OFFICIAL STATEMENT
Dated: September 17, 2026

NEW ISSUE - Book-Entry-Only | **S&P Rating: "A-"**
(See: "OTHER PERTINENT INFORMATION – RATING")

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the City (defined below) after the date of initial delivery of the Bonds (defined below), with certain covenants contained in the Ordinance (defined below) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)

$46,500,000
CITY OF PORT ARANSAS, TEXAS
(A political subdivision of the State of Texas located in Nueces County, Texas)
VENUE PROJECT REVENUE BONDS (COMBINED VENUE TAX), SERIES 2026

Dated Date: October 1, 2026 | **Due: August 1, as shown on page 2 hereof**
Interest Accrual: Date of Delivery (defined below)

The City of Port Aransas, Texas Venue Project Revenue Bonds (Combined Venue Tax), Series 2026 (the "Bonds") are being issued by the City of Port Aransas, Texas (the "City" or "Issuer") pursuant to the provisions of Chapter 334, as amended, Texas Local Government Code, an election held in the City on November 4, 2025, an ordinance adopted by the City Council of the City on September 17, 2026 (the "Ordinance"), and the City's Home Rule Charter. (See "PLAN OF FINANCE – Authorization and Purposes".)

The Bonds constitute special, limited obligations of the City, payable solely from and secured by a lien on and pledge of certain City revenues (as identified and described herein with respect to both source and priority, and herein referred to as the "Pledged Revenues"), being, primarily (i) a first and prior lien on and pledge of the Property Tax Revenues, and (ii) a first and prior lien on the 2% Venue HOT Revenues. The Bonds are being issued by the City to (i) finance the costs of the Venue Project (defined herein) and (ii) pay the costs of issuing the Bonds. (See "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS" and "AD VALOREM PROPERTY TAXATION".)

The Bonds are payable solely from and secured by the lien on and pledge of the Pledged Revenues as provided in the Ordinance and not from any other revenues, properties, or income of the City. Except for the City's Property Tax Revenues, neither the State of Texas (the "State") nor any political corporation, subdivision, or agency thereof (other than the City) will be obligated to pay the Bonds or interest thereon, and neither the faith and credit nor the ad valorem taxing power of the State or any political corporation, subdivision, or agency thereof is pledged to the payment of principal of or interest on the Bonds. No mortgage or deed of trust on any Venue Project or any other City property is created by the Ordinance.

The definitive Bonds will be issued as fully registered bonds in denominations of $5,000 or integral multiples thereof. When issued, the definitive Bonds will be registered in the name of Cede & Co., as registered holder and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial ownership interests in the Bonds will be made in book-entry form. The Underwriters will not receive certificates representing their beneficial interest in the Bonds purchased. Interest on the Bonds accrues from the Date of Delivery to the Underwriters and is payable on February 1, 2027 and on each August 1 and February 1 thereafter until stated maturity or prior redemption. So long as DTC or its nominee is the registered owner of the Bonds, the principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas, to Cede & Co., who will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

SEE PAGE 2 HEREIN FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof identified below (the "Underwriters") subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about October 15, 2026 (the "Date of Delivery").

RAYMOND JAMES

BAIRD | **TEXAS CAPITAL SECURITIES**

$46,500,000
City of Port Aransas, Texas
Venue Project Revenue Bonds (Combined Venue Tax), Series 2026

CUSIP No. Prefix[1] 733462

MATURITY SCHEDULE

$22,855,000 Serial Bonds

Stated Maturity 8/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]	Stated Maturity 8/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]
2027	$ 1,035,000	5.000%	3.390%	AA3	2037	$ 1,105,000	5.250%	4.820%[2]	AL9
2028	710,000	5.000%	3.580%	AB1	2038	1,160,000	5.250%	4.930%[2]	AM7
2029	745,000	5.000%	3.760%	AC9	2039	1,225,000	5.250%	5.040%[2]	AN5
2030	785,000	5.000%	3.950%	AD7	2040	1,285,000	5.000%	5.150%	AP0
2031	820,000	5.000%	4.090%	AE5	2041	1,350,000	5.000%	5.220%	AQ8
2032	865,000	5.000%	4.210%	AF2	2042	1,420,000	5.000%	5.280%	AR6
2033	905,000	5.000%	4.360%	AG0	2043	1,490,000	5.000%	5.330%	AS4
2034	950,000	5.000%	4.520%	AH8	2044	1,565,000	5.500%	5.320%[2]	AT2
2035	1,000,000	5.000%	4.620%	AJ4	2045	1,650,000	5.500%	5.370%[2]	AU9
2036	1,050,000	5.250%	4.710%[2]	AK1	2046	1,740,000	5.500%	5.430%[2]	AV7

$26,645,000 Term Bonds

$10,250,000 5.500% Term Bonds Due August 1, 2051 and priced to yield 5.590% CUSIP Suffix[1] AW5
$13,395,000 5.500% Term Bonds Due August 1, 2056 and priced to yield 5.680% CUSIP Suffix[1] AX3

(Interest accrues from Date of Delivery)

Redemption

The Bonds maturing on or after August 1, 2036 may be redeemed, in whole or in part, prior to stated maturity at the City's option on August 1, 2035, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. Additionally, the Bonds maturing on August 1, 2051 and August 1, 2056 (the "Term Bonds") are also subject to mandatory sinking fund redemption. (See "THE BONDS – Redemption" herein.)

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

[2] Yield calculated based on the assumption that the Bonds denoted and sold at premium will be redeemed on August 1, 2035, the earliest date of redemption for the Bonds, at a price of par plus accrued interest to the date of redemption.

CITY OF PORT ARANSAS, TEXAS
710 West Ave. A
Port Aransas, Texas 78373

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)
Wendy Moore Mayor	8	2028
Chad Shimaitis Councilmember, Place 1	1	2027
Kelly Owens Councilmember, Place 2	4	2028
Jo Ellyn Krueger Councilmember, Place 3	5	2027
Tanya Chambers Councilmember, Place 4	3	2028
Charles Crawford, Jr. Councilmember, Place 5	5	2027
Dale Christianson Councilmember, Place 6	4	2028

ADMINISTRATION

Name	Position	Years with The City
David Parsons	City Manager	21
Darla Honea	Director of Finance	18
Francisca Nixon	City Secretary	12

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP Austin and San Antonio, Texas
Certified Public Accountants	ABIP San Antonio, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

Mr. David Parsons, City Manager
Ms. Darla Honea, Director of Finance
City of Port Aransas
710 West Ave. A
Port Aransas, Texas 78373
Phone: (361) 749-4111
davidparsons@cityofportaransas.org
dhonea@cityofportaransas.org

Mr. Mark M. McLiney
Mr. Andrew T. Friedman
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 OFFICIAL STATEMENT

This Official Statement, which includes the cover page, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give 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.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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.

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

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

None of the City, its Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("DTC") or its Book-Entry-Only System as such information is provided by DTC.

The agreements of the City and others related to the Bonds 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 Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. 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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OFFICIAL STATEMENT

RELATING TO

$46,500,000
CITY OF PORT ARANSAS, TEXAS
VENUE PROJECT REVENUE BONDS (COMBINED VENUE TAX), SERIES 2026

INTRODUCTORY STATEMENT

This Official Statement has been prepared by the City of Port Aransas, Texas (the "Issuer" or the "City"), in connection with its offering of its Venue Project Revenue Bonds (Combined Venue Tax), Series 2026 (the "Bonds"). Capitalized terms used, but not defined, herein shall have the respective meanings ascribed thereto in the Ordinance (hereinafter defined). See "Excerpts from the Ordinance" attached hereto as Appendix B.

There follows in this Official Statement descriptions of the Bonds and certain other information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, upon request by electronic mail or physical delivery upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the Official Statement, in final form, 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.

PLAN OF FINANCE

Authorization and Purposes

The Bonds are being issued pursuant to the provisions of Chapter 334, as amended, Texas Local Government Code ("Chapter 334"), an election held in the City on November 4, 2025, an ordinance adopted by the City Council of the City (the "City Council") on September 17, 2026 (the "Ordinance"), and the City's Home Rule Charter.

Proceeds from the sale of the Bonds will be used to (i) finance the costs of the Venue Project (defined herein) and (ii) pay the costs of issuing the Bonds.

Venue Project and Venue Taxes

The Venue Project. On June 19, 2025, the City Council adopted a resolution (the "Resolution") authorizing a Venue Project pursuant to Chapter 334 and providing for the planning, acquisition, establishment, development, construction, renovation, and financing of a Venue Project of the type described and defined in Chapter 334, including the maintenance and operation thereof, and described generally to consist of an arena, coliseum, stadium, or other type of arena or facility, adjacent support facilities (including parking facilities), and any related infrastructure (i) that is used or is planned for use for one or more professional or amateur sports events, community events, or other sports events, promotional events, and other civic or charitable events; and (ii) for which a fee for admission to the events is charged or is planned to be charged (collectively, the "Venue Project"). The Venue Project has been designated as a "sports and community venue project" within the City in accordance with and as defined by Chapter 334.

The Venue Project is located at the Port Aransas Civic and Community Center (defined herein) and the property around the Venue.

The Venue Project approved by the voters at an election held on November 4, 2025 includes a remodel and addition to two of the city's premier event facilities (the City's Civic Center and the Community Center) and improvements to pedestrian and biking facilities connecting the two facilities along the four major street corridors of Cotter Avenue, Alister Street, Avenue G, and Avenue A.

The Civic Center improvements include a complete makeover of the gymnasium into a classic ballroom featuring a new ceiling, lighting, flooring, walls, stage, and sound system. Additions to the Civic Center include a new breakout meeting space, new restrooms, a grand hallway, new caterer's kitchen, and courtyard meeting space.

The Community Center improvements include a complete makeover and also adds two exterior restrooms that provide access to restrooms for outside events that can utilize the new Old Town Park located directly adjacent to the Community Center.

Connecting both facilities with the major sectors of town will be the new pedestrian and bike facilities that will provide new walking/biking surfaces, plantings, lighting, rest benches, drinking fountains, and restrooms along the entire corridor lengths. These new facilities will greatly improve the connectivity throughout town for those wishing to access the newly renovated Civic Center and Community Centers.

Venue Taxes. The City submitted the Resolution to the Texas Comptroller of Public Accounts, as required by Chapter 334, and received written confirmation by letter dated July 22, 2025, that approval and implementation of the Resolution would have no significant negative fiscal impact on revenues of the State of Texas ("Texas" or the "State"). The Resolution designated the following financing methods for the Venue Project:

(a) a pledge of the "Property Tax Revenues", which is an amount not to exceed five (5) percent of the total revenues realized by the City from its imposition and collection of the property tax pursuant to the procedures set forth in the City Charter and the City's code of ordinances (the "Property Tax"), all pursuant and subject to and in accordance with the Venue Project Ordinance (defined herein) and the City Charter; and

(b) a pledge of the "2% Venue HOT Revenues", which is the revenues realized by the City from its imposition and collection of a two percent hotel occupancy tax in accordance with Subchapter H of the Chapter 334 (the "2% Venue HOT"), to include penalties and interest for late payments and other payment or reporting-related noncompliance, but excluding amounts withheld for payment of collection costs owed to third parties and rebates, exceptions, and reimbursements as may from time to time be required by applicable law, all pursuant and subject to, and in accordance with, the Venue Project Ordinance.

The "Property Tax" and the "2% Venue HOT" are referred to herein, together, as the "Venue Taxes" or as the "Pledged Revenues". On August 11, 2025, the City adopted an ordinance calling a special election to be held within the City on November 4, 2025 (the "Election") to permit City residents to vote on the approval of the adoption and implementation of the Resolution. At the Election, qualified City voters approved the adoption and implementation of the Resolution, including designating the Venue Project as a "sports and community venue project", imposing and collecting the Venue Taxes, and issuing one or more series of bonds secured by and payable, in whole or in part, from the revenues derived by the City from imposing and collecting the Venue Taxes for purpose of financing the planning, acquisition, establishment, development, construction and renovation of the Venue Project as permitted under Chapter 334. The issuance of the Bonds will represent the only outstanding City debt pursuant to this voted authority. On December 18, 2025, the City adopted an ordinance (the "Venue Project Ordinance") imposing the 2% Venue HOT and providing for the collection thereof and the collection of the Property Tax. The City began collecting the 2% Venue HOT on January 1, 2026. See "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS – Pledged Revenues", "The Property Tax Code and 2% Venue HOT", and "AD VALOREM PROPERTY TAXATION" for additional information regarding the Property Tax Code and the 2% Venue HOT, respectively.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources	
Principal Amount of the Bonds	$ 46,500,000.00
Net original Issue Discount	(214,726.30)
Total Sources of Funds	$ 46,285,273.70
Uses	
Deposit to Construction Account	$ 42,405,245.85
Bond Reserve Fund	3,154,461.60
Costs of Issuance	455,750.00
Underwriters' Discount	269,816.25
Total Uses of Funds	$ 46,285,273.70

Overview of the City Hotel Occupancy Taxes

In addition to the 2% Venue HOT authorized under Chapter 334, the City also levies a 7% occupancy tax (the "7% Chapter 351 HOT"), as permitted by Chapter 351, as amended, Texas Tax Code ("Chapter 351"), that is charged to all short-term (30 days or less) hotel room rentals in the City costing $2.00 or more per day. The total, combined tax rate charged on hotels within the City is 15%, consisting of the 2% Venue HOT, the 7% Chapter 351 HOT, plus the separate State Hotel Occupancy Tax of 6%. The maximum rate that may be charged under State law is 17%. **Of the total 15% rate that is charged to all short-term hotel room rentals in the City, only the 2% Venue HOT is pledged to the repayment of the Bonds**.

Pro Forma Debt Service and Debt Service Coverage

The table on the following page includes projected debt service requirements on the Bonds, along with a pledge of the Property Tax Revenues and the estimated 2% Venue HOT Revenues. The Property Tax Revenues for fiscal year 2026 were calculated as 5% of the City's property tax collected. The 2% Venue HOT Revenues were calculated based upon the City's collected 2% Venue HOT and extrapolated as if the 2% Venue HOT was in place for the entire year. For future years the City is utilizing a zero growth assumption.

City of Port Aransas, Texas
Venue Tax Proforma

FYE (9/30)	Total Existing HOT Revenue [2]	Existing HOT Rate (City Portion Only)	HOT Revenue per Penny	Additional Venue Tax Rate	VENUE TAX HOT REVENUE	$46,500,000 Venue Tax Revenue Bonds, Series 2026 Principal	Interest [3]	Total	Coverage	TAV [1]	Total City Tax Rate	Additional Authorized Ad Valorem Revenue for Venue Project	Additional Pledgable Revenue	Total Pledge Revenues	Combined Coverage
			B/C	$0.02	DxE										
2026	$ 11,369,058	7 cents	1,624,151		$ 3,248,302					$ 6,004,383,030	$ 0.2016	5%	$ 605,242	$3,853,544	
2027	13,530,472	7 cents	1,932,925	2 cents	3,865,849	$ 1,035,000	$ 1,969,706	$ 3,004,706	1.29	5,972,667,883	0.2226	5%	664,689	4,530,538	1.51
2028	13,530,472	7 cents	1,932,925	2 cents	3,865,849	710,000	2,427,600	3,137,600	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2029	13,530,472	7 cents	1,932,925	2 cents	3,865,849	745,000	2,392,100	3,137,100	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2030	13,530,472	7 cents	1,932,925	2 cents	3,865,849	785,000	2,354,850	3,139,850	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2031	13,530,472	7 cents	1,932,925	2 cents	3,865,849	820,000	2,315,600	3,135,600	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2032	13,530,472	7 cents	1,932,925	2 cents	3,865,849	865,000	2,274,600	3,139,600	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2033	13,530,472	7 cents	1,932,925	2 cents	3,865,849	905,000	2,231,350	3,136,350	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2034	13,530,472	7 cents	1,932,925	2 cents	3,865,849	950,000	2,186,100	3,136,100	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2035	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,000,000	2,138,600	3,138,600	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2036	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,050,000	2,088,600	3,138,600	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2037	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,105,000	2,033,475	3,138,475	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2038	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,160,000	1,975,463	3,135,463	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2039	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,225,000	1,914,563	3,139,563	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2040	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,285,000	1,850,250	3,135,250	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.45
2041	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,350,000	1,786,000	3,136,000	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2042	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,420,000	1,718,500	3,138,500	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2043	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,490,000	1,647,500	3,137,500	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2044	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,565,000	1,573,000	3,138,000	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2045	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,650,000	1,486,925	3,136,925	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2046	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,740,000	1,396,175	3,136,175	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2047	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,835,000	1,300,475	3,135,475	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2048	13,530,472	7 cents	1,932,925	2 cents	3,865,849	1,940,000	1,199,550	3,139,550	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2049	13,530,472	7 cents	1,932,925	2 cents	3,865,849	2,045,000	1,092,850	3,137,850	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2050	13,530,472	7 cents	1,932,925	2 cents	3,865,849	2,155,000	980,375	3,135,375	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2051	13,530,472	7 cents	1,932,925	2 cents	3,865,849	2,275,000	861,850	3,136,850	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2052	13,530,472	7 cents	1,932,925	2 cents	3,865,849	2,400,000	736,725	3,136,725	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2053	13,530,472	7 cents	1,932,925	2 cents	3,865,849	2,530,000	604,725	3,134,725	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.45
2054	13,530,472	7 cents	1,932,925	2 cents	3,865,849	2,670,000	465,575	3,135,575	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2055	13,530,472	7 cents	1,932,925	2 cents	3,865,849	2,820,000	318,725	3,138,725	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
2056	13,530,472	7 cents	1,932,925	2 cents	3,865,849	2,975,000	163,625	3,138,625	1.23	5,972,667,883	0.2226	5%	664,689	4,530,538	1.44
Total						$ 46,500,000	$ 47,485,431	$ 93,985,431							

[1] *Taxable Assessed Values for FYE 2026 are based upon certified values. FYE 2027 and thereafter assumes 0% growth.*

[2] *Existing HOT Revenue is based upon estimated FY 2026. Future years assumes 0% growth. The City's HOT revenues for the first 11 months of FYE 2026 are up by approximately 21% compared to the first 11 months of FYE 2025 excluding the new the new 2% Venue Tax.*

[3] *True Interest Cost of 5.47%.*

THE BONDS

General Description

The Bonds are dated October 1, 2026 (the "Dated Date") and will be issued in principal denominations of $5,000 or any integral multiple thereof. The Bonds bear interest from the Date of Delivery (anticipated to occur on or about October 15, 2026) at the stated interest rates indicated on page ii hereof. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and is payable on February 1, 2027, and each August 1 and February 1 thereafter, until the earlier of stated maturity or prior redemption.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books of the Paying Agent/Registrar (the "Register") on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at stated maturity or redemption upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in denominations of $5,000 or any integral multiple thereof.

