,657
Total Expenditures	2,953,621	586,964	2,366,657
Revenues Over (Under) Expenditures	$ (2,936,621)	$ (434,063)	$ 2,502,558
Other Financing Sources (Uses)			
Proceeds from bond issuance	3,585,000	-	(3,585,000)
Total Other Financing Sources	3,585,000	-	(3,585,000)
Net Change in Fund Balance	$ 648,379	(434,063)	$ (1,082,442)
Beginning fund balance		3,596,650	
Ending Fund Balance		$ 3,162,587	

Notes to Other Supplementary Information

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

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STATISTICAL SECTION

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

Contents **Page**

Financial Trends 110

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 122

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Debt Capacity 130

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 138

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information 142

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Fair Oaks Ranch, Texas

NET POSITIONS BY COMPONENT

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2016	2017	2018**	2019
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	$ 6,606,072	$ 6,898,385	$ 7,334,582	$ 7,576,143
Restricted	77,162	76,346	95,553	108,461
Unrestricted	2,089,120	2,714,487	3,277,879	5,128,445
Total governmental activities net position	$ 8,772,354	$ 9,689,218	$ 10,708,014	$ 12,813,049
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	$ 6,667,928	$ 8,682,584	$ 8,464,020	$ 8,466,058
Unrestricted	5,372,865	4,474,678	5,448,975	5,686,797
Total business-type activities net position	$ 12,040,793	$ 13,157,262	$ 13,912,995	$ 14,152,855
PRIMARY GOVERNMENT				
Net investment in capital assets	$ 13,274,000	$ 15,580,969	$ 15,798,602	$ 16,042,201
Restricted	77,162	76,346	95,553	108,461
Unrestricted	7,461,985	7,189,165	8,726,854	10,815,242
Total primary government net position	$ 20,813,147	$ 22,846,480	$ 24,621,009	$ 26,965,904

Source: The data in this schedule is extracted from the City's audited financial statements.

**Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.

2020	2021	2022	2023	2024	2025
$ 7,523,360	$ 7,647,912	$ 8,025,653	$ 8,589,537	$ 9,594,671	$ 12,059,408
132,938	153,339	166,961	192,536	235,514	177,394
6,712,007	8,669,250	10,823,373	10,513,316	11,190,549	10,583,394
$ 14,368,305	$ 16,470,501	$ 19,015,987	$ 19,295,389	$ 21,020,734	$ 22,820,196
$ 8,307,519	$ 8,081,383	$ 8,572,922	$ 9,524,748	$ 10,043,345	$ 11,195,334
6,316,241	7,353,325	8,754,416	8,066,675	8,556,049	8,598,505
$ 14,623,760	$ 15,434,708	$ 17,327,338	$ 17,591,423	$ 18,599,394	$ 19,793,839
$ 15,830,879	$ 15,729,295	$ 16,598,575	$ 18,114,285	$ 19,638,016	$ 23,254,742
132,938	153,339	166,961	192,536	235,514	177,394
13,028,248	16,022,575	19,577,789	18,579,991	19,746,598	19,181,899
$ 28,992,065	$ 31,905,209	$ 36,343,325	$ 36,886,812	$ 39,620,128	$ 42,614,035

City of Fair Oaks Ranch, Texas

CHANGES IN NET POSITION (Page 1 of 2)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

EXPENSES	2016	2017	2018**	2019
Governmental Activities				
City administration	$ 950,918	$ 1,431,472	$ 1,499,717	$ 682,316
Mayor and council	-	-	-	11,381
City secretary	-	-	-	153,944
HR and communications	-	-	-	114,659
Finance	-	-	-	271,247
Municipal Court	86,288	92,032	131,153	161,422
Public safety	2,017,858	2,124,882	2,394,097	2,915,589
Public health/emergency	307,665	299,734	322,918	-
Engineering and planning	-	-	-	270,309
Building codes	179,577	177,495	198,266	241,097
Public works	869,215	982,474	992,400	740,477
Information technology	-	-	-	-
Non-departmental	-	-	-	301,984
Culture/recreation/other	57,833	44,896	89,710	-
Interest and fiscal charges	153,011	119,880	114,211	109,849
Total governmental activities expenses	4,622,365	5,272,865	5,742,472	5,974,274
Business-Type Activities				
Water/wastewater utility	3,933,872	3,846,778	4,215,641	4,746,849
Interest and fiscal charges	-	-	-	-
Total business-type activities expenses	3,933,872	3,846,778	4,215,641	4,746,849
Total primary government expenses	8,556,237	9,119,643	9,958,113	10,721,123
PROGRAM REVENUES				
Governmental Activities				
Charges for services:				
City administration	177,050	201,334	215,959	237,193
Municipal court	161,818	129,260	126,152	137,176
Public safety	9,448	3,715	10,026	6,845
Public health/emergency	5,711	2,500	2,415	-
Building codes	314,738	274,079	228,715	253,815
Operating grants and contributions	-	13,295	51,102	15,579
Capital grants and contributions	-	-	15,908	-
Total governmental activities program revenues	668,765	624,183	650,277	650,608
Business-Type Activities				
Charges for services:				
Water/wastewater utility	4,463,303	4,930,347	4,908,925	4,875,781
Total primary government program revenues	$ 5,132,068	$ 5,554,530	$ 5,559,202	$ 5,526,389

Source: The data in this schedule is extracted from the City's audited financial statements.

**Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.

2020	2021	2022	2023	2024	2025
$ 1,235,258	$ 711,344	$ 1,121,778	$ 617,620	$ 893,391	$ 1,027,218
23,568	4,774	7,268	7,643	2,899	10,063
159,376	230,348	197,308	277,612	273,114	276,298
168,794	220,869	168,913	228,388	258,298	247,195
339,295	322,851	292,851	341,093	342,958	415,724
184,553	192,956	206,843	256,851	270,852	477,459
3,001,619	3,161,031	3,456,846	4,147,473	4,179,786	4,176,482
-	-	-	-	-	-
718,380	976,254	1,493,654	1,529,149	1,369,461	1,435,123
248,414	253,665	273,015	280,890	270,819	357,411
870,398	922,990	920,678	2,366,969	1,433,859	1,327,182
-	394,288	403,168	391,185	371,430	449,822
459,298	251,462	252,706	571,619	-	-
-	-	-	-	-	-
-	-	-	113,242	258,955	211,006
7,408,953	7,642,832	8,795,028	11,129,734	9,925,822	10,410,983
5,418,730	4,873,487	5,904,286	6,235,130	6,187,642	6,710,554
-	-	-	-	153,431	407,450
5,418,730	4,873,487	5,904,286	6,235,130	6,341,073	7,118,004
12,827,683	12,516,319	14,699,314	17,364,864	16,266,895	17,528,987
297,808	274,550	317,083	297,356	519,220	393,261
101,409	139,753	301,655	289,055	208,241	162,547
5,410	1,350	930	1,415	2,384	2,061
-	-	-	-	-	-
405,231	499,547	348,333	241,674	232,138	202,997
3,728	190,841	1,283,952	379,340	141,826	327,407
-	-	-	-	-	-
813,586	1,106,041	2,251,953	1,208,840	1,103,809	1,088,273
5,839,886	5,681,369	6,497,720	6,165,245	6,974,514	7,650,459
$ 6,653,472	$ 6,787,410	$ 8,749,673	$ 7,374,085	$ 8,078,323	$ 8,738,732

City of Fair Oaks Ranch, Texas

CHANGES IN NET POSITION (Page 2 of 2)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2016	2017	2018**	2019
Net (Expense) Revenues				
Governmental Activities	$ (3,953,600)	$ (4,648,682)	$ (5,092,195)	$ (5,323,666)
Business-type activities	529,431	1,083,569	693,284	128,932
Total primary government net expenses	(3,424,169)	(3,565,113)	(4,398,911)	(5,194,734)
Government Revenues and Other				
Changes in net position				
Governmental Activities				
Property Taxes	3,587,677	4,264,687	4,712,247	5,742,831
Non-property taxes	1,109,048	1,192,774	1,328,220	1,496,073
Investment income	38,950	56,545	94,557	150,030
Gain on sale of capital assets	-	23,874	16,452	20,206
Miscellaneous	20,855	27,666	11,402	9,711
Transfers	-	-	-	9,850
Total governmental activities	4,756,530	5,565,546	6,162,878	7,428,701
Business Type Activities				
Investment income	5,748	32,900	78,236	120,778
Transfers	-	-	-	(9,850)
Other income (loss)	-	-	-	-
Total business-type activities	5,748	32,900	78,236	110,928
Total primary government	4,762,278	5,598,446	6,241,114	7,539,629
Changes in Net Position				
Government activities	802,930	916,864	1,070,683	2,105,035
Business-type activities	535,179	1,116,469	771,520	239,860
Total primary government	$ 1,338,109	$ 2,033,333	$ 1,842,203	$ 2,344,895

Source: The data in this schedule is extracted from the City's audited financial statements.

**Change in accounting principle pursuant to GASB 75 applied prospectively October 1, 2017.

2020	2021	2022	2023	2024	2025
$ (6,595,367)	$ (6,536,791)	$ (6,543,075)	$ (9,920,894)	$ (8,822,013)	$ (9,322,710)
421,156	807,882	1,837,567	(69,885)	633,441	532,455
(6,174,211)	(5,728,909)	(4,705,508)	(9,990,779)	(8,188,572)	(8,790,255)
6,202,561	6,482,238	6,614,489	7,062,241	7,390,813	7,651,746
1,796,558	2,112,076	2,365,342	2,432,520	2,560,516	2,723,039
72,151	4,345	80,336	581,995	712,804	700,984
12,534	19,848	674	16,931	-	-
66,819	20,480	27,720	133,907	138,785	46,403
-	-	-	-	-	-
8,150,623	8,638,987	9,088,561	10,227,594	10,802,918	11,122,172
49,749	3,066	55,063	358,595	427,654	561,211
-	-	-	-	-	-
-	-	-	(9,806)	58,094	100,779
49,749	3,066	55,063	348,789	485,748	661,990
8,200,372	8,642,053	9,143,624	10,576,383	11,288,666	11,784,162
1,555,256	2,102,196	2,545,486	306,700	1,980,905	1,799,462
470,905	810,948	1,892,630	278,904	1,119,189	1,194,445
$ 2,026,161	$ 2,913,144	$ 4,438,116	$ 585,604	$ 3,100,094	$ 2,993,907

City of Fair Oaks Ranch, Texas

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2016	2017	2018	2019
General Fund				
Nonspendable Fund Balance:				
Prepaid items	$ 14,563	$ 19,281	$ 54,260	$ 53,275
Restricted Fund Balance:				
Court technology	14,047	11,535	15,700	11,386
Court security	49,816	51,473	52,996	54,849
Court efficiency	140	292	333	401
Felony forfeiture	378	378	5,514	8,954
Other court restrictions	-	-	-	-
PEG fees	4,319	4,319	4,319	4,319
Public safety	-	1,104	8,087	9,912
Total restricted fund balance	68,700	69,101	86,949	89,821
Assigned Fund Balance:				
Capital projects	553,000	553,000	-	-
Other reserves	50,000	50,000	50,000	50,000
Encumbrances	-	-	-	-
Six month operating reserve	-	-	2,566,167	3,517,472
Total assigned fund balance	603,000	603,000	2,616,167	3,567,472
Unassigned	1,807,719	2,065,994	-	-
Total General Fund	$ 2,493,982	$ 2,757,376	$ 2,757,376	$ 3,710,568
All Other Governmental Funds				
Restricted Fund Balance:				
Court technology	-	-	-	-
Court efficiency	-	-	-	-
Other court restrictions	-	-	-	-
Debt service	8,462	7,245	8,604	18,640
Capital projects	6,252,941	2,319,870	456,345	128,162
Total restricted fund balance	6,261,403	2,327,115	464,949	146,802
Assigned Fund Balance:				
Capital projects	-	353,921	223,508	1,110,229
Capital equipment	-	-	760,599	816,395
Total assigned fund balance	-	353,921	984,107	1,926,624
Total All Other Governmental Funds	$ 6,261,403	$ 2,681,036	$ 1,449,056	$ 2,073,426

Source: The data in this schedule is extracted from the City's audited financial statements.

2020	2021	2022	2023	2024	2025
$ 82,635	$ 96,070	$ 25,328	$ 77,024	$ 85,344	$ 133,420
14,520	17,819	13,873	18,587	21,707	18,393
57,330	57,924	59,243	15,322	17,531	17,821
438	439	439	439	1,681	-
10,774	10,901	11,783	43,914	43,275	48,553
1,428	4,753	10,216	15,975	21,815	-
4,319	4,319	4,319	4,319	4,319	4,319
11,819	12,847	14,429	16,005	20,239	24,427
100,628	109,002	114,302	114,561	130,567	113,513
-	-	-	-	-	-
50,000	50,000	50,000	50,000	199,600	154,936
16,823	-	-	-	-	-
3,678,069	3,835,321	4,225,321	4,505,321	4,688,118	4,688,119
3,744,892	3,885,321	4,275,321	4,555,321	4,887,718	4,843,055
1,309,011	3,265,169	4,365,225	1,881,701	2,565,160	3,575,668
$ 5,237,166	$ 7,355,562	$ 8,780,176	$ 6,628,607	$ 7,668,789	$ 8,665,656
-	-	-	-	-	2,044
-	-	-	-	-	1,951
-	-	-	-	-	26,206
32,310	44,337	52,659	77,975	104,947	33,680
-	-	-	-	3,596,650	3,162,587
32,310	44,337	52,659	77,975	3,701,597	3,226,468
1,154,394	1,073,184	1,407,555	3,269,573	2,297,490	1,089,978
869,615	872,769	1,089,047	1,140,475	1,220,166	1,542,604
2,024,009	1,945,953	2,496,602	4,410,048	3,517,656	2,632,582
$ 2,056,319	$ 1,990,290	$ 2,549,261	$ 4,488,023	$ 7,219,253	$ 5,859,050

City of Fair Oaks Ranch, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Page 1 of 2)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

REVENUES	2016	2017	2018	2019
Taxes	$ 4,148,224	$ 4,907,367	$ 5,472,987	$ 6,570,863
Franchise fees	527,109	540,605	576,181	618,758
Licenses and permits	320,449	280,294	236,020	257,220
Animal control	-	-	-	-
Fines and forfeits	161,818	129,260	126,152	137,176
Utility management fee and other	177,050	195,334	205,959	192,808
Other fees and services	-	-	-	-
Investment income	38,950	56,545	94,557	150,030
Donations	-	-	48,828	5,915
Grant revenue	-	-	-	-
Miscellaneous	53,714	46,961	44,721	67,200
Total revenues	5,427,314	6,156,366	6,805,405	7,999,970
EXPENDITURES				
Current:				
City administration	931,255	1,380,476	1,461,708	644,481
Mayor and council	-	-	-	11,381
City secretary	-	-	-	150,845
HR and communications	-	-	-	112,797
Finance	-	-	-	266,445
Municipal court	84,869	90,428	131,267	158,322
Public safety	1,811,200	1,920,485	2,234,431	2,696,334
Public health/emergency	296,450	288,066	311,250	-
Engineering and planning	-	-	-	264,128
Building codes	176,077	172,849	198,648	235,603
Public works	748,454	852,315	871,371	413,041
Information technology	-	-	-	-
Non-departmental	-	-	-	301,985
Culture and recreation	57,833	44,896	89,710	-
Capital projects/outlays	3,111,050	4,196,145	2,214,919	644,693
Debt service				
Principal payments	390,000	425,000	430,000	435,000
Interest and fiscal charges	174,688	126,553	122,278	117,409
Bond issuance costs	-	-	-	-
Total Expenditures	7,781,876	9,497,213	8,065,582	6,452,464
Excess (deficiency) of revenues over (under) expenditures	(2,354,562)	(3,340,847)	(1,260,177)	1,547,506