If the date for any payment due on any Bond is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city in which the designated corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date payment was due.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of, premium (if any), and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. (See "THE BONDS – Book-Entry-Only System" herein.)

Security for Payment

The Bonds are special, limited obligations of the City, the principal and interest on which are payable solely from and secured solely by a lien on and pledge of, certain City revenues, being the Pledged Revenues (as further described herein; see "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS" herein).

Perfection of Security Interest

Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of Pledged Revenues granted by the City as security therefor, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of Pledged Revenues granted by the City is to be subject to the filing requirements of Chapter 9, as amended, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in such pledge, the City has agreed to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business & Commerce Code, and enable a filing to perfect the security interest in the Pledged Revenues to occur.

Additional Bonds

No Additional Parity Obligations for New Money Purposes. In the Ordinance, the City covenanted to not issue any additional obligations secured by a parity lien on and pledge of any revenues that constitute a part of Pledged Revenues; provided, however, that this covenant shall not prevent the City from issuing one or more series of bonds, notes, warrants, certificates of obligation or other debt that are payable, in whole or in part, from and equally and ratably secured by Pledged Revenues ("Additional Combined Venue Tax Bonds") if the purpose of such issuance is to (i) refund the Bonds, in part, if such refunding results in a net present value savings when comparing the debt service on the refunded Bonds to the debt service on such refunding Additional Combined Venue Tax Bonds or (ii) cure an event of default of the City under the Ordinance.

Junior Lien Obligations. The City may, at its option and from time to time for any lawful purpose, issue obligations payable from and secured by a subordinate lien on and pledge of all or part of any City revenues (including Pledged Revenues) theretofore pledged as security for the repayment of any Bonds to remain Outstanding after the issuance of the contemplated subordinate lien obligations. Such junior lien obligations shall have the characteristics and be subject to the terms and conditions as determined by the City. There are currently no junior lien obligations outstanding.

Redemption

Optional Redemption. The Bonds having stated maturities on and after August 1, 2036 are subject to redemption, at the request and option of the City, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If any Bonds within a Stated Maturity are to be redeemed or less than all outstanding Bonds are to be redeemed, such Bonds to be redeemed will be selected at random and by lot by the Paying Agent/Registrar.

Mandatory Sinking Fund Redemption. The Bonds maturing August 1, 2051 and 2056 (the "Term Bonds") are also subject to mandatory redemption prior to their stated maturity in part and by lot, at the redemption prices equal to the principal amounts thereof, plus accrued interest thereon to the redemption dates, on August 1, in the years and principal amounts shown below:

Term Bonds to Mature on August 1, 2051		Term Bonds to Mature on August 1, 2056	
Year	**Principal Amount**	**Year**	**Principal Amount**
2047	$1,835,000	2052	$2,400,000
2048	1,940,000	2053	2,530,000
2049	2,045,000	2054	2,670,000
2050	2,155,000	2055	2,820,000
2051*	2,275,000	2056*	2,975,000

*Payable at Stated Maturity

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

Notice of Redemption. Not less than 30 days prior to a redemption date for the Bonds, the City must cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each such registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the Register at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE OWNER. If a Bond is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been given as herein above provided, such Bond (or the principal amount thereof to be redeemed) will become due and payable and interest thereon will cease to accrue from and after the redemption date thereof, provided money sufficient for the payment of such Bond (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

All notices of redemption must (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, will become due and payable on the redemption date specified, and the interest thereof, or on the portion of the principal amount thereof to be redeemed, will cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, will be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

Notices of Redemption and Amendments through DTC

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance, or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owners, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with the rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds for the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. None of the City, the Paying Agent/Registrar, or the Underwriters will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments of the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. (See "THE BONDS – Book-Entry-Only System" herein.)

Book-Entry-Only System

The following describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information under this subcaption 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 Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (defined below), 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 ("SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

General. The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds 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 security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds 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 and principal and interest payments on the Bonds 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 Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, security certificates for each maturity of the Bonds are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the Financial Advisor, nor the Underwriters take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of This Official Statement. In reading this Official Statement it should be understood that while the Bonds 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 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, 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 will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under the caption "REGISTRATION, TRANSFER, AND EXCHANGE" below.

Defeasance

Any Bond will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Ordinance when payment of the principal of, redemption premium (if any), and interest on such Bond to its stated maturity or redemption date will have been made or will have been provided for by depositing with the Paying Agent/Registrar, or an authorized escrow agent, (1) cash in an amount sufficient to make such payment, (2) Government Obligations (defined herein) to be 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 Obligations together so certified sufficient to make such payment. In the event of a defeasance of the Bonds, the City will deliver a certificate from its financial advisor, the Paying Agent/Registrar or another qualified third party concerning the deposit of cash and/or Government Obligations, to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. The City has additionally reserved the right, subject to satisfying the requirements of (i) and (ii) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the City money in excess of the amount required for such defeasance.

The Ordinance provides that the term "Government Obligations" means the (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iv) any additional securities and obligations hereafter authorized by the laws of the State as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained by 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 Government Obligations (such list consisting of those securities identified in clauses (i) through (iii) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("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 Bonds, Registered Owners of Bonds 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 Bonds shall no longer be regarded to be outstanding or unpaid, and the City shall have no further ability to amend the Ordinance or redeem the Bonds prior to their stated maturity. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their stated maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds 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.

Amendments

The City 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 City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of all of the registered owners of the Bonds then outstanding, 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 Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, the redemption price therefor, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the percentage of the aggregate principal amount of Bonds required to be held for consent to any amendment, addition, or waiver.

Defaults and Remedies

If the City defaults in the payment of principal, interest, or redemption price of or on the Bonds, as applicable, 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 Bonds, if there is no other available remedy at law to compel performance of the Bonds or 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 Bonds 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. Texas counties are generally immune from suits for money damages for breach of contracts under the doctrine of sovereign immunity. 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 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 was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship. Because it is unclear whether the State legislature has effectively waived the City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance covenants. Even 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 lien on the Pledged Revenues securing the Bonds to pay the principal of and interest on such Bonds. 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 (such as the Pledged Revenues securing the Bonds), such provision is subject to judicial construction. 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 Bonds 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.

Payment Record

The City has never defaulted on the payment of its bonded indebtedness.

Legality

The Bonds are offered for delivery when issued and received by the initial purchasers thereof (the "Underwriters") subject to the approving opinion of the Attorney General of the State and the approval of certain legal matters by Norton Rose Fulbright US LLP, Bond Counsel, Austin and San Antonio, Texas. The legal opinion of Bond Counsel will be printed on or attached to Bonds of the corresponding series. A form of Bond Counsel's legal opinion appears in Appendix D attached hereto.

Delivery

When issued; anticipated to occur on or about October 15, 2026.

REGISTRATION, TRANSFER, AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Bonds 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. If the Bonds are not held in the Book-Entry-Only System, interest on the Bonds 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 Register on the Record Date (defined herein) or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of the Bonds will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of, redemption premium (if any), or interest on the Bonds 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.

Successor Paying Agent/Registrar

The City covenants that until the Bonds are paid it will at all times maintain and provide a paying agent/registrar. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar must 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 by the City must be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar. No removal or replacement of the Paying Agent/Registrar will be effective until a new successor has been appointed and qualified as such.

Record Date

The record date ("Record Date") for determining the registered owner entitled to the receipt of payment of interest on a Bond on any interest payment date is the fifteenth day of the calendar month preceding the month in which occurs the subject 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 (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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (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 Bond appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System is discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the Register only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer will 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 Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar.

A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated 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 Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds 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 Bonds registered and delivered in an exchange or transfer will be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and at the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer.

Neither the City nor the Paying Agent/Registrar will be required to transfer or exchange any Bonds (i) during a period beginning at the close of business on any Record Date and ending with the next interest payment date or (ii) with respect to any Bonds or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such transfer and exchange restriction shall not apply to the uncalled balance of a Bond redeemed in part. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen, or lost, such new Bond will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to establish to the City and the Paying Agent/Registrar that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond 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.

SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS

General

UNDER THE ORDINANCE, THE BONDS, INCLUDING PRINCIPAL THEREOF AND INTEREST PAYABLE THEREON, CONSTITUTE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM, AND SECURED SOLELY BY A LIEN ON AND PLEDGE OF, THE PLEDGED REVENUES, AS PROVIDED IN THE ORDINANCE AND AS DESCRIBED IN THIS OFFICIAL STATEMENT. THE BONDS DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE STATE OF TEXAS, AND, EXCEPT FOR THE PROPERTY TAX REVENUES AS LIMITED AND DEFINED HEREIN, THE HOLDERS THEREOF WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OUT OF ANY FUNDS RAISED OR TO BE RAISED BY AD VALOREM TAXATION. IN ADDITION, THE ORDINANCE DOES NOT CREATE A MORTGAGE OR DEED OF TRUST ON THE VENUE PROJECT OR ANY OTHER PROPERTY OF THE CITY.

Pledged Revenues

General. The "Pledged Revenues" consist of (i) a first and prior lien on and pledge of the Property Tax Revenues, (ii) a first and prior lien on and pledge of the 2% Venue HOT Revenues, and (iii) such other money, income, revenues or other property as may be specifically included in such term in any City ordinance supplemental to the Ordinance.

The Ordinance defines "Property Tax Revenues" to mean an amount not to exceed five percent (5%) of the revenues realized by the City from its imposition and collection of the Property Tax pursuant to the procedures set forth in the City Charter and the City's Code of Ordinances, all pursuant and subject to, and in accordance with, the Venue Project Ordinance and the City Charter.

The Ordinance defines "2% Venue HOT Revenues" to mean the revenues realized by the City from its imposition and collection of the two percent 2% Venue HOT, to include penalties and interest for late payments and other payment or reporting-related noncompliance, but excluding amounts withheld for payment of collection costs owed to third parties and rebates, exceptions, and reimbursements as may from time to time be required by applicable law, all pursuant and subject to, and in accordance with, the Venue Project Ordinance.

The 2% Venue HOT. Chapter 334 authorizes the City to impose the 2% Venue HOT on persons who, under a lease, concession, permit, right of access, license, contract, or agreement, pay for the use or possession of a Hotel room within the boundaries of the City that costs $2.00 or more each day and is ordinarily used for sleeping. The 2% Venue HOT equals 2.00% of the consideration paid to the Hotel for the right to use or possess the room. In the Ordinance, "Hotel" is defined to mean a building in which members of the public obtain sleeping accommodations for consideration, including a hotel, motel, tourist home, tourist house, tourist court, lodging house, inn, rooming house, or bed and breakfast, and does not include (i) a hospital, sanitarium, or nursing home, (ii) a dormitory or other housing facility owned or leased and operated by an institution of higher education or a private or independent institution of higher education, as those terms are defined by Section 61.003, Education Code, as amended, and used by the institution for the purpose of providing sleeping accommodations for persons engaged in an educational program or activity at the institution, or (iii) an oilfield portable unit, as defined by Section 152.001, Texas Tax Code, as amended. The term "hotel" includes a short-term rental in which the rental of all or part of a residential property to a person who is not a permanent resident under Section 156.101, Texas Tax Code, as amended. The consideration paid for a Hotel room, for purposes of Chapter 334, includes the cost of such Hotel room only if the Hotel room is one ordinarily used for sleeping, and does not include the cost of any food served or personal services rendered to the occupant of such Hotel room not related to the cleaning and readying of such Hotel room for occupancy.

To be subject to the 2% Venue HOT, the occupant's use, possession, or right to the use or possession of the sleeping room must be for a period of less than 30 consecutive days. In addition, (i) the United States, (ii) a governmental entity of the United States, (iii) an officer or employee of a governmental entity of the United States when traveling on or otherwise engaged in the course of official duties for such governmental entity and (iv) an officer or employee of the State, or any agency, institution, board or commission of the State (other than an Institution of Higher Education, as defined in Chapter 61, as amended, Texas Education Code) for whom a special provision or exception to the general rate of reimbursement under the General Appropriations Act applies and who is provided with photo identification verifying the identity and exempt status of such person are exempt from paying the 2% Venue HOT. The State, or any agency, institution, board or commission of the State (other than an Institution of Higher Education) and an officer or employee of any such governmental entities for whom a special provision or exception to the general rate of reimbursement under the General Appropriations Act does not apply are entitled to a refund of the Hotel Occupancy paid thereby.

For a discussion of matters that may impact the City's prospective 2% Venue HOT Revenues, see "INVESTOR CONSIDERATIONS, MARKET FACTORS AND THE VENUE TAXES".

The City's share of Collection Costs will be paid by it directly if a third party vendor is used and will not be deducted from the 2% Venue HOT collected and paid to the City. Hotels and other eligible vendors of sleeping accommodations are required to collect the 2% Venue HOT at the time room charges are received from patrons and remit such taxes to the Finance Department of the City. Upon receipt of 2% Venue HOT paid, the City will pay or cause to be paid to the City such collections within two full business days of receipt thereof. The City has been collecting the 2% Venue HOT since its inception.

Venue Project Fund

The City has covenanted in the Ordinance that all Property Tax Revenues and 2% Venue HOT Revenues, shall be deposited as received in the "Venue Project Fund", which Fund is to be kept separate and apart from all other funds of the City. Within the Venue Project Fund, the City has created special accounts, into which money deposited to the Venue Project Fund shall be further deposited, as specified in the Ordinance. These special accounts of the City within the Venue Project Fund include the following:

(1) Collection Account;
(2) Debt Service Account;
(3) Debt Service Reserve Account;
(4) Capital Improvement and Maintenance and Operations Account; and
(5) Construction Account
(6) Coverage Stabilization Account

See "Excerpts from the Ordinance" attached hereto as Appendix B for a more detailed description of the Venue Project Fund and the accounts created and held therein.

Collection Account. The City has established and caused to be created an account within the Venue Project Fund known as the "Collection Account" (the "Collection Account"), which account will be maintained with a Depository of the City. The City has covenanted to deposit, as received, 2% Venue HOT Revenues to the credit of the Collection Account, all of which money has been pledged and appropriated by the City to the extent required to accomplish the hereinafter-described uses. Additionally, to the extent funds on deposit in the Debt Service Account or other source available to the City at the due date thereof (whether by reason of maturity or prior redemption) as of the end of the current Fiscal Year are not sufficient for the payment of principal or of interest on the Bonds for the next succeeding Fiscal Year, Property Tax Revenues shall be deposited to the Collection Account, in an amount equal to such deficiency for further transfer as set forth in the Ordinance. The City shall, after the Closing Date (unless another time is specified herein or in the Ordinance), transfer or cause to be transferred all amounts on deposit in the Collection Account on the 25th day of each month (or on the last business day prior thereto if such day is a Saturday, Sunday, or Legal Holiday), to the following accounts and in the following order of priority:

(1) *First*, to the Debt Service Account (1) an amount equal to $1/6^{th}$ of the total interest payable on the Bonds on the next occurring Interest Payment Date, and (2) an amount equal to $1/12^{th}$ of the principal of the Bonds coming due on the next principal payment date;

(2) *Second*, to the Debt Service Reserve Account, the amount, if any, specified in the Ordinance with respect to periodic payments to be made to such account (see "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS – Debt Service Reserve Account");

(3) *Third*, the amount necessary for payment of debt service on any subordinate lien obligations, or to maintain the requisite deposit to any debt service reserve established and maintained with respect thereto, in accordance with the provisions of the applicable order that authorizes the issuance of such obligations; and

(4) *Fourth*, all amounts remaining to the Capital Improvement and Maintenance and Operations Account.

Debt Service Account. The City has established and caused to be created an account within the Venue Project Fund known as the "Debt Service Account" (the "Debt Service Account"), which account is kept and maintained by the Paying Agent/Registrar. Under the Ordinance, the Paying Agent/Registrar is authorized and directed by the City to make withdrawals from the Debt Service Account sufficient to pay the principal of and interest on the Bonds as the same become due and payable in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar by such time that interest on and principal of the Bonds is due and payable.

If, after payment of a scheduled payment obligation of the City for which funds have been deposited to the Debt Service Account in accordance with the transfers set forth above under "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS – Venue Project Fund – Collection Account", there remains excess proceeds in the Debt Service Account that were otherwise designated to satisfy such obligation, then such excess proceeds will be released from the Debt Service Account and further deposited in accordance with the provisions of, and in the order of priority specified above under "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS – Venue Project Fund – Collection Account".

Debt Service Reserve Account. The City has established and caused to be created an account within the Venue Project Fund known as the "Debt Service Reserve Account" (the "Debt Service Reserve Account"), which account is kept and maintained by the City. Money on deposit in the Debt Service Reserve Account are pledged as supplemental security for the Bonds and shall be used solely and exclusively for the purposes of making transfers to the Debt Service Account in the event the money in such account is not sufficient to make transfers to the Paying Agent/Registrar on the dates and in the full amounts required by the Ordinance. The Debt Service Reserve Account will maintain a reserve for the payment of the Bonds equal to $3,154,461.60

(the "Debt Service Reserve Requirements") as determined in accordance with the applicable provisions of the Ordinance. Income derived from the investment of amounts held for the credit of the Debt Service Reserve Account shall be retained therein. All funds deposited into the Debt Service Reserve Account shall be used solely for the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds.