2020	2021	2022	2023	2024	2025
$ 7,387,684	$ 7,904,760	$ 8,244,424	$ 8,717,151	$ 9,194,183	$ 9,618,018
605,103	651,534	761,408	748,401	743,231	793,093
410,641	499,777	348,333	241,674	232,138	202,997
-	1,120	930	1,415	2,384	2,061
101,409	139,753	174,573	208,035	191,584	129,273
214,908	206,955	257,566	257,499	289,039	295,847
-	59,735	59,517	51,745	230,181	97,414
72,151	4,345	80,336	581,995	712,804	700,984
59,925	-	-	-	-	-
-	-	1,283,952	310,696	141,826	327,407
93,522	219,181	29,226	190,663	138,785	187,182
8,945,343	9,687,160	11,240,265	11,309,274	11,876,155	12,354,276
1,188,519	663,012	1,101,253	692,188	630,873	715,908
23,568	4,774	7,268	7,643	6,500	10,063
158,624	230,348	203,099	266,799	270,071	274,981
168,057	220,869	172,822	220,709	255,147	246,162
337,815	322,851	299,194	329,737	338,347	411,250
183,851	192,956	210,560	250,804	268,049	244,252
2,781,577	2,800,098	3,238,832	3,786,061	3,909,349	3,912,726
-	-	-	-	-	-
717,010	976,254	1,503,785	1,516,776	1,360,991	1,430,681
247,209	253,665	281,032	279,180	267,900	354,515
521,395	582,532	594,514	2,002,915	881,595	858,161
-	394,288	381,535	321,470	298,154	390,068
372,665	152,060	159,793	591,897	162,682	204,164
-	-	-	-	-	-
312,344	316,341	554,081	827,236	2,576,151	2,766,329
440,000	445,000	450,000	539,788	589,812	878,216
111,940	106,075	99,585	98,821	93,981	217,937
-	-	-	-	146,669	-
7,564,574	7,661,123	9,257,353	11,732,024	12,056,271	12,915,413
1,380,769	2,026,037	1,982,912	(422,750)	(180,116)	(561,137)

City of Fair Oaks Ranch, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Page 2 of 2)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2016	2017	2018	2019
OTHER FINANCING SOURCES (USES)				
Sales of assets	$ -	$ -	$ -	$ -
Lease issuances	-	-	-	-
Bond issuance	-	-	-	-
Premium on bond issuance	-	-	-	-
Transfer (to) from other funds	-	-	-	9,850
Proceeds from disposal of equipment	-	23,874	28,197	20,206
Total other financing sources (uses)	-	23,874	28,197	30,056
Net change in fund balances	$ (2,354,562)	$ (3,316,973)	$ (1,231,980)	$ 1,577,562
Debt service as a percentage of noncapital expenditures	11.9%	10.4%	9.4%	9.5%

2020	2021	2022	2023	2024	2025
$ 128,721	$ 26,330	$ 673	$ 16,931	$ -	$ 52,185
-	-	-	193,012	219,859	145,616
-	-	-	-	3,550,000	-
-	-	-	-	181,669	-
-	-	-	-	-	-
-	-	-	-	-	-
128,721	26,330	673	209,943	3,951,528	197,801
$ 1,509,490	$ 2,052,367	$ 1,983,585	$ (212,807)	$ 3,771,412	$ (363,336)
7.6%	7.5%	6.3%	6.1%	8.6%	10.7%

City of Fair Oaks Ranch, Texas

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Unaudited)

Year	Property	Sales Tax	Franchise	Mixed Beverage	Total
2016	$ 3,566,285	$ 562,501	$ 527,109	$ 19,437	$ 4,675,332
2017	4,255,198	632,030	540,605	20,139	5,447,972
2018	4,720,949	728,224	576,181	23,814	6,049,168
2019	5,693,547	854,582	618,758	22,734	7,189,621
2020	6,196,229	1,174,547	605,103	16,908	7,992,787
2021	6,444,218	1,435,763	651,534	24,779	8,556,294
2022	6,640,490	1,576,151	761,408	27,783	9,005,832
2023	7,033,032	1,656,136	748,401	27,983	9,465,552
2024	7,390,813	1,788,324	743,231	28,961	9,951,329
2025	7,651,746	1,893,243	793,093	36,703	10,374,785

Source: Annual Financial Reports.

City of Fair Oaks Ranch, Texas

TOP TEN SALES TAX PROVIDERS

Current and Eight Years Ago

(Unaudited)

	2025		2017	
Taxpayer	Rank	Percentage of Total City Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Full-service restaurant	1	13.6%	1	19.0%
Electronic shopping and mail-order houses	2	13.0%	2	5.1%
Electronic shopping and mail-order houses	3	7.3%		
Electronic shopping and mail-order houses	4	2.5%		
Pharmacies and drug stores	5	1.4%	4	3.2%
Gasoline stations with convenience stores	6	1.3%	9	2.0%
Data processing, hosting, and related services	7	1.2%		
Paint and wallpaper stores	8	1.1%		
Video tape and disc rental	9	1.1%		
Limited-service restaurant	10	1.0%	7	2.5%
Security guard and patrol			3	4.3%
Wireless telecommunications carriers			5	3.2%
Wired telecommunication			6	3.9%
Cable and other subscription programming			8	2.3%
New single-family housing construction			10	1.8%

Source: Texas Comptroller

Ten years of data will be accumulated. Data prior to 2017 is not available.

Texas Tax Code 321.3022 (c) declares specific information on vendor and amounts to be confidential and is not subject to public inspection.

City of Fair Oaks Ranch, Texas

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Amount *	Percentage of Levy	Collections in Subsequent Years	Amount *	Percentage of Levy
2016	$ 3,861,722	$ 3,827,841	99.12%	$ 29,143	$ 3,856,984	99.88%
2017	4,332,469	4,297,290	99.19%	28,635	4,325,925	99.85%
2018	4,813,737	4,788,010	99.47%	20,237	4,808,247	99.89%
2019	5,718,331	5,652,427	98.85%	56,203	5,708,631	99.83%
2020	6,182,363	6,126,458	99.10%	47,061	6,173,519	99.86%
2021	6,453,874	6,389,402	99.00%	54,063	6,443,465	99.84%
2022	6,547,412	6,504,177	99.34%	32,013	6,536,190	99.83%
2023	7,036,602	6,978,473	99.17%	44,763	7,023,236	99.81%
2024	7,358,389	7,300,443	99.21%	38,187	7,338,630	99.73%
2025	7,615,681	7,580,063	99.53%	-	7,580,063	99.53%

Source: Bexar County Appraisal District

* Includes discounts allowed for early payments and adjustments.

City of Fair Oaks Ranch, Texas

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Tax Roll	City	Boerne School District	Comal School District	Bexar County	Kendall County	Comal County
2016	2015	0.3073	1.2940	1.3900	0.31450	0.3867	0.34292
2017	2016	0.3234	1.3160	1.3900	0.29325	0.4127	0.35792
2018	2017	0.3295	1.3540	1.3900	0.29123	0.4127	0.35792
2019	2018	0.3668	1.3540	1.3900	0.27743	0.4127	0.37792
2020	2019	0.3735	1.2840	1.3200	0.27743	0.4127	0.39255
2021	2020	0.3735	1.2519	1.2800	0.27633	0.4127	0.35852
2022	2021	0.3518	1.2046	1.2900	0.27633	0.4127	0.31400
2023	2022	0.3291	1.1786	1.2750	0.27633	0.3877	0.24890
2024	2023	0.3005	0.9932	1.0892	0.27633	0.3827	0.22620
2025	2024	0.2853	0.9909	1.0869	0.27633	0.3827	0.22672

Note:

Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fair Oaks Ranch, Texas. This process recognizes that, when considering the City of Fair Oaks Ranch's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

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City of Fair Oaks Ranch, Texas

ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY

Last Ten Fiscal Years

Tax Year	Fiscal Year	Residential Property	Commercial Property	Less: Tax-exempt Property	Estimated Actual Value	Total Direct Tax Rate
2015	2016	$ 1,193,076,434	$ 128,637,815	$ 65,052,850	$ 1,256,661,399	$ 0.307300
2016	2017	1,265,114,959	150,509,495	73,244,068	1,342,380,386	0.323360
2017	2018	1,487,818,815	185,977,352	123,984,901	1,549,811,266	0.329500
2018	2019	1,472,341,175	187,839,320	101,155,026	1,559,025,469	0.366780
2019	2020	1,617,484,586	154,205,210	116,629,493	1,655,060,303	0.373500
2020	2021	1,698,442,549	181,448,336	151,985,811	1,727,905,074	0.373500
2021	2022	2,061,749,363	216,788,137	417,511,646	1,861,025,853	0.351800
2022	2023	2,348,087,014	240,890,183	451,118,020	2,137,859,177	0.329100
2023	2024	2,690,865,792	276,055,849	516,973,196	2,449,948,444	0.300500
2024	2025	2,932,603,365	300,855,700	563,416,183	2,670,042,881	0.285300

Source: Bexar County Appraisal District, Kendall County Appraisal District, and Comal County Appraisal District.