When and for so long as the cash and investments in the Debt Service Reserve Account equal the Debt Service Reserve Requirements, no deposits need be made to the credit of the Debt Service Reserve Account; but, if and when the Debt Service Reserve Account at any time contains less than the Debt Service Reserve Requirements, the City has in the Ordinance covenanted and agreed that it shall cure the deficiency in the Debt Service Reserve Requirements by depositing to the credit of the Debt Service Reserve Account, on a monthly basis commencing in the month immediately succeeding the month in which the subject deficiency is identified and from the Pledged Revenues, at the times, and in the order of priority specified in the Ordinance (and as described above under "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS – Venue Project Fund – Collection Account"), an amount equal to not less than 1/60th of the amount of such deficiency. The City shall continue to make such monthly deposits until the balance of the Debt Service Reserve Account equals the Debt Service Reserve Requirements. The City has further covenanted and agreed that, subject only to the prior payments specified to be made in the Ordinance (and as primarily described above under "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS – Venue Project Fund – Collection Account"), the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Debt Service Reserve Requirements and to cure any deficiency in such amounts as required by the terms of the Ordinance.

During such time as the City maintains on deposit in the Debt Service Reserve Account the Debt Service Reserve Requirements, the City may, at its option, withdraw all surplus funds in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirements and deposit such surplus in the Debt Service Account. In the event a Surety Policy or Policies (defined below) issued to satisfy all or a part of the Debt Service Reserve Requirements causes the amount then on deposit in the Debt Service Reserve Account to exceed the Debt Service Reserve Requirements, the City may transfer such excess amount to any fund or account established for the payment of or security for the Bonds (including any escrow established for the final payment of any such obligations pursuant to the provisions of applicable Texas law), or be used for any lawful purposes; provided, however, to the extent such excess amount represents Bond proceeds, then such amount will be transferred to the Debt Service Account or be otherwise used in accordance with applicable Texas law.

The City may acquire a debt service reserve surety policy or policies ("Surety Policy or Policies" or "Surety Policy") issued by an authorized provider under applicable Texas law in amounts equal to all or part of the Debt Service Reserve Requirements in lieu of depositing cash into the Debt Service Reserve Account. The City has reserved the right to use Pledged Revenues (subject to the prior payments specified to be made in the Ordinance and as primarily described above under "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS – Venue Project Fund – Collection Account") to fund the payment of (1) periodic premiums on a Surety Policy or Policies as a part of the payment of the Venue Project operating expenses, and (2) any repayment obligation incurred by the City (including interest) to the issuer of a Surety Policy or Policies, the payment of which will result in the reinstatement of such Surety Policy or Policies, prior to making payments required to be made to the Debt Service Reserve Account pursuant to the applicable provisions of the Ordinance to restore the balance in such account to the Debt Service Reserve Requirements.

In connection with the issuance of the Bonds, the City anticipates using bond proceeds to satisfy the Debt Service Reserve Requirements attributable to the Bonds.

Capital Improvement and Maintenance and Operations Account. The City has established and caused to be created an account within the Venue Project Fund known as the "Capital Improvement and Maintenance and Operations Account" (the "Capital Improvement and Maintenance and Operations Account"), which account will be maintained with a Depository of the City.

Funds held in the Capital Improvement and Maintenance and Operations Account shall be properly spent, at the City's option, for (a) payment of debt service on any bonds payable from all or part of the Venue Taxes, after first applying any funds on deposit in the debt service account relating to such series of bonds, (b) replenishing the Debt Service Requirement (or any Surety Policy or Policies acquired in the satisfaction of such requirement), (c) payment of any additional costs of completing the Venue Project, (d) costs of renovating, improving, or updating the Venue Project, (e) payment of Maintenance and Operations Expenses, and/or (f) any other lawful purpose. Such use of money on deposit in the Capital Improvement and Maintenance and Operations Account will be accomplished by, with respect to (a) in the preceding sentence, transfer of the amount of money determined by a Designated Financial Officer to the Debt Service Account; with respect to (b) in the preceding sentence, transfer of the amount of money determined by a Designated Financial Officer to the Debt Service Reserve Account; with respect to (c) in the preceding sentence, transfer of the amount of money determined by a Designated Financial Officer to the Construction Account; and with respect to (d) through (f) in the preceding sentence, payment of any such expenses, in the amount and in the manner determined by a Designated Financial Officer, directly from the Capital Improvement and Maintenance and Operations Account.

Until expended, money on deposit in the Capital Improvement and Maintenance and Operations Account will be invested pursuant to the Ordinance and all interest and income derived from deposits and investments in such account will be credited to, and any losses debited to, such account.

Construction Account. The City has established and caused to be created an account within the Venue Project Fund known as the "Construction Account" (the "Construction Account"), which account will be maintained by the City at a Depository. On the Closing Date, the City shall, to the credit of the Construction Account, deposit Bond proceeds in the amount of $42,205,245.85.

Money on deposit in the Construction Account will be used solely for the purpose of paying the costs of the Venue Project. Money on deposit in the Construction Account will be disbursed as determined by a Designated Financial Officer.

Until expended, money on deposit in the Construction Account shall be invested pursuant to the Ordinance. See "Excerpts from the Ordinance" attached hereto as Appendix B. Any net income, interest or gain received and collected from investments in the Construction Account may be used and applied by the City for the purpose of paying for costs and expenses incurred in connection with the development, financing, or construction of the Venue Project, as permitted by Chapter 334.

Upon final completion of the portion of the Venue Project for which the Bonds were issued (as determined by a Designated Financial Officer), and after payment of all amounts payable by the City therefor, any funds remaining in the Construction Account will be transferred to the Debt Service Account and any amounts required to be transferred to the Debt Service Account from Pledged Revenues (as set forth above under "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS – Venue Project Fund – Collection Account") shall be offset to the extent of funds transferred to such account from the Construction Account.

Coverage Stabilization Account.

The City has established and created an account within the Venue Project Fund to be known as the "Coverage Stabilization Account" (the Coverage Stabilization Account). As additional security for the Bonds, amounts from time to time held in the Coverage Stabilization Account are hereby pledged as supplemental security for the Bonds.

To the extent funds on deposit in the Debt Service Account or other source available to the City at the due date thereof (whether by reason of maturity or prior redemption) are not sufficient for the payment of principal or of interest on the Bonds, money on deposit in the Coverage Stabilization Account, in an amount equal to the lesser of the amount of such deficiency and the balance then on deposit in such account, shall be transferred to the Debt Service Account.

If not transferred in the manner described above, such amount will be held within this account until, as evidenced by audited financial statements of the City, Pledged Revenues equal 1.75 times average annual Debt Service Requirements on the Bonds. Upon such occurrence, money held in this account shall be transferred to the Construction Account or the Capital Improvement and Maintenance and Operations Account, each as determined by an Authorized Official. Upon the transfer of all amounts from the Coverage Stabilization Account in accordance herewith, the Issuer shall cause this account to be closed.

As of the date of initial delivery of the Bonds, the City holds Existing Excess Revenues in the amount of $2,801,993.00. Simultaneously with the issuance of the Bonds, the City shall transfer the Existing Excess Revenues in an amount equal to $1,577,230.80 which equals one-half of average annual debt service requirements on the Bonds to the Coverage Stabilization Account. The remainder of the Excess Revenues shall be deposited into the Collection Account.

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.

The Bonds are secured by Property Tax Revenues but are not secured by the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax.

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

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

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 law also provides for state mandated homestead exemptions, local option homestead exemptions, and local option for a freeze on ad valorem taxes for the elderly and disabled.

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.

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.

The Property Tax Revenues are derived from the City’s maintenance and operations tax rate, not the debt service tax rate. The Bonds are secured by Property Tax Revenues but are not secured by the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax.

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.

INVESTOR CONSIDERATIONS, MARKET FACTORS AND THE VENUE TAXES

Each prospective investor in the Bonds should read this Official Statement in its entirety, including the Appendices hereto. The following is a discussion of certain investment considerations that should be considered by any prospective purchaser of the Bonds prior to an investment in the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with the other parts of this Official Statement, including the Appendices hereto. Particular attention should be given to the considerations described below which, among others, could affect the payment of debt service on the Bonds, and which could also affect the marketability of the Bonds to an extent that cannot be determined.

Hotel-Industry Related Risks

The City has limited ability to respond to changes in economic or other conditions with respect to the hotel market, thereby limiting its ability to impact the generation of revenues from the 2% Venue HOT toward payment of the debt service on the Bonds.

The hotel market is subject to all operating risks common to the hotel and motel industry. These risks include: changes in general economic conditions; the level of demand for rooms and related services; cyclical over-building in the hotel industry; competition from other hotels, motels, and recreational properties located outside the City and otherwise not contributing to the hotel occupancy tax collections within the City; the recurring need for renovations and refurbishment of hotel facilities; restrictive changes in zoning and similar land use laws and regulations or in health, safety, and environmental laws, rules and regulations; the inability to secure property and liability insurance to fully project against all losses or to obtain such insurance at reasonable rates; and changes in travel patterns.

The destination and marketing industry in the City, surrounding areas, and the State is highly competitive. Counties and cities within the State, including the City, vie for the market share of the tourism industry, as the State’s other large markets are continually making advances to attract visitors and large conventions. As the destination and marketing industry is evolving, some competitors have substantially greater marketing and financial resources to promote their respective destination when compared to the City.

Changes in local economic conditions will directly affect demand for the hotel market and thus availability of hotel occupancy taxes. Such operations may be affected by casualty losses at hotels in the City or trends in hotel or tourism industries, which are further affected by political and economic events beyond the control of the City, such as business conditions affecting the area’s largest employers.

Venue Taxes

Commencement and continuation of the collection of Venue Taxes is subject to a variety of factors, none of which are within the City's control. Collections can be adversely affected by changes in economic activity and conditions within the City and general geographic area. Many factors may affect the City's collection of the Venue Taxes, including fuel prices, appraised values, the City's continuation as an industrial base, general costs of living, employment levels of employers within and outside the City, individual's discretionary spending on items that would produce revenues from the Venue Taxes, and the overall impact of the economy to individuals that would otherwise be contributing to the Venue Taxes base. The City is unable to predict what impact economic conditions such as the foregoing may have on its continued collection of revenues received from the Venue Taxes.

Venue Project Construction Risks

Construction Risks. As with all construction projects, the development and construction of the Venue Project is susceptible to various risks and uncertainties, such as: inflation of construction costs, general construction risks, including cost overruns especially in a pandemic economy, change orders and plan or specification modifications, shortages of equipment, materials or skilled labor, labor disputes, unforeseen environmental, engineering or geological problems, work stoppages, fire and other natural disasters, construction scheduling problems and weather interferences; changes and concessions required by governmental or regulatory authorities; delays in obtaining, or inability to obtain, all licenses, permits, and authorizations required to complete and/or operate the Venue Project; and disruption of existing operations and facilities. Such events could result in delayed marketing, substantial completion, and/or occupancy (and the receipt of a certificate evidencing the right to occupy) of the Venue Project and, though the credit for the Bonds is not directly tied to Venue Project completion or performance, failure of the former or underperformance of the latter could nevertheless impact collection of Pledged Revenues and/or public sentiment and support of the Venue Project. In addition, substantial completion and occupancy of the Venue Project may be extended by reason of changes authorized by the City, delays due to unforeseen acts or neglect of the Venue Project, or by independent contractors retained in the construction thereof.

Availability of Funds. The cost of any project may vary significantly from initial expectations, and there may be a limited amount of capital resources to fund cost overruns. If cost overruns occur and cannot be financed on a timely basis, the completion of the Venue Project may be delayed until adequate funding is available. No assurance can be given that the costs of completing the Venue Project will not exceed the amount of available funds or that completion of the Venue Project will not be delayed beyond the current expected opening day.

Events of Force Majeure. Construction and operation of the Venue Project are at risk from events of force majeure, such as earthquakes, tornados, hurricanes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, and spills of hazardous materials, among other events. Construction or operations may also be stopped or delayed from non-casualty events such as discovery of archaeological artifacts, changes in law, delays in obtaining or renewing required permits, revocation of such permits and approvals and litigation, among other things.

Environmental Risks. There are potential risks relating to environmental liability associated with the ownership of any property. If hazardous substances are found to be located on or under the Venue Project property, such property may be held liable for costs and other liabilities relating to such hazardous substances.

Regulatory and Legislative Environment

Under various federal, State and local environmental laws, orders, and regulations, a current or previous owner or operator of real property may become liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Other federal, State and local laws exist, such as the Americans with Disabilities Act, which may require modifications to buildings or restrict certain renovations by requiring access to such buildings by disabled persons. The costs of compliance with such laws may be substantial and may materially affect the Venue Project and its operations and performance.

Natural Weather Events

If a future weather event significantly damages all or part of the properties comprising the tax base (with respect to the Property Tax Revenues) and the base upon which the 2% Venue HOT is levied (with respect to the 2% Venue HOT) within the City, the amount of the Pledged Revenues received by the City could be substantially reduced. There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the City or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values, rental base, and Pledged Revenues within the City could be adversely affected.

Cybersecurity

Government entities in the State have been the subject of cyber-attacks, some of which have been successful and have caused material disruptions to such entities' finances and operations. The City has policies and procedures in place relating to cybersecurity threats and has staff dedicated to establishing practices, strategies, and protocols to mitigate and minimize risk and exposure to cybersecurity incidents, including mandatory cybersecurity training for all City personnel. However, no assurances can be given by the City that such measures will ensure against future cybersecurity threats and attacks, and any breach could cause material disruption to the City's finances or operations.

Non-Recourse Obligations

The Bonds are special obligations of the City payable solely from the Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS". EXCEPT FOR THE PROPERTY TAX REVENUES AS LIMITED AND DEFINED HEREIN, NONE OF THE STATE OF TEXAS, THE CITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE OF TEXAS, EITHER INDIVIDUALLY OR COLLECTIVELY, HAS PLEDGED OR SHALL PLEDGE OTHER REVENUES AS SECURITY FOR THE BONDS FROM FUNDS RAISED OR TO BE RAISED BY AD VALOREM TAXATION, AND NEITHER THE FAITH AND CREDIT, NOR THE TAXING POWER, OF THE STATE OF TEXAS, THE CITY, OR ANY POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE OF TEXAS, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY), OR THE INTEREST ON THE BONDS. NO INTEREST IN THE VENUE PROJECT HAS BEEN GRANTED AS SECURITY FOR THE PAYMENT OF THE BONDS.

RATINGS

S&P Global Ratings, a division of S&P Global Inc. ("S&P") has assigned an unenhanced, underlying rating of "A-" to the Bonds. An explanation of the rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is 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 appears in Appendix E hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the City made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Ordinance by the City subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds 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 Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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 Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds 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 Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds 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 Bonds. Prospective purchasers of the Bonds 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 Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions (see "Qualified Tax-Exempt Obligations" below), property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (FASIT), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective 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 Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Tax Accounting Treatment of Discount Bonds

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see "Qualified Tax-Exempt Obligations" below), life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

In the event of the sale or other taxable disposition of a Discount Bond prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds 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 Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. 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 Bond. 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 Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL MATTERS

The City will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the "Initial Bond" relating to the Bonds is a valid and legally binding, special obligation of the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the caption "PLAN OF FINANCE – Authorization and Purposes", "THE BONDS" (except under the subcaptions "Book-Entry-Only System", "Defaults and Remedies", "Payment Record" and "Delivery", as to which no opinion is expressed), "REGISTRATION, TRANSFER & EXCHANGE", "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS" (except with respect to any tables or other numerical or statistical information appearing thereunder, as to which no opinion is expressed), "TAX MATTERS", "LEGAL MATTERS" (except for the last sentence of the first paragraph thereof, as to which no opinion is expressed), "EXCERPTS FROM THE ORDINANCE" (attached hereto as Appendix B),"CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings", as to which no opinion is expressed), and "OTHER INFORMATION-Registration and Qualification of Bonds for sale", "OTHER PERTINENT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Ordinance. 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 Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished (see "No Litigation" herein). The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds of each series of Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain matters will be passed upon for the Underwriters by their counsel Orrick, Herrington & Sutcliffe LLP, Austin, Texas, whose legal fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds 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.

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.

Current Investments (1) **TABLE 5**

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

Investment Type	Amount	Percentage
Demand Deposit	$ 2,212,678	7.14%
Investment Pools	27,242,920	88.00%
Money Market	1,503,876	4.86%
	$ 30,959,474	100.00%

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

NO-LITIGATION

On the date of delivery of the Bonds to the Underwriters, the City will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would adversely affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

In the opinion of certain officials of the City, the City is not a party to any litigation or other proceedings pending or, to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the City, would have a material adverse effect on the financial condition of the City.

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 Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. 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 Tables 1 through 16 in Appendix D (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 E 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 E.

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 Bonds 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 Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, 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 Bonds nor the Ordinance make provision for credit enhancement or liquidity enhancement.

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 Bonds 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 Bonds 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 Bonds 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 Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds 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 Bonds. 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 Underwriters from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made by it in accordance with the Rule.

OTHER PERTINENT INFORMATION

Authenticity of Financial Data and Other Information

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

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

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities act of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City has agreed to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds 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 or special consent to service of process in any jurisdiction.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, 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. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency (see "RATINGS" herein). In addition, various provisions of the Texas Finance Code, as amended, provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Financial Advisor

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as the Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor, in its capacity as Financial Advisor to the City, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds.

In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the City for the investment of Bond proceeds or other funds of the City upon the request of the City.

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, and as part of, their 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.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds at a price equal to the initial offering prices, as shown on the page ii hereof, less an underwriting discount of $269,816.25, and no accrued interest on the Bonds.

The Underwriters' obligations are subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering price, and such public prices may be changed from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Financial Statements

Appendix D to this Official Statement contains the City's annual financial report for the fiscal year ended September 30, 2025. These financial statements have been audited by ABIP, San Antonio, Texas, independent certified public accountants.

Use of Information in the Official Statement

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

Forward Looking Statements and Investor Considerations

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 would prove to be accurate.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all information included herein (particularly, the descriptions regarding the City's historical and prospective projected collection of Venue Tax revenue appearing under the caption "INVESTOR CONSIDERATIONS, MARKET FACTORS AND THE VENUE TAXES" and the lien on and pledge of such revenues as described under "SECURITY AND SOURCES OF PAYMENT; FUNDS AND ACCOUNTS") to identify any investment considerations. Potential investors should be thoroughly familiar with this entire Official Statement and the appendices hereto, and should have accessed whatever additional financial and other information any such investor may deem necessary, prior to making an investment decision with respect to the Bonds.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Underwriters will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Bonds, 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 circumstances under which they are made, not misleading; (c) insofar as the description 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 that the City has no reason to believe that they are untrue in any material respect; (d) authorized representatives of the City received and reviewed copies of the Official Statement for the purpose of confirming that the information therein pertaining to the City is accurate and complete; and (e) there has been no material adverse change in the financial condition of the City since September 30, 2025, the date of the last audited financial statements of the City.

Authorization of the Official 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 has been approved by the City Council of the City for distribution in accordance with provisions of the United States Securities and Exchange Commission's Rule codified at 17 C.F.R. Section 240.15c-12, as amended.

PORT ARANSAS, TEXAS

/s/Wendy Moore
Mayor
City of Port Aransas, Texas

ATTEST:

/s/Francisca Nixon
City Secretary
City of Port Aransas, Texas

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APPENDIX A

Certain Financial Information Regarding the City's Pledge of 2% Venue HOT and Certain Financial Information Regarding 5% Pledge of Property Tax Revenue

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Local Hotel Occupancy Tax Rates	
Hotel Motel Special Fund	3.50%
Convention and Tourism Marketing	3.25%
Facility Fund (including Civic and Convention Center)	0.25%
Venue Projects (the "Venue Hotel Occupancy Tax")	2.00%
Total Local Hotel Occupancy Tax Rate	9.00%
State Hotel Occupancy Tax Rate	6.00%
The City Receives 2% of the State's Tax for Beach Maintance and Operations	
Total Hotel Occupancy Tax Rate	15.00%

Total Local HOT Receipt History **TABLE 1**

Fiscal Year Ending 9/30	Local HOT Rate	Total Local HOT Revenue	Annual Revenue Growth %
2015	7.00%	$ 4,237,183	5.11%
2016	7.00%	4,272,386	0.83%
2017	7.00%	4,871,302	14.02%
2018	7.00%	3,012,336	-38.16%
2019	7.00%	4,894,852	62.49%
2020	7.00%	5,365,955	9.62%
2021	7.00%	9,102,215	69.63%
2022	7.00%	9,591,925	5.38%
2023	7.00%	10,527,708	9.76%
2024	7.00%	10,157,499	-3.52%
2025	7.00%	11,369,058	11.93%
2026	7.00%	11,929,932	Through 11 months

The Decrease in Total Local HOT Revenue between 2017 and 2018 was due to Hurricane Harvey striking Port Aransas on August 15, 2017.

10 Year Annual Hotel & Room Sales **TABLE 2**

Calendar Year	Total Taxable Hotel Room Sales ($)	Increase (Decrease)	Increase/ Decrease (%)
2016	$61,034,086		
2017	$69,590,028	$8,555,942	14.0%
2018	$43,033,371	-26,556,657	-38.2%
2019	$69,926,457	26,893,086	62.5%
2020	$76,656,500	6,730,043	9.6%
2021	$130,031,643	53,375,143	69.6%
2022	$137,027,500	6,995,857	5.4%
2023	$150,395,828	13,368,328	9.8%
2024	$145,107,129	-5,288,699	-3.5%
2025	$162,415,114	17,307,985	11.9%
2026	$170,427,600	8,012,486	Through 11 months

The Decrease in Taxable Hotel and Room Sales between 2017 and 2018 was due to Hurricane Harvey striking Port Aransas on August 15, 2017.

Port Aransas Hotel Occupancy Tax Actual Revenues by Fiscal Year (7%) **TABLE 3**

	FYE (9/30)						Montly
	2026	2025	2024	2023	2022	2021	Average
Oct.	795,550	$ 630,516	$ 794,951	$ 732,052	$ 751,505	$ 659,512	$ 727,347
Nov.	673,029	495,212	590,453	586,002	534,945	408,847	$ 548,081
Dec.	382,530	308,330	286,523	340,036	287,027	426,509	$ 338,492
Jan.	296,971	250,934	166,734	280,530	341,103	209,047	$ 257,553
Feb.	161,415	132,693	161,112	546,577	140,828	128,286	$ 211,818
Mar.	243,279	200,075	180,267	201,627	162,857	181,342	$ 194,908
Apr.	1,187,212	958,335	844,590	765,130	454,609	722,007	$ 821,980
May	725,313	622,361	522,927	576,258	695,178	477,849	$ 603,314
June	1,419,133	1,235,520	1,079,020	933,254	517,885	921,440	$ 1,017,709
July	2,562,361	2,250,867	2,012,705	1,977,316	1,474,911	1,277,119	$ 1,925,880
Aug.	3,483,678	2,758,432	2,296,992	2,447,704	2,762,040	1,993,044	2,451,642
Sep.	-	1,525,785	1,221,224	1,141,224	1,469,037	1,697,213	1,410,897
Total	$ 11,930,472	$ 11,369,058	$ 10,157,499	$ 10,527,708	$ 9,591,925	$ 9,102,215	$ 10,509,623

Port Aransas Hotel Venue Extrapolated (and Actual) Revenues by Fiscal Year (2%) **TABLE 4**

	FYE (9/30)						Montly
	2026	2025	2024	2023	2022	2021	Average
Oct.	$ 227,300	$ 180,147	$ 227,129	$ 209,158	$ 214,716	$ 188,432	207,814
Nov.	192,294	141,489	168,701	167,429	152,841	116,813	156,595
Dec.	109,294	88,094	81,864	97,153	82,008	121,860	96,712
Jan.	84,849	71,696	47,638	80,151	97,458	59,728	73,587
Feb.	46,119	37,912	46,032	156,165	40,237	36,653	60,520
Mar.	69,508	57,164	51,505	57,608	46,531	51,812	55,688
Apr.	339,204	273,810	241,311	218,608	129,888	206,288	234,852
May	207,232	177,817	149,408	164,645	198,622	136,528	172,376
June	405,467	353,006	308,292	266,644	147,967	263,269	290,774
July	732,103	643,105	575,059	564,947	421,403	364,891	550,251
Aug.	995,337	788,123	656,283	699,344	789,154	569,441	700,469
Sep.	-	435,938	348,921	326,064	419,725	484,918	403,113
Total	$ -	$ 3,248,302	$ 2,902,142	$ 3,007,916	$ 2,740,550	$ 2,600,633	$ 3,002,749

February 2026 was the first actual receipts of the new 2% venue tax.

Top 10 Local HOT Taxpayers **TABLE 5**

For Fiscal Year Ending September 30, 2025

Taxpayer	Taxable Receipts	Local HOT Tax Proceeds (7%)	Number of Rooms
Hampton Inn & Suites	$ 2,587,766.00	$ 181,143.62	78
Holiday Inn Express & Suites	2,393,491.86	167,544.43	74
Best Western Ocean Villa	2,007,811.29	140,546.79	59
Seashell Village Resort	1,815,180.43	127,062.63	50
Ocean's Edge Hotel	1,478,986.57	103,529.06	61
Seaside Boutique Hotel	1,470,386.43	102,927.05	52
Plantation Suites	1,168,184.00	81,772.88	52
Hotel Lydia	1,141,012.71	79,870.89	87
Days Inn	1,029,699.00	72,078.93	48
Alister Square Inn	871,164.14	60,981.49	54
Totals	$ 15,963,682.43	$ 1,117,457.77	615

Total number of Rooms (City wide) 10,266

FINANCIAL INFORMATION OF THE CITY OF PORT ARANSAS, TEXAS

ASSESSED VALUATION **TABLE 6**

2026 Actual Certified Market Value of Taxable Property (100% of Market Value)	$	6,425,645,626
Less Exemptions:		
Optional Over-65 or Disabled Homestead	$	11,809,759
Homestead Exemption		147,936,780
Veteran's Exemptions		54,503,037
Solar		615,818
Productivity Loss		43,010,936
Loss to 10% HO Cap		195,101,413
TOTAL EXEMPTIONS	$	452,977,743
2026 Assessed Value of Taxable Property	$	5,972,667,883

Source: Nueces Central Appraisal District.

GENERAL OBLIGATION BONDED DEBT **TABLE 7**
(as of September 1, 2026)

General Obligation Debt Principal Outstanding		
General Obligation Bonds, Series 2012	$	555,000
General Obligation Bonds, Series 2017		2,040,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018		3,640,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021		2,055,000
Tax Notes, Series 2021		550,000
Combination Tax and Limited Pledge Revenue Certificates of Obligaiton,Series 2022		695,000
Tax Notes, Series 2022		3,980,000
General Obligation Bonds, Series 2023		5,385,000
Tax Notes, Series 2024		8,935,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025		7,345,000
Total Gross General Obligation Debt	$	35,180,000
Less: Self-Supporting Debt		
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (100% HOT)	$	3,640,000
Total Self-Supporting Debt		3,640,000
Total Net General Obligation Debt Outstanding	$	31,540,000
2026 Certified Assessed Value of Taxable Property	$	5,972,667,883
Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		0.59%
Ration of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		0.53%

Population: 2000 -3,370; 2010 - 3,480; est. 2025 - 3,773
Per Capita Certified Net Taxable Assessed Valuation - $1,583,002.35
Per Capita Gross General Obligation Debt Principal - $9,324.15
Per Capita Net General Obligation Debt Principal - $8,359.40

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE **TABLE 8**

(As of September 30, 2025)

Right to use lease obligations

At September 30, 2025, the City had 46 active leases. The leases have payments that range from $0 to $25,334 and interest rates that range from 0.3280% to 3.1440%. As of September 30, 2025, the total combined value of the lease liability is $1,184,612, the total combined value of the short-term lease liability is $270,164. The combined value of the right to use asset, as of September 30, 2025, $1,728,947 with accumulated amortization of $645,574. The leases had $-0- of variable payments and $-0- of other payments within the fiscal year.

Future minimum lease payments for these leases are as follows:

Fiscal Year 9/30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 447,641	$ 25,359	$ 473,000	$ 32,988	$ 5,190	$ 38,178
2027	364,270	13,819	378,089	30,555	4,344	34,899
2028	179,847	6,282	186,129	15,866	3,753	19,619
2029	49,188	3,365	52,553	8,469	3,531	12,000
2030	3,346	2,704	6,050	44,756	15,244	60,000
2031-2035	18,304	12,551	30,855	49,055	10,945	60,000
2036-2040	23,294	10,646	33,940	53,766	6,234	60,000
2041-2045	29,092	8,242	37,334	34,709	1,293	36,002
2046-2050	35,808	5,260	41,068	-	-	-
2051-2054	33,822	1,606	35,428	-	-	-
	$ 1,184,612	$ 89,834	$ 1,274,446	$ 270,164	$ 50,534	$ 320,698

Source: The City's 2025 Annual Financial Report.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2016-2026 **TABLE 9**

Year	Net Taxable Assessed Valuation	Change From Preceding Year Amount ($)	Percent
2016	$ 2,089,434,513	-	0.00%
2017	2,288,255,622	$ 198,821,109	9.52%
2018	1,997,737,022	(290,518,600)	-12.70%
2019	2,240,932,860	243,195,838	12.17%
2020	2,421,674,854	180,741,994	8.07%
2021	2,904,855,837	483,180,983	19.95%
2022	3,953,251,644	1,048,395,807	36.09%
2023	5,597,553,470	1,644,301,826	41.59%
2024	6,018,762,518	421,209,048	7.52%
2025	6,004,383,030	(14,379,488)	-0.24%
2026	5,972,667,883	(31,715,147)	-0.53%

CLASSIFICATION OF ASSESSED VALUATION **TABLE 10**

	2026	% of Total	2025	% of Total	2024	% of Total
Real, Residential, Single-Family	$ 5,142,977,353	80.04%	$ 5,095,627,447	79.04%	$ 5,206,122,832	78.75%
Real, Residential, Multi-Family	43,027,575	0.67%	50,078,904	0.78%	55,267,603	0.84%
Real, Vacant Lots/Tracts	418,461,324	6.51%	492,362,814	7.64%	562,509,242	8.51%
Qualified Agricultural Land	43,125,315	0.67%	43,125,315	0.67%	42,575,598	0.64%
Non-Qualified Agricultural Land	2,689,686	0.04%	3,057,110	0.05%	12,093,431	0.18%
Real, Commercial	514,117,947	8.00%	504,618,071	7.83%	515,140,070	7.79%
Real, Industrial	1,093,951	0.02%	26,268,806	0.41%	37,990,936	0.57%
Real & Tangible, Personal Utilities	20,085,690	0.31%	21,735,649	0.34%	21,551,571	0.33%
Tangible Personal, Commercial	85,355,460	1.33%	68,033,840	1.06%	70,311,171	1.06%
Tangible Personal, Industrial	9,086,410	0.14%	9,321,913	0.14%	8,910,631	0.13%
Tangible Personal, Mobile Homes	2,163,271	0.03%	2,302,504	0.04%	2,692,914	0.04%
Real Property, Inventory	143,275,474	2.23%	130,191,416	2.02%	75,808,187	1.15%
Special Inventory	186,170	0.00%	170,651	0.00%	135,190	0.00%
Total Appraised Value	$ 6,425,645,626	100.00%	$ 6,446,894,440	100.00%	$ 6,611,109,376	100.00%
Less:						
Optional Over-65 or Disabled Homestead	$ 11,809,759		$ 11,759,806		$ 11,646,258	
Homestead Exemption	147,936,780		139,014,038		130,443,463	
Veterans Exemptions	54,503,037		19,399,337		156,712,509	
Solar	615,818		505,697		508,950	
Productivity Value Loss	43,010,936		43,014,281		42,476,609	
Loss to 10% HO Cap	195,101,413		228,818,251		250,559,069	
Net Taxable Assessed Valuation	$ 5,972,667,883		$ 6,004,383,030		$ 6,018,762,518	

Source: Nueces Central Appraisal District

PRINCIPAL TAXPAYERS 2025 **TABLE 11**

Name	Type of Business/Property	2025 Net Taxable Assessed Valuation	% of Total 2025 Assessed Valuation
Mustang Island Development II Inc.	Real Estate	$ 52,179,745	0.87%
KM Beach, LLC	Real Estate	49,250,197	0.82%
ERF Port Aransas Inc	Real Estate	31,360,000	0.53%
TCRG Opportunity X LLC	Real Estate	21,578,181	0.36%
TMINE LTD	Commercial	22,014,021	0.37%
136 West Cotter LLC	Condominiums	18,509,835	0.31%
Blue Marlin Holdings LLC	Real Estate	14,433,181	0.24%
EC Browning LTD	Real Estate	12,719,362	0.21%
AEP Texas Inc-09N	Utility	11,435,540	0.19%
GL Hold Co LLC	Real Estate	12,193,375	0.20%
		$ 245,673,437	4.11%

Source: Nueces Central Appraisal District.

TAX DATA **TABLE 12**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
2015	$ 1,864,191,163	$ 0.275666	$ 5,138,941	97.74	98.41	9/30/2016
2016	2,089,434,513	0.272191	5,687,253	97.11	97.90	9/30/2017
2017	2,288,255,622	0.280906	6,427,847	98.28	100.50	9/30/2018
2018	1,997,737,022	0.310906	6,211,084	99.49	100.51	9/30/2019
2019	2,240,932,860	0.283112	6,344,350	99.14	99.37	9/30/2020
2020	2,421,674,854	0.277346	6,716,418	98.37	99.25	9/30/2021
2021	2,904,855,837	0.247009	7,175,255	97.50	98.36	9/30/2022
2022	3,953,251,644	0.225781	8,925,691	97.59	97.71	9/30/2023
2023	6,018,762,518	0.195028	11,738,272	99.00	99.05	9/30/2024
2024	6,004,383,030	0.191962	11,526,134	96.90	97.03	9/30/2025
2025	5,972,667,883	0.201612	12,041,615	97.32	97.44	9/30/2026

TAX RATE DISTRIBUTION **TABLE 13**

	2025	2024	2023	2022	2021
General Fund	$ 0.097524	$ 0.097227	$ 0.115018	$ 0.151290	$ 0.194411
I & S Fund	0.104088	0.094735	0.080010	0.074491	0.052598
Total Tax Rate	$ 0.201612	$ 0.191962	$ 0.195028	$ 0.225781	$ 0.247009

Source: Nueces Central Appraisal District.

MUNICIPAL SALES TAX COLLECTIONS **TABLE 14**

The Issuer has adopted the provisions of Article 106c, VACS, Section 9, (now recodified at Sections 321.506 and 321.507, as amended, Texas Tax Code) In addition some cities are subject to a property tax relief and/or an economic and industrial developement tax. An additional 1/2 or 1% tax levy became effective April 1, 1996 for the benefit of the Port Aransas Recreational Development Corporation (4B), which was chartered on November 27, 1995. Its purposes include the construction and operation of recreational facilities. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2015	$ 1,992,046	38.76%	0.11
2016	2,031,897	35.73%	0.10
2017	1,973,779	30.71%	0.09
2018	2,343,788	37.74%	0.12
2019	2,705,869	42.65%	0.12
2020	2,687,502	40.01%	0.11
2021	3,372,428	47.00%	0.12
2022	3,839,290	43.01%	0.10
2023	3,824,850	32.58%	0.06
2024	3,827,390	33.21%	0.06
2025	4,302,085	35.73%	0.07

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

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES **TABLE 15**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been

	Fiscal Year Ended				
	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Fund Balance - Beginning of Year	$ 15,451,068**	$ 19,046,070	$ 16,682,074	$ 12,842,560	$ 10,747,718
Revenues	15,146,464	16,004,977	15,821,053	14,961,378	12,426,003
Expenditures	17,122,326	15,606,415	13,057,377	11,121,864	10,331,161
Excess (Deficit) of Revenues Over Expenditures	$ (1,975,862)	$ 398,562	$ 2,763,676	$ 3,839,514	$ 2,094,842
Other Financing Sources (Uses):					
Capital Lease		$ -	$ -	$ -	-
Operating Transfers In		-	-	-	$ -
Sale of Capital Assets					-
Operating Transfers Out	(200,000)	(4,347,745)	(622,500)	-	-
Insuranc Proceeds from right to use subscriptions	444,583	554,182	222,820	-	-
Total Other Financing Sources (Uses):	$ 244,583	$ (3,793,563)	$ (399,680)	$ -	$ -
Fund Balance - End of Year	$ 13,719,789	$ 15,651,069*	$ 19,046,070	$ 16,682,074	$ 12,842,560

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

*The Fund balance of the City's general fund decreased by $3,395,001 during the Fiscal Yer Ended September 30, 2024. The key

***Restated.*

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS **TABLE 16**

Information regarding the City's Defined Benefit Pension Plan can be found within the City's 2025 Annual Financial Report under "Note 6-Pension Plan".

APPENDIX B

Excerpts from the Ordinance

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APPENDIX B

Selected Provisions of the Ordinance

The following constitutes a summary of certain selected provisions of the Ordinance. This summary should be qualified by reference to other provisions of the Ordinance referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Ordinance in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Ordinance, a copy of which may be obtained from the City.

SECTION 1: <u>Definitions</u>. For all purposes of this Ordinance, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Section have the meanings assigned to them in this Section, certain terms defined in other sections of and the preamble to this Ordinance have the meanings assigned to them in such sections and preamble, and all such terms include the plural as well as the singular; (b) all references in this Ordinance to designated "Sections," "Schedules," "Exhibits," and other subdivisions are to the designated Sections, Schedules, Exhibits, and other subdivisions of this Ordinance as originally adopted; and (c) the words "herein," "hereof," and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

A. *2% Venue Hotel Occupancy Tax* has the meaning stated in the preamble of this Ordinance.

B. *2% Venue 2% Venue Hotel Occupancy Tax Revenues* means the revenues realized by the City from its imposition and collection of the 2% Venue Hotel Occupancy Tax, to include penalties and interest for late payments and other payment or reporting-related noncompliance, but excluding amounts withheld for payment of collection costs owed to third parties and rebates, exceptions, and reimbursements as may from time to time be required by applicable law, all pursuant and subject to, and in accordance with, the Venue Project Ordinance.

C. *Act* means Chapter 334.

D. *Additional Combined Venue Tax Bonds* means bonds, notes, warrants, certificates of obligations or other Debt hereinafter issued by the City that are payable, in whole or in part, from and equally and ratably secured by Pledged Revenues.

E. *Authorized Official* means the Mayor, the City Manager, the Director of Finance, or such other financial or accounting official of the Issuer so designated by the City Council.

F. *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements of obligations when due and derived by dividing the total of such Debt Service Requirements by the number of years then remaining before final Stated Maturity. The calculation of Average Annual Debt Service Requirements shall be net of capitalized interest from bond proceeds.

G. *Bonds* means the "City of Port Aransas, Texas Venue Project Revenue Bonds (Combined Venue Tax), Series 2026", issued pursuant to this Ordinance in the original principal amount of $46,500,000.

H. *Book-Entry Only Bond* means any Bond registered in the name of the Securities Depository or its nominee.

I. *Business Day* for the Bonds or portions thereof means any day other than (1) a Saturday or a Sunday, (2) a legal holiday or the equivalent on which banking institutions generally are authorized or required to close in the Place of Payment or in the city in which is located the corporate trust office of the Paying Agent/Registrar, or (3) a day on which the New York Stock Exchange is closed.

J. *Capital Improvement and Maintenance and Operations Account* has the meaning stated in Section 19.E hereof.

K. *Chapter 334* has the meaning stated in the preamble of this Ordinance.

L. *City* or *Issuer* means City of Port Aransas, Texas, and, where appropriate, the City Council.

M. *City Charter* means the City's Home Rule Charter.

N. *Closing Date* means the date of physical delivery of the Initial Bond against payment in full by the Purchasers.

O. *Code* means the Internal Revenue Code of 1986, as amended and in force and effect on the Closing Date.

P. *Collection Account* has the meaning stated in Section 19.B hereof.

Q. *Construction Account* has the meaning stated in Section 19.F hereof.

R. *Coverage Stabilization Account* has the meaning stated in Section 19.G hereof

S. *Dated Date* has the meaning stated in Section 8 hereof.

T. *Debt* means all indebtedness of the Issuer payable from any revenues pledged hereunder incurred or assumed by the Issuer for borrowed money and all other financing obligations of the Issuer payable from such revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet. For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. This specifically includes any Bonds defeased pursuant to Section 18 hereof. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the Issuer in prior Fiscal Years.

U. *Debt Service Account* has the meaning stated in Section 19.C hereof.

V. *Debt Service Requirements* means as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Issuer as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on or other payments due under such obligation, assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest or other payment obligations calculated by assuming (1) that such non-fixed interest rate for every future 12-month period is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the most recently reported yield, as of the time of calculation, at which United States Treasury obligations of like maturity have been sold and (2) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c), as amended, Texas Government Code, as the same relates to interim or non-permanent indebtedness, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the Issuer under such hedge agreement from the amounts payable by the Issuer under such hedge agreement and such obligations.

W. *Debt Service Reserve Account* has the meaning stated in Section 19.D hereof.

X. *Debt Service Reserve Requirement* has the meaning stated in Section 19.D hereof.

Y. *Depository* means one or more official depository banks of the Issuer.

Z. *DTC* has the meaning stated in Section 6 hereof.

AA. *DTC Participant* has the meaning stated in Section 6 hereof.

BB. *DTC System* has the meaning stated in Section 6 hereof.

CC. *Election* has the meaning stated in the preamble of this Ordinance.

DD. *Existing Excess Revenues* means revenues received from the imposition of the (a) 2% Venue Hotel Occupancy Tax from its date of implementation (occurring on or around January 1, 2026) and (b) Property Tax Revenues derived from the City's 2026 ad valorem tax levy, if necessary, and deposited into the Venue Project Fund prior to the Closing Date.

EE. *Fiscal Year* means the twelve-month accounting period used by the Issuer in connection with the operation of the Issuer, currently ending on September 30 of each year, which may be any 12 consecutive month period established by the Issuer, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

FF. *Government Obligations* shall mean (a) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, 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 have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (d) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

GG. *Holder* of any Bond means the Person in whose name such Bond is registered in the Security Register.

HH. *Hotel* means, as defined in the City's Code of Ordinances, any building or buildings in which the public may, for a consideration, obtain sleeping accommodations. The term shall include hotels, motels, tourist homes, houses, or courts, lodging houses, inns, rooming houses, or other buildings where rooms are furnished for a consideration, but "hotel" shall not be defined so as to include hospitals, sanitariums or nursing homes. The term "hotel" includes a short-term rental in which the rental of all or part of a residential property to a Person who is not a permanent resident under Section 156.101, Texas Tax Code, as amended.

II. *Indirect Participant* has the meaning stated in Section 6 hereof.

JJ. *Initial Bond* has the meaning stated in Section 8 hereof.

KK. *Interest Payment Date* for any Bond or portion thereof means the date specified in such Bond as a fixed date on which interest on such Bond or portion is due and payable, being (initially) February 1, 2027 and, thereafter, August 1 and February 1 of each year while the Bonds are Outstanding.

LL. *Legal Holiday* means a day on which a Paying Agent/Registrar for the Bonds is authorized by law or executive order to close.

MM. *Maintenance and Operating Expenses* means the expenses of operation and maintenance of the Venue Project, *including* all salaries, labor, materials, repairs and extensions (including capital repairs and extensions) necessary to maintain and operate the Venue Project.

NN. *Opinion of Counsel* means a written opinion of counsel of nationally recognized standing in the field of municipal bond law.

OO. *Ordinance* means this ordinance adopted by the City Council.

PP. *Outstanding* means, when used in this Ordinance with respect to Bonds, as of the date of determination, all Bonds issued and delivered under this Ordinance, except:

(1) *Cancelled Bonds*: those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) *Defeased Bonds*: those Bonds for which payment has been duly provided by the Issuer in accordance with the provisions of Section 18 hereof by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Obligations, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to Stated Maturity; *provided* that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Ordinance or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) *Replaced Bonds*: those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 11.

QQ. *Paying Agent/Registrar* means the financial institution specified in Section 4 hereof or its herein permitted successors and assigns.

RR. *Person* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

SS. *Place of Payment* for Bonds means the city in which is located the office designated by the Paying Agent/Registrar at which principal of the Bonds shall be paid at Stated Maturity, initially being Austin, Texas.

TT. *Pledged Revenues* means (a) a first and prior lien on and pledge of the Property Tax Revenues, (b) a first and prior lien on and pledge of the 2% Venue Hotel Occupancy Tax Revenues, and (c) such other money, income, revenues or other property as may be specifically included in such term in any City ordinance supplemental to this Ordinance.

UU. *Predecessor Bond* has the meaning stated in Section 7 hereof.

VV. *Property* means, as defined in the City Charter and the City's Code of Ordinances, all property, real, personal and mixed, that is subject to taxation, and assessed by the City.

WW. *Property Tax* has the meaning stated in the preamble of this Ordinance.

XX. *Property Tax Revenues* means an amount not to exceed five percent (5%) of the revenues realized by the City from its imposition and collection of the Property Tax pursuant to the procedures set forth in the City Charter and the City's Code of Ordinances, all pursuant and subject to, and in accordance with, the Venue Project Ordinance and the City Charter.

YY. *Purchasers* means the initial purchasers of the Bonds named in Section 12 hereof.

ZZ. *Rating Service* means each nationally recognized securities rating service which at the time of determination has a credit rating assigned to the Bonds, initially being S&P.

AAA. *Record Date* means the date for determining the person to whom is owed interest on any Bond, being the fifteenth day of the calendar month preceding the month in which occurs the subject Interest Payment Date.

BBB. *Representation Letter* has the meaning stated in Section 6 hereof.

CCC. *S&P* means S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

DDD. *Securities Depository* means The Depository Trust Company or any successor Person appointed by ordinance of the City Council to act as Holder of the Bonds, directly or through a nominee, to maintain a system for recording and transferring beneficial interests in such Bonds and distributing payments thereon and notices in respect thereof.

EEE. *Security Register* has the meaning stated in Section 4 hereof.

FFF. *Special Payment Date* has the meaning stated in Section 4 hereof.

GGG. *Special Record Date* has the meaning stated in Section 4 hereof.

HHH. *Stated Maturity* has the meaning stated in Section 3 hereof.

III. *Subordinate Pledged Revenues* means a subordinate lien on and pledge of one or any combination of the Pledged Revenues, which lien on and pledge of such revenues is immediately junior and inferior to the lien thereon and pledge thereof included in and a part of one or any combination of the Pledged Revenues.

JJJ. *Venue Project* has the meaning stated in the preamble of this Ordinance, to be undertaken by the City pursuant to authority granted under Chapter 334 and the results of the Election.

KKK. *Venue Project Fund* has the meaning stated in Section 19.A hereof.

LLL. *Venue Project Ordinance* has the meaning stated in the preamble of this Ordinance.

SECTION 17: <u>Security</u>.

A. *Pledge of Pledged Revenues*. Payment of the principal of and interest on the Bonds shall be equally and ratably secured by and payable solely from a first and prior lien on and pledge of the Pledged Revenues and such other money, income, and revenues held in one or more of the accounts of the Venue Project Fund which may be specifically pledged to the Bonds as set forth in Section 19 hereof. In connection therewith, the Issuer hereby grants a first and prior lien on and pledge of the Pledged Revenues for such purpose. Except as hereinbefore stated, the Bonds are not secured by or payable from a mortgage or deed of trust on any of the Issuer's properties, whether real, personal, or mixed.

B. *Perfection.* Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of Pledged Revenues granted by the Issuer under Subsection A of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while any Bonds are outstanding and unpaid such that the pledge of Pledged Revenues granted by the Issuer as security therefor is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of such Bonds the perfection of the security interest in the applicable pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in the described pledge to occur.

C. ***Ad Valorem Tax Support.*** The Bonds are special, limited obligations of the Issuer payable solely from the Issuer's revenues pledged to the payment thereof (as described in Subsection A of this Section), and the Holders thereof shall never have the right to demand payment out of funds raised from any other source (including, but not limited to, funds to be raised by ad valorem taxation, except for the Property Tax Revenues).

SECTION 19: <u>Venue Project Fund and Accounts</u>.

A. *The Venue Project Fund*. In the Venue Project Ordinance, the Issuer authorized the creation of a City fund known as the "Venue Project Fund" (the *Venue Project Fund*), and is a fund of the type described and required by Section 334.042, as amended, of Chapter 334. The Issuer has since caused the establishment of and now maintains the Venue Project Fund and to such Fund has deposited all receipts of Property Tax Revenues and 2% Venue Hotel Occupancy Tax Revenues since its imposition.

The Venue Project Ordinance provides details regarding the creation and establishment of the Venue Project Fund, as well as the creation of certain accounts and the disposition and use of revenues from time to time deposited therein. The Venue Project Ordinance also specifies that characteristics of the Venue Project Fund and such specified method of deposited revenue may be amended by subsequent Issuer action, including through an ordinance such as this Ordinance. In reliance on this authority, the Issuer hereby amends Venue Project Ordinance with respect to the treatment of the Venue Project Fund, including the establishment of accounts therein and disposition of deposits thereto, so that the provisions of this Section 19 concerning the Venue Project Fund shall control, notwithstanding any conflict between the provisions of the Venue Project Ordinance and this Ordinance.

The Venue Project Fund shall be kept separate and apart from all other funds of the Issuer. Revenues received from time to time by the Paying Agent/Registrar for deposit to the various accounts of the Venue Project Fund, as further described below, shall be immediately deposited therein, with further transfers therefrom to be made by the Paying Agent/Registrar at the times and in the manner herein specified.

The Issuer hereby confirms the prior creation and affirms its covenant to maintain the Venue Project Fund. The Venue Project Fund shall be kept separate and apart from all other funds of the Issuer. Within the Venue Project Fund, the Issuer hereby authorizes the creation, and orders to be created, the following special accounts within the Venue Project Fund (which accounts shall be administered in the manner specified in this Section):

(1) Collection Account;

(2) Debt Service Account;

(3) Debt Service Reserve Account;

(4) Capital Improvement and Maintenance and Operations Account;

(5) Coverage Stabilization Account; and

(6) Construction Account.

The Issuer hereby covenants to the Holders of the Bonds that all Property Tax Revenues and 2% Venue Hotel Occupancy Tax Revenues, as well as any other revenues hereafter identified as additional security for the Bonds, shall be deposited upon receipt to the various accounts in the manner, and for further distribution in the manner and amounts and at the times, as hereinafter described.

As of the date of initial delivery of the Bonds, the City holds Existing Excess Revenues in the amount of $2,801,993.00. Simultaneously with the issuance of the Bonds, the City shall transfer the Existing Excess Revenues in an amount equal to $1,577,230.80, which equals one-half of Average Annual Debt Service Requirements on the Bonds to the Coverage Stabilization Account. The remainder of the Excess Revenues shall be deposited into the Collection Account.

B. *The Collection Account.* The City hereby establishes and causes to be created an account within the Venue Project Fund to be known as the "Collection Account" (the *Collection Account*). The 2% Venue Hotel Occupancy Tax Revenues shall be deposited, as received, to the Venue Project Fund, to the credit of the Collection Account.

To the extent funds on deposit in the Debt Service Account or other source available to the City at the due date thereof (whether by reason of maturity or prior redemption) as of the end of the current Fiscal Year are not sufficient for the payment of principal or of interest on the Bonds for the next succeeding Fiscal Year, Property Tax Revenues shall be deposited to the Collection Account, in an amount equal to such deficiency for further transfer as set forth herein.

The City shall, after the Closing Date (unless another time is specified herein), transfer (or cause to be transferred) all amounts on deposit in the Collection Account of the Venue Project Fund on the 25th day of each month (or on the last business day prior thereto if such day is a

Saturday, Sunday, or Legal Holiday), to the following accounts and in the following order of priority:

(1) First, (i) to the Debt Service Account (1) equal monthly installments of the total interest payable on the Bonds on the next occurring Interest Payment Date, and (2) equal monthly installments of the principal of the Bonds coming due on the next principal payment date; provided, however, the equal monthly installments of principal and interest shall commence on February 1, 2027; provided, further however, that for the Interest Payment Date occurring on February 1, 2027, the City shall deposit with the Paying Agent/Registrar an amount sufficient to pay interest amounts at such time due on the last Business Day prior to this Interest Payment Date.

(2) Second, to the Debt Service Reserve Account the amount, if any, specified in Section 19.D hereof.

(3) Third, the amount, if necessary, for payment of debt service on any subordinate lien obligations, or to maintain the requisite deposit to any debt service reserve established and maintained with respect thereto, in accordance with the provisions of the applicable ordinance which authorizes the issuance of such subordinate lien obligations;

(4) Fourth, all remaining amounts to the Capital Improvement and Maintenance and Operation Account.

This account shall be maintained by the City at a Depository.

C. *The Debt Service Account*. The City hereby establishes and causes to be created an account within the Venue Project Fund to be known as the "Debt Service Account" (the *Debt Service Account*), for the purposes of paying the interest on and to provide a sinking fund for the payment, redemption, and retirement of the Bonds.

The Debt Service Account shall be kept and maintained by the Paying Agent/Registrar. The Paying Agent/Registrar is hereby authorized and directed to make withdrawals from the Debt Service Account sufficient to pay the principal of and interest on the Bonds as the same become due and payable and shall cause to be transferred to the Paying Agent/Registrar from money on deposit in the Debt Service Account, an amount sufficient to pay the amount of principal and/or interest stated to mature on the Bonds, such transfer of funds to the Paying Agent/Registrar to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar on or before the last business day next preceding each interest and principal payment date for the Bonds.

If, after the payment of a scheduled payment obligation of the Issuer for which funds have been deposited to the Debt Service Account in accordance with Section 19.B hereof, there remains excess proceeds in the Debt Service Account that were otherwise designated to satisfy such paid obligation, then such excess proceeds shall be released from the Debt Service Account and further deposited in accordance with the provisions of, and in the order of priority herein specified, in Section 19.B hereof.

This account shall be maintained by the City with the Paying Agent/Registrar.

D. *The Debt Service Reserve Account.* The City hereby establishes and causes to be created an account within the Venue Project Fund to be known as the "Debt Service Reserve Account" (the *Debt Service Reserve Account*), for the purposes of making transfers to the Debt Service Account in the event the money in such account is not sufficient to make transfers therefrom to the Paying Agent/Registrar on the dates and in the full amounts required by this Ordinance. As additional security for the Bonds, amounts from time to time held in the Debt Service Reserve Account are hereby pledged as supplemental security for the Bonds.

The Debt Service Reserve Account will maintain a reserve for the payment of the Bonds equal to 100% of the Average Annual Debt Service Requirements, or $3,154,461.60 (the *Debt Service Reserve Requirement*). At closing, a portion of the Bond proceeds or cash contribution in the amount of the Debt Service Reserve Requirement shall be deposited into the Debt Service Reserve Account in accordance with Section 20 herein. Income derived from the investment of amounts held for the credit of the Debt Service Reserve Account shall be retained therein. All funds deposited into the Debt Service Reserve Account shall be used solely for the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds.

The City may acquire a debt service reserve surety policy or policies issued by an authorized provider under applicable Texas law in amounts equal to all or part of the Debt Service Reserve Requirement for the Bonds in lieu of depositing cash into the Debt Service Reserve Account. The City reserves the right to use Pledged Revenues, at the order of priority specified in Section 19.B(2) hereof, to fund the payment of (1) periodic premiums on the such a debt service reserve surety policy as a part of the payment of the Venue Project operating expenses, and (2) any repayment obligation incurred by the City (including interest) to the provider thereof, the payment of which will result in the reinstatement of such debt service reserve surety policy, prior to making payments required to be made to the Debt Service Reserve Account pursuant to the provisions of Section 19.B of this Ordinance to restore the balance in such fund to the Debt Service Reserve Requirement.

When and for so long as the cash and investments in Debt Service Reserve Account equal the Debt Service Reserve Requirement, no deposits need be made to the credit of the Debt Service Reserve Account; but, if and when the Debt Service Reserve Account at any time contains less than the Debt Service Reserve Requirement, the Issuer covenants and agrees that it shall cure the deficiency in the Debt Service Reserve Requirement by depositing to the credit of the Debt Service Reserve Account, on a monthly basis commencing in the month immediately succeeding the month in which the subject deficiency is identified and from the Pledged Revenues, at the times, and in the order of priority specified in Section 19.B(2), an amount equal to not less than 1/60th of the amount of such deficiency. The Issuer shall continue to make such monthly deposits until the balance of the Debt Service Reserve Account equals the Debt Service Reserve Requirement. The Issuer further covenants and agrees that, subject only to the prior payments to be made to the Debt Service Account, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Debt Service Reserve Requirement and to cure any deficiency in such amounts as required by the terms of this Ordinance.

During such time as the Issuer maintains on deposit in the Debt Service Reserve Account the Debt Service Reserve Requirement, the Issuer may, at its option, withdraw all surplus funds in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement and deposit such surplus in the Debt Service Account. In the event a debt service reserve surety policy issued to satisfy all or a part of the Debt Service Reserve Requirement the amount then on deposit in the Debt Service Reserve Account causes the balance of such account to exceed the Debt Service Reserve Requirement, the City may transfer such excess amount to any fund or account established for the payment of or security for the Bonds (including any escrow established for the final payment of any such obligations pursuant to the provisions of applicable Texas law), or be used for any lawful purposes; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Debt Service Account or be otherwise used in accordance with then-applicable Texas law.

This account shall be maintained by the City at a Depository.

E. *Capital Improvement and Maintenance and Operations Account.* The City hereby establishes and causes to be created an account within the Venue Project Fund to be known as the "Capital Improvement and Maintenance and Operations Account" (the *Capital Improvement and Maintenance and Operations Account*). The Issuer shall transfer funds to the Capital Improvement and Maintenance and Operations Account, if at all, pursuant to Section 19.B(4) hereof.

The funds in the Capital Improvement and Maintenance and Operations Account shall be properly spent, at the Issuer's option, for (a) payment of debt service on the Bonds, (b) replenishing the Debt Service Requirements (or any debt service reserve surety policy acquired in the satisfaction of such requirement), (c) payment of additional Venue Project costs, (d) costs of renovating, improving, or updating the Venue Project, (e) payment of Maintenance and Operations Expenses, and/or (f) any other lawful purpose; such use of money on deposit in the Capital Improvement and Maintenance and Operations Account shall be accomplished by, with respect to (a) in the preceding sentence, transfer of the amount of money determined by a Authorized Official to the Debt Service Account; with respect to (b) in the preceding sentence, transfer of the amount of money determined by a Authorized Official to the Debt Service Reserve Account; with respect to (c) in the preceding sentence, transfer of the amount of money determined by a Authorized Official to the Construction Account; and with respect to (d) through (f) in the preceding sentence, payment of any such expense, in the amount and in the manner determined by a Authorized Official, directly from the Capital Improvement and Maintenance and Operations Account.

Until expended, money on deposit in the Capital Improvement and Maintenance and Operation Account shall be invested pursuant to this Ordinance and all interest and income derived from deposits and investments in this account shall be credited to, and any losses debited to, this account.

This account shall be maintained by the City at a Depository.

F. *Coverage Stabilization Account.* The City hereby establishes and causes to be created an account within the Venue Project Fund to be known as the "Coverage Stabilization Account" (the *Coverage Stabilization Account*). On the Closing Date, the City will transfer Existing Excess Revenues to the credit of the Coverage Stabilization Account, in the amount specified in Section 19.A. As additional security for the Bonds, amounts from time to time held in the Coverage Stabilization Account are hereby pledged as supplemental security for the Bonds.

To the extent funds on deposit in the Debt Service Account or other source available to the City at the due date thereof (whether by reason of maturity or prior redemption) are not sufficient for the payment of principal or of interest on the Bonds, money on deposit in the Coverage Stabilization Account, in an amount equal to the lesser of the amount of such deficiency and the balance then on deposit in such account, shall be transferred to the Debt Service Account.

If not transferred in the manner described above, such amount will be held within this account until, as evidenced by audited financial statements of the City, Pledged Revenues equal 1.75 times Average Annual Debt Service Requirements on the Bonds. Upon such occurrence, money held in this account shall be transferred to the Construction Account or the Capital Improvement and Maintenance and Operations Account, each as determined by an Authorized Official. Upon the transfer of all amounts from the Coverage Stabilization Account in accordance herewith, the Issuer shall cause this account to be closed.

This account shall be maintained by the City at a Depository.

G. *Construction Account*. The Issuer hereby establishes and causes to be created an account within the Venue Project Fund to be known as the "2026 Venue Project Construction Fund" (the *Construction Fund*). On the Closing Date, the Issuer shall deposit Bond proceeds to the credit of the Construction Fund in the amounts and in the manner specified in Section 20 hereof.

Money on deposit in the Construction Account shall be used solely for the purpose of paying the costs of the Venue Project and, to the extent of unavailability of funds in the Debt Service Account or Debt Service Reserve Account or other sources available to the City at the due date thereof (whether by reason of maturity or prior redemption), payment of principal of or interest on the Bonds. Money on deposit in the Construction Account shall be disbursed as determined by a Authorized Official; provided, however, that in the event that money held in the Construction Account is used to pay debt service on the Bonds in the manner heretofore described, such use shall be accomplished by the transfer of the requisite amount of funds from the Construction Account to the Debt Service Account.

Until expended, money on deposit in the Construction Account shall be invested pursuant to this Ordinance. The net income, interest or gain received and collected from investments in the Construction Account may be used and applied by the Issuer for the purpose of paying for costs and expenses incurred in connection with the development, financing, or construction of the Venue Project as permitted by Chapter 334.

Upon final completion of the portion of the Venue Project for which the Bonds were issued (as determined by a Authorized Official), and after payment of all amounts payable by the Issuer therefor, any funds remaining in the Construction Account shall be transferred to the Debt Service Account and any amounts required by Section 19.B to be transferred to the Debt Service Account shall be offset to the extent of funds transferred to such account from the Construction Account.

As additional security for the Bonds, amounts from time to time held in the Construction Account are hereby pledged as supplemental security for the Bonds.

This account shall be maintained by the City at a Depository.

SECTION 21: Deficiencies. If on any occasion there shall not be sufficient Pledged Revenues hereunder to make the transfers required (after taking into account other sources herein identified as required for any such purpose), then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues and such payments shall be in addition to the amounts required to be paid into these accounts during such month or months.

SECTION 22: Payment of Bonds. The Authorized Official or other authorized Issuer official shall cause to be transferred from funds on deposit in the Debt Service Account (upon deposit of funds as described in this Ordinance including any transfer from the Debt Service Reserve Account) (1) while any of the Bonds are Outstanding, to the Paying Agent/Registrar, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds as such installment accrues or matures, such transfer to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the Business Day next preceding the date a debt service payment is due on the Bonds, and (2) to the Persons entitled to receive such payments, all amounts due and owing from the Issuer under the Paying Agent/Registrar Agreement.

SECTION 23: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Ordinance may, at the option of the Issuer, be placed in time deposits, certificates of deposit, guaranteed investment contracts or similar contractual agreements, as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in any debt service account or debt service reserve account immediately shall be credited to, and any losses therefrom debited to, the applicable debt service fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 24: Additional Obligations.

A. Except as otherwise provided in Section 26.C hereof, so long as the Bonds remain Outstanding, the City shall not issue Additional Combined Venue Tax Bonds.

B. At the City's option, obligations payable from and equally secured by a junior and inferior lien on and pledge of all or part of any City revenues theretofore pledged as security for the repayment of any Bonds, which includes Subordinate Lien Pledged Revenues, to remain Outstanding after the issuance of the contemplated junior lien obligations may be issued for any lawful purpose. Such junior lien obligations shall have the characteristics and be subject to the terms and conditions as determined by the City at the time of their issuance.

* * * *

APPENDIX C

General Information Regarding City of Port Aransas, Texas and Nueces County, Texas

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GENERAL INFORMATION REGARDING THE CITY OF PORT ARANSAS AND NUECES COUNTY, TEXAS

This Appendix contains a brief discussion of certain economic and demographic characteristics of the area in which the City is located. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information.

The City of Port Aransas (the "City") is located on Mustang Island along the Gulf of Mexico, 24 miles northeast of Corpus Christi and 180 miles southeast of San Antonio, Texas. The City is accessible by taking the John F. Kennedy Memorial Causeway from the mainland or via a short, free ferry ride from Aransas Pass, Texas. Port Aransas is ranked one of the Top 25 Beaches in the U.S. There are three (3) beaches on the shoreline, Mustang Island is 18 miles of continuous, wide sandy shorelines where visitors can drive right up to the water and barbeque, camp out or just swim; I.B. Magee Beach Park is 167 acres along the small town of Port Aransas. The beach park offers picnic areas, and is ideal for families. Here you can also access the 1,200 foot long Horace Caldwell Pier. The park has 64 RV sites that have 20/30/50 amp electricity, on-site sewer, water and WiFi; San Jose Island it's just a short boat ride from Port Aransas, hop on a passenger ferry boat at Fisherman's Wharf. It is uninhabited and undisturbed with miles of quiet open beach to relax and explore.

Port Aransas is also a Fishing town, known as the Fishing Capital of Texas, with year-round access to all types of fishing experience. You can enjoy bay fishing, surf fishing, pier casting and offshore adventures. The City hosts 20 fishing tournaments during the summer months. Fishing here is a way of life.

You can also enjoy family-friendly beach activities like dolphin watching tours and sandcastle-building lessons. Visit Patton Center and learn about the nature and wildlife in Port Aransas.

Other attractions include: Leonabelle Turnbull Birding Center, Port Aransas Nature Preserve at Charlie's Pasture South and the Port Aransas Preservation and Historical Association.

Education

The Port Aransas Independent School District (the "District") is a political subdivision located primarily in the City of Port Aransas, Texas on Mustang Island. The District is comprised of Mustang and Harbor Island and the northern tip of Padre Island which lies off the coast of Corpus Christi. The City offers a variety of options for higher education. Campuses in the area include The University of Texas Marine Science Institute, Corpus Christi Junior College (Del Mar College) and Texas A&M Corpus Christi.

Source: Port Aransas Chamber of Commerce Foundation.

Nueces County

Nueces County, Texas (the "County") is located on the Texas Gulf Coast, southeast of San Antonio. The county seat and largest City is Corpus Christi, Texas. The County is 847 square miles. The County is fifth largest port in the nation.

The County ranks 134 out of all the counties in Texas for oil production and ranks 72 out of all the counties in Texas for gas production. The gas production for this county accounts for 0.07% of the total state production.

2025 Principal Employers

Employer	Type of Employment	Number of Employees
Corpus Christi ISD	Education	6,200
Naval Air Station Corpus Christi	Military/Defense	5,000
H.E.B. Grocery Company	Retail Grocery	5,000
Corpus Christi Army Depot	Military Aviation	3,100
Christus Spohn Health System	Healthcare	3,000
Del Mar College	Higher Education	1,400
Corpus Christi Medical Center	Healthcare	1,300
Nueces County Government	Local Government	1,000
Kiewit Offshore Services	Industrial	1,000
Texas A&M University – Corpus Christi	Higher Education	990

Labor Force Statistics [1]

	2026 [2]	2025 [3]	2024 [3]	2023 [3]
Civilian Labor Force	170,924	170,803	167,780	165,181
Total Employed	163,006	163,545	160,690	158,193
Total Unemployed	7,918	7,258	7,090	6,988
% Unemployment	4.6%	4.2%	4.2%	4.2%
Texas Unemployment	4.9%	4.2%	4.1%	4.0%

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

APPENDIX D

Excerpts (Table of Contents, Independent Auditor’s Report, General Financial Statements and Notes to the Financial Statements), from Port Aransas, Texas Audited Financial Statements for the fiscal year ended September 30, 2025, and is not intended to be a complete statement of the City’s financial condition. Reference is made to the complete Annual Financial Report for further information.

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<u>INDEPENDENT AUDITOR'S REPORT</u>

To the Honorable Mayor and
Members of City Council
City of Port Aransas, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Aransas, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2025, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections* and GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the net pension liability and other postemployment benefit liabilities required schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund statements and schedules, and schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Single Audit Circular,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2026 on our consideration of the City of Port Aransas, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

San Antonio, Texas
March 25, 2026

THE CITY OF PORT ARANSAS

CITY OF PORT ARANSAS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Port Aransas' (the "City") annual financial report presents an overview, through management's discussion and analysis (MD&A), of the City's financial activities and performance during the fiscal year ended September 30, 2025. Please read it in conjunction with the independent auditor's report and the City's financial statements and disclosures, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $157,861,342 (net position). Of this amount, $4,585,783 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net position increased by $9,897,819 during 2025.
- At of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $58,189,663. Approximately 26% of this amount, $14,873,071 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $12,545,439 or 73% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Port Aransas's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements, including information on individual funds.

Government-wide financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City of Port Aransas' finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources, liabilities and deferred inflows of resources with the difference between these 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 indicators of the City's financial position should also be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (e.g., roads and drainage systems), in order to more accurately assess the overall financial condition 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 in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and compensated absences).

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 administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, and interest and fiscal charges. The business-type activities of the City include gas, sanitation, and harbor.

Fund financial statements. The ***fund*** financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Port Aransas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Governmental funds. Except for the operations of the harbor, gas and sanitation funds, the City's services are included in g*overnmental funds.* These funds focus on how cash and other financial assets can be readily converted to available resources and on the available balances left at year end. This information may be useful in determining what financial resources are available in the near future to finance the City's programs. Other funds are referred to as nonmajor funds and are presented as summary data.

Because the focus of governmental fund level statements 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. In addition to the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the general fund, beach fund, hotel motel, hotel motel special revenue/facility fund, airport fund, debt service fund, hurricane recovery fund, and the construction fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its gas, harbor and sanitation.

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

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents required supplementary information which includes a budgetary comparison schedule for the general fund to demonstrate compliance with the budget. This report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees and retirees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

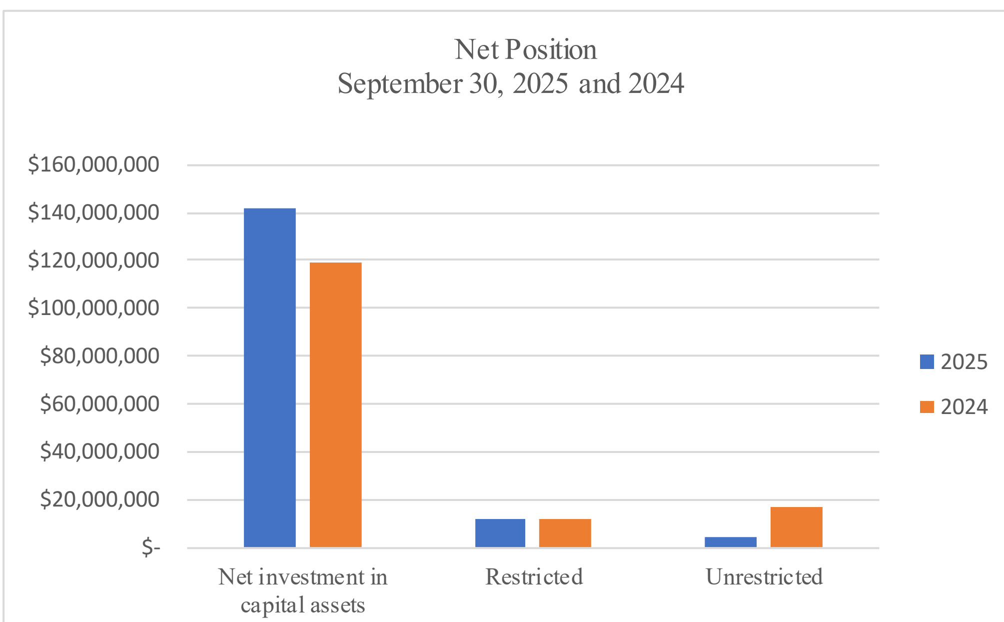
Government-wide Financial Analysis

City of Port Aransas's Net Position Information:

The following table reflects a summary of net position compared to the prior year:

Table 1 – Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	Restated 2024	2025	Restated 2024	2025	Restated 2024
Current and other assets	$ 65,929,613	$ 74,684,271	$ (2,120,662)	$ (147,793)	$ 63,808,951	$ 74,536,478
Restricted assets	75,388	75,350	-	-	75,388	75,350
Capital assets	107,558,037	86,678,481	50,264,186	45,747,281	157,822,223	132,425,762
Total assets	173,563,038	161,438,102	48,143,524	45,599,488	221,706,562	207,037,590
Deferred outflows of resources	2,636,262	2,718,135	301,077	311,667	2,937,339	3,029,802
Long-term liabilities	47,265,269	44,549,670	1,266,204	1,302,565	48,531,473	45,852,235
Other liabilities	14,032,453	11,972,676	919,750	948,040	14,952,203	12,920,716
Total liabilities	61,297,722	56,522,346	2,185,954	2,250,605	63,483,676	58,772,951
Deferred inflows of resources	3,030,344	3,064,024	268,539	266,895	3,298,883	3,330,919
Net position:						
Net investment in capital assets	91,764,298	74,076,811	49,994,022	45,443,898	141,758,320	119,520,709
Restricted	11,517,239	11,660,069	-	-	11,517,239	11,660,069
Unrestricted	8,589,697	18,832,987	(4,003,914)	(2,050,243)	4,585,783	16,782,744
Total net position	$ 111,871,234	$ 104,569,867	$ 45,990,108	$ 43,393,655	$ 157,861,342	$ 147,963,522



As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Port Aransas, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $111,871,234 at the close of the most recent fiscal year for governmental activities and $45,990,108 for business-type activities.

A large portion of the City's net position (approximately 90%) reflects its investment in capital assets (e.g., land, construction in progress, infrastructure, buildings, machinery, vehicles, and right to use assets), less any related 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 capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City of Port Aransas is able to report positive balances in all categories of net position for the government as a whole. The same situation held true for the prior fiscal year. The business type activities reported a deficit unrestricted net position at the end of the current fiscal year, primarily due to the balances of the net pension and other postemployment benefit liabilities.

Changes in Net Position:

Governmental activities increased the City's net position by $7,301,367, and business-type activities increased the City's net position by $2,596,452 for a total increase of $9,897,819.

Table 2 – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	Restated 2024	2025	Restated 2024	2025	Restated 2024
Total revenues	$ 47,760,740	$ 57,666,342	$ 4,991,915	$ 4,592,066	$ 52,752,655	$ 62,258,408
Total expenses	36,347,035	32,025,877	6,507,800	5,389,220	42,854,835	37,415,097
Increase (decrease) in net position before transfers	11,413,705	25,640,465	(1,515,885)	(797,154)	9,897,820	24,843,311
Transfers	(4,112,338)	(9,840,300)	4,112,338	9,840,300	-	-
Increase (decrease) in net position	7,301,367	15,800,165	2,596,453	9,043,146	9,897,820	24,843,311
Beginning net position, restated	104,569,867	88,769,702	43,393,655	34,350,509	147,963,522	123,120,211
Ending net position	$ 111,871,234	$ 104,569,867	$ 45,990,108	$ 43,393,655	$ 157,861,342	$ 147,963,522

The specific changes in revenues and expenses are shown in the tables that follow:

Table 3 – Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2025	Restated 2024	2025	Restated 2024	2025	Restated 2024
Program revenues:						
Charges for services	$ 7,771,539	$ 7,351,955	$ 4,993,885	$ 4,271,737	$ 12,765,424	$ 11,623,692
Operating grants and contributions	994,127	3,157,374	-	-	994,127	3,157,374
Capital grants and contributions	5,335,927	15,213,105	-	-	5,335,927	15,213,105
General revenues:						
Property taxes	11,323,041	10,522,910	-	-	11,323,041	10,522,910
Sales taxes	4,276,280	3,885,154	-	-	4,276,280	3,885,154
Franchies fees	654,840	633,509	-	-	654,840	633,509
Hotel/motel taxes	14,392,955	12,901,234	-	-	14,392,955	12,901,234
Investment earnings	2,940,557	3,762,764	11,485	70,486	2,952,042	3,833,250
Grants and contributions not restricted	-	-	-	2,465,517	-	2,465,517
Miscellaneous	71,474	238,337	(13,455)	(3,536)	58,019	234,801
Total revenues	47,760,740	57,666,342	4,991,915	6,804,204	52,752,655	64,470,546
Expenses:						
General administration	11,697,289	10,803,186	-	-	11,697,289	10,803,186
Legal	110,440	146,542	-	-	110,440	146,542
Financial administration	490,305	357,042	-	-	490,305	357,042
Public facilities	1,537,661	1,571,686	-	-	1,537,661	1,571,686
Public safety	9,067,387	8,500,476	-	-	9,067,387	8,500,476
Public transportation	320,896	264,353	-	-	320,896	264,353
Culture and recreation	11,673,162	9,556,074	-	-	11,673,162	9,556,074
Interest and fiscal charges	1,449,895	826,518	-	-	1,449,895	826,518
Gas	-	-	1,867,658	1,952,337	1,867,658	1,952,337
Sanitation	-	-	2,485,967	1,650,815	2,485,967	1,650,815
Harbor	-	-	2,154,175	1,658,154	2,154,175	1,658,154
Total expenses	$ 36,347,035	$ 32,025,877	$ 6,507,800	$ 5,261,306	$ 42,854,835	$ 37,287,183

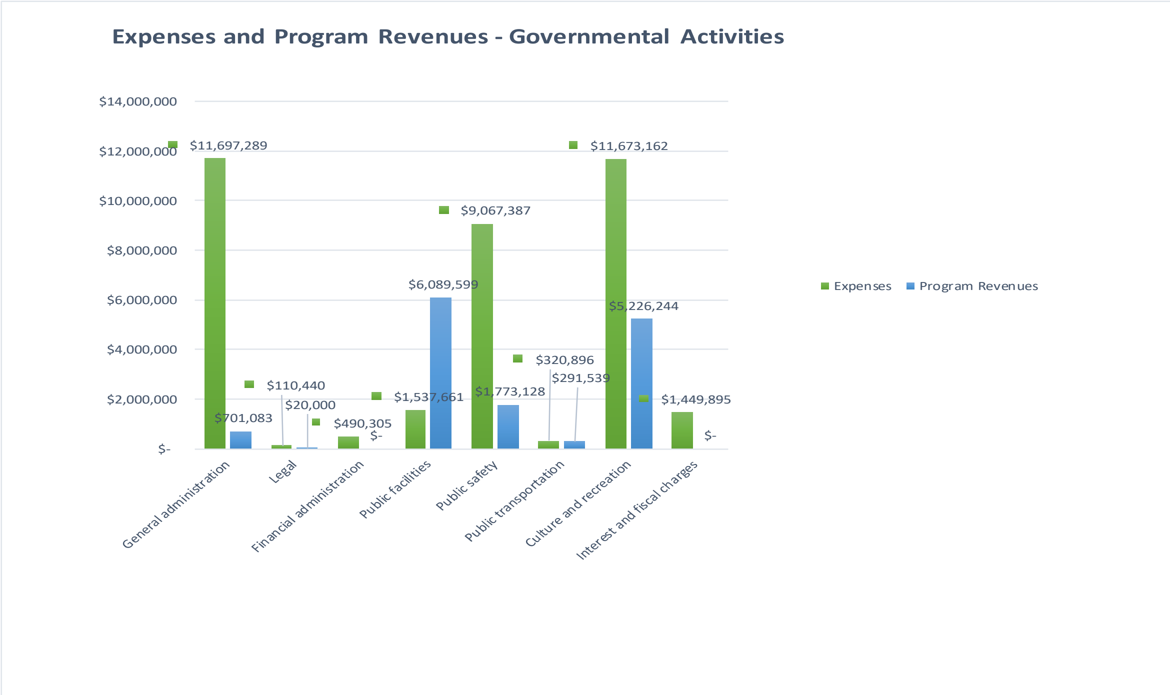
Governmental activities

Governmental activities include the functions of the general administration, legal, financial administration, public facilities, public safety, public transportation, culture and recreation, interest and fiscal charges. Payment of interest on long-term debt is also considered a governmental activity and it is considered a class of activity but not a function of government. These are the basic services and cost centers any city provides to its citizens.

As shown in table 3, total revenue decreased by $9,905,602. This decrease is due to a decrease in grant reimbursements.

Total expenses increased by $4,321,158.

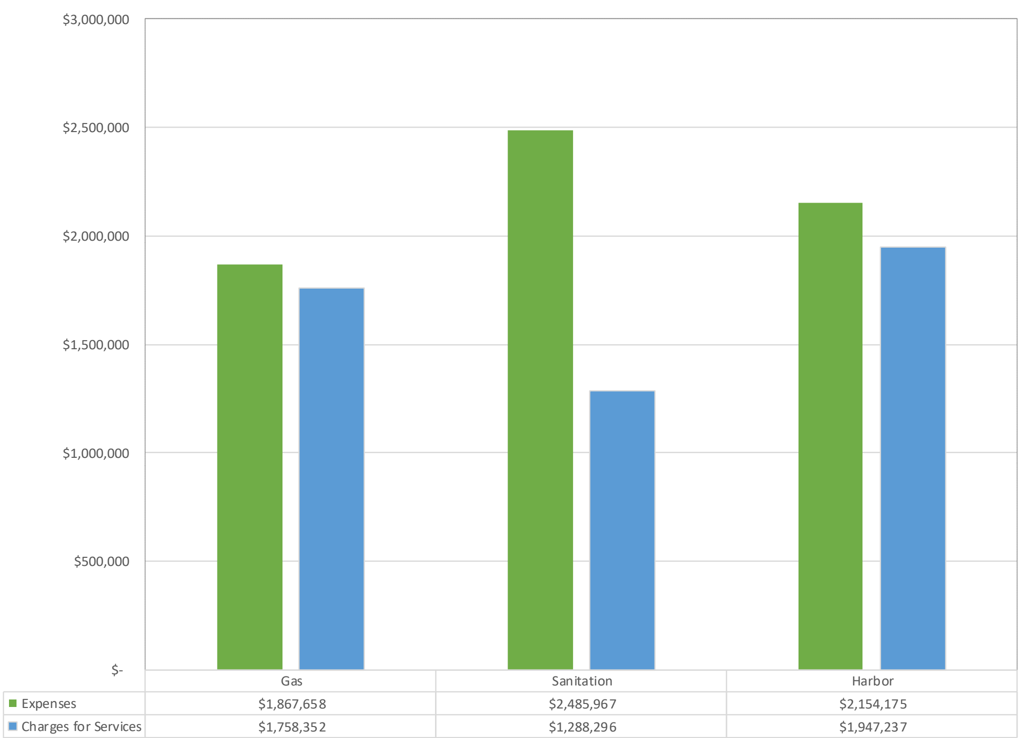
The chart below presents the City's major expenses by function, as well as the associated program revenues for governmental activities.



Business-type activities

As shown in Table 3, total revenues increased by $399,849 after restatements due mainly to increased charges for services. Total expenses increased $1,118,580 after retatements.

The chart below presents the City's expenses and program revenues for the business-type activities.



	Gas	Sanitation	Harbor
Expenses	$1,867,658	$2,485,967	$2,154,175
Charges for Services	$1,758,352	$1,288,296	$1,947,237

Financial Analysis of the Governmental Funds

In comparison to the government-wide statements, the fund level statements focus on the major funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $58,189,663, a decrease of $9,441,531. Approximately 26% or $14,873,071, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new spending because it has already been committed/restricted to pay for construction ($29,757,341), debt service ($518,838), culture and recreation ($2,528,873), public safety ($420,242), public transportation ($913,243), economic development ($7,983,639), fire ($1,000,000), opioid abatement ($9,242), inventories ($19,988), and prepaid items ($165,186).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $12,545,439, while total fund balance reached $13,719,789. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 73% of total general fund expenditures.

The fund balance of the City's general fund decreased by $1,731,279 during the current fiscal year. The key factor for this decrease is due to capital outlay.

Budgetary Highlights

The City's budget was amended during the year. The general fund budgeted expenditures decreased by $3 million due to mainly a decrease in capital outlay.

Budget variances are "favorable" if actual revenues exceeded budgeted amounts and if actual expenditures are under budgeted amounts. Variances are "unfavorable" if actual revenues are under budgeted amounts and if actual expenditures are over budgeted amounts. Favorable variances are indicated by showing amounts without brackets and unfavorable variances are indicated by bracketed amounts.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to $157,822,223 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, infrastructure, fleet, and construction in progress. Governmental activity capital assets increased by $20,879,556 as a result of $26,974,410 of additions offset by $5,993,240 of depreciation and net retirements of $101,614. Business-type activity capital assets increased by $4,516,905 as a result of $6,213,165 of additions less $1,686,739 of depreciation and net retirements of ($9,521).

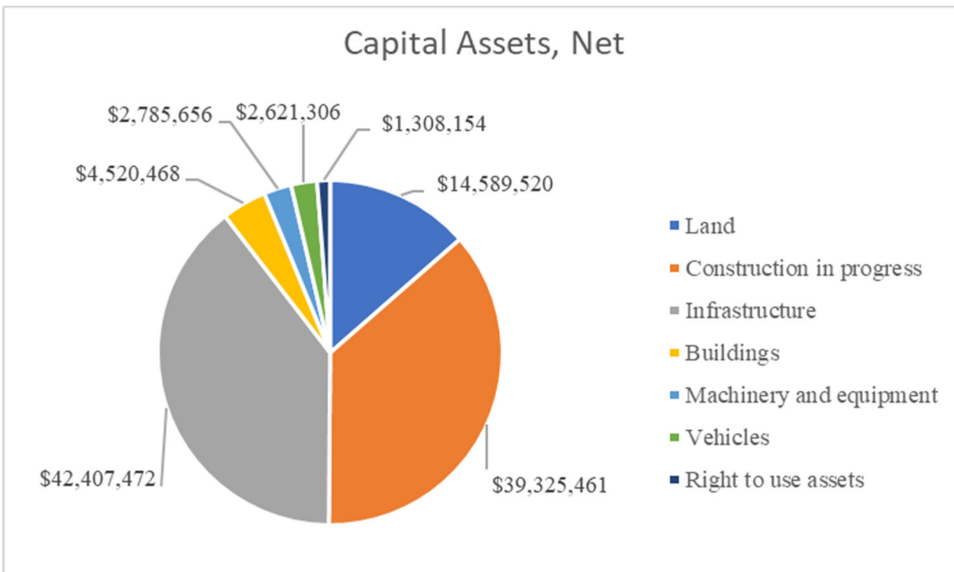
Additional information on the City's capital assets can be found in note 4 of the financial statements.

The following capital asset information is presented net of depreciation:

Table 4 – Capital Assets at Year End, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 14,589,520	$ 12,900,075	$ -	$ -	$ 14,589,520	$ 12,900,075
Construction in progress	39,325,461	33,373,965	31,553,261	25,453,388	70,878,722	58,827,353
Infrastructure	42,407,472	29,052,779	10,325,477	11,387,037	52,732,949	40,439,816
Buildings	4,520,468	5,077,458	8,011,465	8,425,338	12,531,933	13,502,796
Machinery and equipment	2,785,656	2,460,231	94,197	149,336	2,879,853	2,609,567
Vehicles	2,621,306	2,706,306	6,717	20,942	2,628,023	2,727,248
Right to use assets	1,308,154	1,107,667	273,069	311,240	1,581,223	1,418,907
Total capital assets, net	$ 107,558,037	$ 86,678,481	$ 50,264,186	$ 45,747,281	$ 157,822,223	$ 132,425,762

For a more detailed presentation on capital assets, please refer to the notes to financial statements on pages 47-48.



Debt Administration

At the end of the current fiscal year, the City had total bonded debt and capital leases outstanding of $55,449,348. The table below reflects the outstanding debt at September 30, 2025. Additional information can be found in note 4.

The following is a summary of outstanding debt:

Table 5 – Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	Restated 2024	2025	Restated 2024	2025	2024
General obligation bonds	$ 23,985,000	$ 18,185,000	$ -	$ -	$ 23,985,000	$ 18,185,000
Tax notes	16,950,000	20,040,000	-	-	16,950,000	20,040,000
Premium on bonds	2,305,129	2,119,519	-	-	2,305,129	2,119,519
OPEB liabilities	3,772,591	3,269,295	419,177	363,254	4,191,768	3,632,549
Net pension liability	4,672,718	5,080,066	547,007	594,693	5,219,725	5,674,759
Lease liability on right to use assets	1,184,612	882,721	270,164	303,383	1,454,776	1,186,104
Subscription liability on right to use assets	69,111	99,527	-	-	69,111	99,527
Compensated absences	1,190,047	888,703	83,792	85,236	1,273,839	973,939
Total long-term liabilities	$ 54,129,208	$ 50,564,831	$ 1,320,140	$ 1,346,566	$ 55,449,348	$ 51,911,397

Overall, the City's debt increased by $3,537,951 or approximately 7%. The key factors to the net change are as follows:

- Issuance of $7,705,000 General Obligation Bonds with a bond premium of $495,483.
- Proceeds from right to use lease and subscription assets of $721,377.

See note 4 - long-term liabilities for more detailed information on long-term debt activity.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2025-2026 fiscal year. The City is finishing up recovery efforts from Hurricane Harvey. All final projects needed to complete recovery are now underway in fiscal year 2024-2025.

The tax rate for the 2026 year has increased to 0.201612 cents per hundred. The tax rate has been split with 0.106877 for maintenance and operations and 0.094735 for interest and sinking for the retirement of the bonds.

Overall, the general fund is budgeted to end the fiscal year 2025-2026 with an estimated fund balance of $8,397,715. This is approximately 36% of general fund operating expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Port Aransas, Office of the Finance Director, 710 W. Avenue A, Port Aransas, Texas 78373 or call (361) 749-4111. Information is also available on the City's website at www.cityofportaransas.org.