City of Fair Oaks Ranch, Texas

PRINCIPAL PROPERTY TAX PAYERS

Current and Nine Years Ago

	2025		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Spirit Realty LP	$ 10,771,285	1	0.40%
HPI Fair Oaks Storage LLC	7,984,900	2	0.30%
Jerry and Esther Hicks	6,071,250	3	0.23%
T&J Fair Oaks LLC	5,300,000	4	0.20%
Frost Bank	4,221,940	5	0.16%
Scott Felder Homes LLC	4,100,680	6	0.15%
Ashton San Antonio LLC	4,075,200	7	0.15%
Bright Minds Montessori LLC	4,051,280	8	0.15%
SC CASA LLC	4,040,720	9	0.15%
Fair Oaks Country Store LLC	3,793,530	10	0.14%
Greenland Ventures	-		-
Bilbrey, Pam	-		-
Darter, Chad & Jaime	-		-
Carson, John Jeffrey & Amy	-		-
Fair Oaks Club Corp	-		-
Barron, Edward & Deborah	-		-
Kaiser, Keith & Kristi	-		-
Carola De Los Angeles Garcia	-		-
Stokes Family Living Trust	-		-
Sharp, Donn & Malinda	-		-
	$ 54,410,785		2.04%

Sources: Kendall Appraisal District, Bexar Appraisal District, and Comal Appraisal District.

2016		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
-		-
-		-
-		-
-		-
-		-
-		-
-		-
-		-
-		-
-		-
2,936,950	1	0.23%
1,334,660	2	0.11%
1,229,270	3	0.10%
1,217,940	4	0.10%
1,192,040	5	0.09%
1,092,500	6	0.09%
1,034,430	7	0.08%
1,008,200	8	0.08%
982,980	9	0.08%
978,100	10	0.08%
$ 13,007,070		1.04%

City of Fair Oaks Ranch, Texas

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Unaudited)

	Governmental Activities			Business-Type Activities		
Fiscal Year	General Obligation Bonds	Leases	SBITA	Certificates of Obligation	SBITA	Leases
2016	$ 6,703,417	$ -	$ -	$ 405,000	$ -	$ 3,128,356
2017	6,721,744	-	-	-	-	3,128,356
2018	5,835,071	-	-	-	-	3,070,798
2019	5,393,398	-	-	-	-	2,814,779
2020	4,946,725	-	-	2,660,000	-	-
2021	4,495,052	-	-	2,430,000	-	-
2022	4,038,379	63,507	-	2,115,000	-	-
2023	3,571,706	51,757	30,122	1,795,000	30,122	10,218
2024	6,826,702	44,197	137,729	5,325,876	112,383	7,180
2025	6,025,946	20,551	126,031	12,241,309	141,798	3,977

Source: Details regarding the City's outstanding debt can be found in the notes to financial statements.

Total Primary Government	Percentage of Personal Income	Per Capita
$ 10,236,773	18.67%	$ 1,204
9,850,100	18.61%	1,139
8,905,869	17.30%	980
8,208,177	15.76%	846
7,606,725	13.13%	774
6,925,052	11.95%	659
6,216,886	8.27%	592
5,488,925	6.64%	494
12,454,067	16.43%	1,092
18,559,612	21.84%	1,580

City of Fair Oaks Ranch, Texas

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

	Governmental Activities	Business-Type Activities		
Fiscal Year Ended September 30,	General Obligation Bonds*	Certificate of Obligation Bonds*	Total Primary Government	Amounts Available in Debt Service Fund
2016	$ 6,703,417	$ 405,000	$ 7,108,417	$ -
2017	6,271,744	-	6,271,744	(7,245)
2018	5,835,071	-	5,835,071	(7,201)
2019	5,393,398	-	5,393,398	(10,940)
2020	4,946,725	2,660,000	7,606,725	(30,969)
2021	4,495,052	2,430,000	6,925,052	(44,337)
2022	4,038,379	2,115,000	6,153,379	(52,658)
2023	3,571,706	1,795,000	5,366,706	(77,975)
2024	6,826,702	5,325,876	12,152,578	(104,947)
2025	6,025,946	12,241,309	18,267,255	(33,681)

* Amount includes bond premiums

Net Debt Outstanding	Percentage of Estimated Actual Taxable Value of Property	Per Capita
$ 7,108,417	0.57%	$ 1,028
6,264,499	0.47%	725
5,827,870	0.38%	641
5,382,458	0.35%	555
7,575,756	0.46%	770
6,880,715	0.40%	655
6,100,721	0.33%	581
5,288,731	0.25%	476
12,047,631	0.49%	1,056
18,233,574	0.68%	1,553

City of Fair Oaks Ranch, Texas

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years (Unaudited)

	2016	2017	2018	2019
Debt Limit	$ 18,849,921	$ 20,135,706	$ 23,247,169	$ 23,385,382
Total net debt applicable to limit	6,711,880	6,278,989	5,843,676	5,412,038
Legal debt margin	$ 12,138,041	$ 13,980,764	$ 17,403,493	$ 17,973,344
Total net debt applicable to the limit as a percentage of debt limit	35.61%	31.18%	25.14%	23.14%
Legal Debt Margin Calculation by Fiscal Year				
Total assessed value	1,256,661,399	1,342,380,386	1,549,811,266	1,559,025,469
Debt limit ($1.50 of total assessed value)	18,849,921	20,135,706	23,247,169	23,385,382
Debt applicable to limit:				
General bonded debt outstanding*	6,703,417	6,271,744	5,835,071	5,393,398
Less: Amount set aside for repayment of general bonded debt	8,463	7,245	8,605	18,640
Total net debt applicable to limit	6,711,880	6,278,989	5,843,676	5,412,038
Annual Legal debt margin	12,138,041	13,856,717	17,403,493	17,973,344

* Includes bond premium.

Notes: As a Home Rule Charter City, the amount of debt which can be issued by the City of Fair Oaks Ranch, Texas, is not limited by law. Under Article XI, Section 5 of the State of Texas Constitution applicable to the city, the maximum tax rate for all purposes is $2.50 per $100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the maximum tax rate for general obligation debt service.

2020	2021	2022	2023	2024	2025
$ 24,825,905	$ 25,918,576	$ 27,915,388	$ 32,067,888	$ 36,749,227	$ 40,050,643
4,979,036	4,539,389	3,985,721	3,493,731	6,721,753	5,992,265
$ 19,846,869	$ 21,379,187	$ 23,929,667	$ 28,574,157	$ 30,027,473	$ 34,058,378
20.06%	17.51%	14.28%	10.89%	18.29%	14.96%
1,655,060,303	1,727,905,074	1,861,025,853	2,137,859,177	2,449,948,444	2,670,042,881
24,825,905	25,918,576	27,915,388	32,067,888	36,749,227	40,050,643
4,946,725	4,495,052	4,038,379	3,571,706	6,826,702	6,025,946
32,311	44,337	52,658	77,975	104,949	33,681
4,979,036	4,539,389	3,985,721	3,493,731	6,721,753	5,992,265
19,846,869	21,379,187	23,929,667	28,574,157	30,027,473	34,058,378

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City of Fair Oaks Ranch, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2025

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Alamo CCD	$ 844,175,000	0.63%	$ 5,318,303
Bexar Co	2,152,210,000	0.63%	13,558,923
Bexar Co Hosp. Dist.	1,238,865,000	0.63%	7,804,850
Boerne ISD	384,264,896	17.02%	65,401,885
Comal Co	97,730,000	0.92%	899,116
Comal ISD	1,440,220,214	0.40%	5,760,881
Kendall Co	30,700,000	5.01%	1,538,070
Subtotal, overlapping debt	$ 6,188,165,110		100,282,027
City of Fair Oaks Ranch (direct debt)			7,008,628
Total direct and overlapping debt			$ 107,290,655

Note: Overlapping governments are those that coincide, as least in part, within the geographical boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fair Oaks Ranch, Texas. This process recognizes that, when considering the City of Fair Oaks Ranch's ability to issue and repay long-term debt, the entire debt burden borne by residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

Source: Municipal Advisory Council of Texas

City of Fair Oaks Ranch, Texas

PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

	2024		
Employer	**Employees**	**Rank**	**Percentage of total city employment [1]**
Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph	86,097	1	7.38%
H.E.B. Food Stores	20,000	2	1.72%
United Services Automobile Assoc	17,000	3	1.46%
City of San Antonio	15,501	4	1.33%
Northside Independent School District	13,191	5	1.13%
Methodist Healthcare System	12,000	6	1.03%
University of Texas Health Science	8,500	7	0.73%
North East Independent School District	8,069	8	0.69%
San Antonio Independent School District	7,136	9	0.61%
Baptist Health Systems	7,024	10	0.60%
JP Morgan Chase Bank NA	-		
Totals	194,518		16.68%

[1]The City of Fair Oaks Ranch is located near the City of San Antonio and data is not available for the employers in Fair Oaks Ranch, TX.

Source: City of San Antonio Comprehensive Annual Financial Report for the Year Ended September 30, 2024. The current year information is not available.

2015		
Employees	Rank	Percentage of total city employment [2]
93,434	1	9.82%
20,000	2	2.10%
17,000	3	1.79%
11,770	5	1.24%
13,698	4	1.44%
8,118	7	0.85%
-		0.00%
9,209	6	0.97%
7,423	8	0.78%
6,498	9	0.68%
5,000	10	0.53%
192,150		20.20%

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City of Fair Oaks Ranch, Texas

DEMOGRAPHIC AND ECONOMICAL STATISTICS

Last Ten Fiscal Years (Unaudited)

Year	(1) Population	(1) Per Capita Personal Income	(1) Median Age	(2) School Enrollment	(3) San Antonio Unemployment Rate
2016	6,914	54,829	47.9	650	3.9%
2017	8,645	52,917	46.7	916	3.2%
2018	9,091	51,482	45.9	1,321	3.3%
2019	9,700	52,094	47.1	1,391	3.0%
2020	9,833	57,939	46.3	1,575	6.3%
2021	10,505	57,939	46.3	1,586	4.5%
2022	10,505	75,205	45.5	1,605	3.5%
2023	11,104	82,685	46.4	1,655	3.7%
2024	11,406	75,780	45.8	1,688	3.8%
2025	11,744	84,981	45.5	1,580	4.2%

Sources:

(1) Population, per capita income and median age based on U.S. Census Bureau.