THE CITY OF PORT ARANSAS

BASIC FINANCIAL STATEMENTS

THE CITY OF PORT ARANSAS

CITY OF PORT ARANSAS, TEXAS

STATEMENT OF NET POSITION

September 30, 2025

	Primary Government		
ASSETS	Governmental Activities	Business-Type Activities	Total
Pooled cash and investments	$ 61,465,482	$ 158,355	$ 61,623,837
Receivables (net of allowance)	1,237,074	116,693	1,353,767
Internal balances	2,395,710	(2,395,710)	-
Inventories	19,988	-	19,988
Prepaids	165,186	-	165,186
Lease receivable	646,173	-	646,173
Restricted assets:			
Cash and cash equivalents	75,388	-	75,388
Capital assets not being depreciated:			
Land	14,589,520	-	14,589,520
Construction in progress	39,325,461	31,553,261	70,878,722
Capital assets net of accumulated depreciation:			
Infrastructure	42,407,472	10,325,477	52,732,949
Buildings	4,520,468	8,011,465	12,531,933
Machinery and equipment	2,785,656	94,197	2,879,853
Vehicles	2,621,306	6,717	2,628,023
Right to use assets	1,308,154	273,069	1,581,223
Total capital assets	107,558,037	50,264,186	157,822,223
Total assets	173,563,038	48,143,524	221,706,562
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	2,636,262	301,077	2,937,339
LIABILITIES			
Accounts payable	6,555,163	539,359	7,094,522
Accrued wages payable	349,478	31,338	380,816
Accrued interest payable	224,755	-	224,755
Unearned revenues	39,118	95	39,213
Customer meter deposits	-	295,022	295,022
Noncurrent liabilities:			
Due within one year	6,863,939	53,936	6,917,875
Due in more than one year	47,265,269	1,266,204	48,531,473
Total liabilities	61,297,722	2,185,954	63,483,676
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	3,030,344	268,539	3,298,883
NET POSITION			
Net investment in capital assets	91,764,298	49,994,022	141,758,320
Restricted for:			
Culture and recreation	1,585,278	-	1,585,278
Debt service	518,838	-	518,838
Economic development	7,983,639	-	7,983,639
Public safety	420,242	-	420,242
Fire	1,000,000	-	1,000,000
Opioid abatement	9,242	-	9,242
Unrestricted	8,589,697	(4,003,914)	4,585,783
Total net position	$ 111,871,234	$ 45,990,108	$ 157,861,342

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2025

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General administration	$ 11,697,289	$ 691,841	$ 9,242	$ -
Legal	110,440	20,000	-	-
Financial administration	490,305	-	-	-
Public facilities	1,537,661	753,672	-	5,335,927
Public safety	9,067,387	1,699,224	73,904	-
Public transporation	320,896	291,539	-	-
Culture and recreation	11,673,162	4,315,263	910,981	-
Interest on long-term debt	1,449,895	-	-	-
Total governmental activities	36,347,035	7,771,539	994,127	5,335,927
Business-type activities:				
Gas	1,867,658	1,758,352	-	-
Sanitation	2,485,967	1,288,296	-	-
Harbor	2,154,175	1,947,237	-	-
Total business-type activities	6,507,800	4,993,885	-	-
Total primary government	$ 42,854,835	$ 12,765,424	$ 994,127	$ 5,335,927

General revenues:

Taxes:

Property taxes, levies for general purposes

Sales taxes

Franchise taxes

Hotel/motel taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and special items

Change in net position

Net position - beginning

Prior period adjustment - change in accounting principle

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (10,996,206)	$ -	$ (10,996,206)
(90,440)	-	(90,440)
(490,305)	-	(490,305)
4,551,938	-	4,551,938
(7,294,259)	-	(7,294,259)
(29,357)	-	(29,357)
(6,446,918)	-	(6,446,918)
(1,449,895)	-	(1,449,895)
(22,245,442)	-	(22,245,442)
-	(109,306)	3,516,704
-	(1,197,671)	2,576,592
-	(206,938)	3,894,474
-	(1,513,915)	9,987,770
(22,245,442)	(1,513,915)	(12,257,672)
11,323,041	-	11,323,041
4,276,280	-	4,276,280
654,840	-	654,840
14,392,955	-	14,392,955
2,940,557	11,484	2,952,041
71,474	(13,455)	58,019
(4,112,338)	4,112,338	-
29,546,809	4,110,367	33,657,176
7,301,367	2,596,452	9,897,819
104,697,127	43,435,760	148,132,887
(127,260)	(42,104)	(169,364)
$ 111,871,234	$ 45,990,108	$ 157,861,342

CITY OF PORT ARANSAS, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2025

	General Fund	Beach Fund	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund
ASSETS				
Cash and investments	$ 5,343,124	$ 8,538,049	$ 709,984	$ 11,205,954
Investments	-	-	-	-
Receivables (net)	447,384	84,639	379	15,022
Due from other funds	8,668,802	-	-	-
Restricted cash and cash equivalents	75,388	-	-	-
Inventories	-	-	-	-
Prepaid expenses	165,108	-	-	-
Lease receivable	-	-	-	-
Total assets	$ 14,699,806	$ 8,622,688	$ 710,363	$ 11,220,976
LIABILITIES				
Accounts payable and accrued liabilities	$ 543,758	$ 583,714	$ 709,758	$ 763,580
Accrued wages payable	252,935	55,940	-	6,760
Due to other funds	-	-	-	-
Deferred revenues	39,118	-	-	-
Total liabilities	835,811	639,654	709,758	770,340
DEFERRED INFLOWS OF RESOURCES				
Deferred property leases	-	-	-	-
Deferred property taxes	144,206	-	-	-
Total deferred inflows of resources	144,206	-	-	-
FUND BALANCES				
Nonspendable:				
Prepaid items	165,108	-	-	-
Inventories	-	-	-	-
Restricted:				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Economic development	-	7,983,034	605	-
Fire	1,000,000	-	-	-
Public safety	-	-	-	-
Opioid abatement	9,242	-	-	-
Committed:				
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Public transporation	-	-	-	-
Unassigned	12,545,439	-	-	10,450,636
Total fund balances	13,719,789	7,983,034	605	10,450,636
Total liabilities, deferred inflows of resources and fund balances	$ 14,699,806	$ 8,622,688	$ 710,363	$ 11,220,976

The accompanying notes are an integral part of these financial statements.

Airport Fund	Debt Service Fund	Hurricane Harvey Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 518,838	$ -	$ 30,132,009	$ 4,927,994	$ 61,375,952
-	-	-	-	89,530	89,530
14,152	96,827	26,951	410,189	141,531	1,237,074
-	-	-	-	-	8,668,802
-	-	-	-	-	75,388
19,988	-	-	-	-	19,988
-	-	-	-	78	165,186
646,173	-	-	-	-	646,173
$ 680,313	$ 615,665	$ 26,951	$ 30,542,198	$ 5,159,133	$ 72,278,093
$ 15,864	$ -	$ 1,877,159	$ 1,842,085	$ 219,245	$ 6,555,163
1,004	-	-	-	32,839	349,478
175,363	-	5,839,431	-	258,298	6,273,092
-	-	-	-	-	39,118
192,231	-	7,716,590	1,842,085	510,382	13,216,851
630,546	-	-	-	-	630,546
-	96,827	-	-	-	241,033
630,546	96,827	-	-	-	871,579
-	-	-	-	78	165,186
19,988	-	-	-	-	19,988
-	-	-	28,700,113	-	28,700,113
-	-	-	-	1,585,278	1,585,278
-	518,838	-	-	-	518,838
-	-	-	-	-	7,983,639
-	-	-	-	-	1,000,000
-	-	-	-	420,242	420,242
-	-	-	-	-	9,242
-	-	-	-	1,057,228	1,057,228
-	-	-	-	943,595	943,595
-	-	-	-	913,243	913,243
(162,452)	-	(7,689,639)	-	(270,913)	14,873,071
(142,464)	518,838	(7,689,639)	28,700,113	4,648,751	58,189,663
$ 680,313	$ 615,665	$ 26,951	$ 30,542,198	$ 5,159,133	$ 72,278,093

THE CITY OF PORT ARANSAS

CITY OF PORT ARANSAS, TEXAS

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

September 30, 2025

Total fund balances - governmental funds	$ 58,189,663
Amounts reported for governmental funds in the statement of net position are different because:	
Add net capital assets which are not treated as financial resources on the modified accrual basis.	107,558,037
Add property taxes deferred inflows unavailable to pay for current period expenditures.	241,033
Subtract long-term assets/liabilities unavailable to pay for current period expenditures.	236,464
Subtract long-term liabilities, including bonds payable, which are not due and payable in the current period.	(54,353,963)
Net position of governmental activities	$ 111,871,234

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	General Fund	Beach Fund	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund
Revenues:				
Taxes				
Property	$ 5,705,449	$ -	$ -	$ -
Sales	2,850,853	-	-	-
Franchise fees	654,840	-	-	-
Hotel/motel	-	3,020,973	5,279,849	6,092,133
Intergovernmental	640,583	471,785	-	-
Licenses and permits	2,048,952	1,454,635	-	-
Charges for services	2,101,308	-	-	18,001
Fines and forfeitures	511,742	-	-	-
Interest	445,115	245,850	-	404,198
Opioid abatement	9,242	-	-	-
Miscellaneous	178,380	-	-	-
Total revenues	15,146,464	5,193,243	5,279,849	6,514,332
Expenditures:				
Current:				
General administration	3,651,833	-	5,279,304	-
Legal	108,304	-	-	-
Financial administration	480,822	-	-	-
Public facilities	1,323,137	-	-	-
Public safety	7,121,184	-	-	-
Public transportation	239,575	-	-	-
Culture and recreation	1,199,062	4,480,441	-	1,489,596
Capital outlay	2,699,104	1,963,748	-	3,308,599
Debt service:				
Principal	286,648	100,334	-	13,370
Interest and other charges	12,657	18,843	-	408
Total expenditures	17,122,326	6,563,366	5,279,304	4,811,973
Excess/(deficiency) of revenues over (under) expenditures	(1,975,862)	(1,370,123)	545	1,702,359
Other financing sources (uses):				
Transfers in	-	879,500	-	-
Transfers out	(200,000)	(60,000)	-	(3,138,576)
Proceeds from right to use leases/subscriptions	444,583	246,836	-	552
Proceeds of bond	-	-	-	-
Premium	-	-	-	-
Total other financing sources	244,583	1,066,336	-	(3,138,024)
Net change in fund balances	(1,731,279)	(303,787)	545	(1,435,665)
Fund balances - beginning	15,451,068	8,286,821	60	11,886,301
Prior period adjustment - correction of error	-	-	-	-
Fund balances - beginning, as restated	15,451,068	8,286,821	60	11,886,301
Fund balances - ending	$ 13,719,789	$ 7,983,034	$ 605	$ 10,450,636

The accompanying notes are an integral part of these financial statements.

Airport Fund	Debt Service Fund	Hurricane Harvey Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 5,552,924	$ -	$ -	$ -	$ 11,258,373
-	-	-	-	1,425,427	4,276,280
-	-	-	-	-	654,840
-	-	-	-	-	14,392,955
14,048	-	4,046,818	414,109	519,414	6,106,757
-	-	-	-	-	3,503,587
248,830	-	-	-	89,589	2,457,728
-	-	-	-	566,964	1,078,706
-	22,486	-	1,717,129	105,779	2,940,557
-	-	-	-	-	9,242
6,758	-	-	840,000	93,523	1,118,661
269,636	5,575,410	4,046,818	2,971,238	2,800,696	47,797,686
-	-	-	-	-	8,931,137
-	-	-	-	-	108,304
-	-	-	-	-	480,822
-	-	-	-	-	1,323,137
-	-	693,882	-	34,051	7,849,117
-	-	-	-	75,114	314,689
207,965	-	-	-	1,832,651	9,209,715
11,772	-	8,426,954	6,995,401	3,568,832	26,974,410
2,547	4,995,000	7,341	-	39,663	5,444,903
2,953	1,498,373	2	200,483	301	1,734,020
225,237	6,493,373	9,128,179	7,195,884	5,550,612	62,370,254
44,399	(917,963)	(5,081,361)	(4,224,646)	(2,749,916)	(14,572,568)
-	1,153,575	3,434,980	-	3,107,375	8,575,430
-	-	(4,627,013)	(4,314,480)	(347,700)	(12,687,769)
-	-	-	-	37,263	729,234
-	-	-	7,705,000	-	7,705,000
-	-	-	495,483	-	495,483
-	1,153,575	(1,192,033)	3,886,003	2,796,938	4,817,378
44,399	235,612	(6,273,394)	(338,643)	47,022	(9,755,190)
(186,863)	283,226	(1,416,245)	28,725,097	4,601,729	67,631,194
-	-	-	313,659	-	313,659
(186,863)	283,226	(1,416,245)	29,038,756	4,601,729	67,944,853
$ (142,464)	$ 518,838	$ (7,689,639)	$ 28,700,113	$ 4,648,751	$ 58,189,663

CITY OF PORT ARANSAS, TEXAS

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

September 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances-total governmental funds	$ (9,755,190)
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 depreciable expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	20,879,556
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds. This is the change in these amounts in the current year (property taxes).	64,669
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal repayments	4,995,000
Lease liability on right to use assets	(703,233)
Subscription liability on right to use assets	(18,144)
Amortization of bond premiums	309,873
Issuance of bonds	(7,705,000)
Issuance of premium	(495,483)
Proceeds from lease and subscription right to use assets	449,902
Governmental funds report required contributions to employee pension as expenditures. However, in the statement of activities, the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense.	(145,989)
Governmental funds report required contributions to employee OPEB as expenditures. However, in the statement of activities, the cost of the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined OPEB expense.	(113,224)
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	(427,766)
Interest expense	(33,604)
Change in net position of governmental activities	$ 7,301,367

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

For the year ended September 30, 2025

	Business-Type Activities - Enterprise Funds			
	Gas	Harbor	Sanitation	Total
ASSETS				
Current assets:				
Cash and investments	$ -	$ -	$ 158,355	$ 158,355
Receivables (net)	4,515	66,427	45,751	116,693
Due from other funds	-	-	-	-
Total current assets	4,515	66,427	204,106	275,048
Noncurrent assets:				
Capital assets:				
Construction in progress	31,553,261	-	-	31,553,261
Infrastructure	1,216,322	19,754,658	507,618	21,478,598
Buildings	-	8,581,463	35,787	8,617,250
Machinery and equipment	256,075	56,822	299,462	612,359
Vehicles	215,027	36,698	-	251,725
Right to use assets	63,355	285,332	4,239	352,926
Total capital assets	33,304,040	28,714,973	847,106	62,866,119
Less accumulated depreciation	(1,415,646)	(10,687,079)	(499,208)	(12,601,933)
Total noncurrent assets	31,888,394	18,027,894	347,898	50,264,186
Total assets	31,892,909	18,094,321	552,004	50,539,234
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources	183,260	93,558	24,259	301,077
LIABILITIES				
Current liabilities (payable from current assets):				
Accounts payable	328,274	13,639	197,447	539,360
Accrued wages	18,192	10,763	2,383	31,338
Due to other funds	517,240	1,878,470	-	2,395,710
Compensated absences	13,430	6,826	692	20,948
Deferred revenue	95	-	-	95
Total current liabilities (payable from current assets)	877,231	1,909,698	200,522	2,987,451
Current liabilities				
Customer meter deposits	280,922	14,100	-	295,022
Total current liabilities	280,922	14,100	-	295,022
Total current liabilities	1,158,153	1,923,798	200,522	3,282,473
Noncurrent liabilities:				
Compensated absences	40,290	20,477	2,076	62,843
Lease liabilities	32,554	237,610	-	270,164
Other postemployment benefits	251,507	125,753	41,917	419,177
Net pension liability	337,112	175,127	34,768	547,007
Total noncurrent liabilities	661,463	558,967	78,761	1,299,191
Total liabilities	1,819,616	2,482,765	279,283	4,581,664
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	161,730	81,313	25,496	268,539
NET POSITION				
Net investment in capital assets	31,855,840	17,790,284	347,898	49,994,022
Unrestricted	(1,761,017)	(2,166,483)	(76,414)	(4,003,914)
Total net position	$ 30,094,823	$ 15,623,801	$ 271,484	$ 45,990,108

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS

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

For the year ended September 30, 2025

	Business-Type Activities - Enterprise Funds			
	Gas	Harbor	Sanitation	Total
Operating revenues:				
Charges for sales and services	$ 1,758,352	$ 1,288,296	$ 1,947,237	$ 4,993,885
Total operating revenues	1,758,352	1,288,296	1,947,237	4,993,885
Operating expenses:				
Personnel services	862,680	513,944	70,697	1,447,321
Supplies and other services and charges	943,125	445,299	1,985,316	3,373,740
Depreciation	61,853	1,526,724	98,162	1,686,739
Total operating expenses	1,867,658	2,485,967	2,154,175	6,507,800
Operating income (loss)	(109,306)	(1,197,671)	(206,938)	(1,513,915)
Nonoperating revenues (expenses):				
Investment revenue	9,402	-	2,082	11,484
Sale of assets	(9,521)	-	-	(9,521)
Interest expense	(1,847)	(4,618)	(3,431)	(9,896)
Other income (expense)	257	5,705	-	5,962
Total nonoperating revenues (expenses)	(1,709)	1,087	(1,349)	(1,971)
Net income (loss) before transfers	(111,015)	(1,196,584)	(208,287)	(1,515,886)
Transfers in	4,612,175	14,838	60,000	4,687,013
Transfers out	-	(574,675)	-	(574,675)
Change in net position	4,501,160	(1,756,421)	(148,287)	2,596,452
Net position - beginning	25,616,434	17,396,651	422,675	43,435,760
Prior period adjustment - change in accounting principle	(22,771)	(16,429)	(2,904)	(42,104)
Net position - beginning, restated	25,593,663	17,380,222	419,771	43,393,656
Net position - ending	$ 30,094,823	$ 15,623,801	$ 271,484	$ 45,990,108

The accompanying notes are an integral part of these financial statements.

CITY OF PORT ARANSAS, TEXAS

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the year ended September 30, 2025

	Business-Type Activities Enterprise Funds			
	Gas	Harbor	Sanitation	Totals Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 1,780,046	$ 1,283,968	$ 1,936,777	$ 5,000,791
Payments to suppliers	(230,275)	(103,698)	(1,841,833)	(2,175,806)
Payments to employees	(829,083)	(490,345)	(68,898)	(1,388,326)
Net cash provided by (used in) operating activities	720,688	689,925	26,046	1,436,659
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal grants and contributions	-	-	-	-
Sale of fixed assets	(43,591)	-	-