(2) Boerne Independent School District

(3) United States Bureau of Labor/TWC

City of Fair Oaks Ranch, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Eight Fiscal Years

(Unaudited)

Function/Program	2017	2018	2019	2020
Police				
Incidents/offenses	444	501	504	589
Arrests	191	224	207	157
Calls for service	3,664	3,716	3,913	3,482
Traffic stops	4,217	5,271	4,893	2,924
Public Works				
Street resurfacing (square yards)	118,827	64,496	155,468	80,557
Preventative street maintenance (square yards)	101,646	65,244	49,477	211,529
Building Codes				
Permits issued - new residential	142	190	118	157
Permits issued - other	376	416	506	734
Inspections/reinspections conducted	1,679	1,586	1,898	2,297
Utilities				
Account service orders				
Meter install / change	288	222	252	86
Occupancy change	322	330	288	320
Customer service inquiry	291	247	297	338
Billing (water, sewer, fees, all charges)	$ 4,632,435	$ 4,683,010	$ 4,550,072	$ 5,002,084
Water				
Service connections	2,929	2,948	3,002	3,083
Purchased (gallons)	296,164,000	276,418,000	318,044,000	337,047,000
Pumped (gallons)	241,088,931	168,328,487	174,702,326	231,668,112
Billed consumption (gallons)	502,639,000	457,611,000	436,094,700	523,698,900
Non-billed & bulk water sold (gallons)	5,182,505	3,476,900	3,350,000	3,192,400
Wastewater				
Service connections	1,733	1,775	1,820	1,886
Average daily treatment in gallons	224,046	235,917	225,255	242,174

Source: City Records

Note: Data prior to 2017 was unavailable

2021	2022	2023	2024	2025
666	856	919	674	399
199	289	294	117	65
3,955	4,031	4,177	4068	5312
4,026	4,708	6,327	4701	3696
107,108	254,422	244,561	272,413	382,022
999	1,337	483	1,780	8,536
247	133	86	94	44
692	645	580	588	517
2,751	2,732	1,850	1896	1594
217	111	284	427	296
370	261	181	198	220
401	199	372	734	963
$ 4,758,791	$ 5,862,105	$ 6,129,738	$ 6,605,290	$ 7,430,295
3,157	3,201	3,248	3,285	3,314
324,549,963	328,996,000	369,914,400	395,811,000	356,578,000
217,061,572	323,937,547	246,488,566	167,948,427	199,133,130
485,043,800	594,010,700	584,553,400	477,964,400	484,919,200
2,310,900	2,873,400	2,946,600	3,440,900	4,478,724
1,943	1,979	2,001	2,028	2,040
256,037	249,076	295,213	322,664	284,692

City of Fair Oaks Ranch, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Nine Fiscal Years

(Unaudited)

Function/Program	2017	2018	2019	2020	2021
Police					
Stations	1	1	1	1	1
Patrol Units	15	13	14	14	15
Animal Control Vehicle	1	1	1	1	1
Public Works & Utilities					
Vehicles	22	23	25	25	25
Paved streets (in miles)	81.6	81.6	81.6	81.6	81.6
Paved streets maintained by the City	60	60	60	60	60
Water					
Water mains (in miles)	76	76	76	76	76
Wells	40	40	40	40	40
Treatment plants	5	5	5	5	5
Number of hydrants	228	266	266	266	266
Wastewater					
Lift stations	6	6	6	6	6
Sewer lines (in miles)	33	33	33	33	33
Treatment plants	1	1	1	1	1

Source: City Records

Note: Data prior to 2017 was unavailable

2022	2023	2024	2025
1	1	1	1
13	13	17	16
1	1	1	1
28	27	27	28
81.6	81.6	89	89
60	60	60	60
76	76	78	78
39	39	39	39
5	5	5	5
266	266	282	282
6	6	6	6
33	33	35	35
1	1	1	1

City of Fair Oaks Ranch, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	2016	2017	2018	2019	2020
General Government					
City Manager	1	1	1	1	1
Assistant City Manager	1	1	1	1	1
City Secretary	1	1	1	2	2
City Planner	0	0	0	0	0
HR & Communications	1	1	1	2	2
Finance	2	3	3	5	5
Municipal Court	1	1	2	2	2
Information Technology	0	0	0	1	1
Project Manager	0	0	0	0	0
Customer Service	1	1	2	3	3
Public Safety					
Police	19	20	21	23	23
Animal Control	1	1	1	1	1
Code Enforcement	1.5	1.5	1.5	4	4
Administration	2	2	3	4	4
Public Works	9	9	13	14	14
Water/Wastewater					
Customer Service	1	1	1	1	1
Water and Sewer	9	8	10	10	10
Total	50.5	51.5	61.5	74	74

Source: City Records

2021	2022	2023	2024	2025
1	1	1	1	1
2	2	2	2	2
2	2	2	2	2
0	0	0	0	1
2	3	3	3	3
5	5	5	5	5
2	2	2	2	2
2	2	2	2	2
0	0	0	0	1
2	2	2	2	2
23	23	25	25	25
1	1	1	1	1
4	4	4	4	4
4	4	4	4	4
14	16	17	18	18
1	1	1	1	1
10	10	10	11	11
75	78	81	83	85

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Financial Advisory Services
Provided By: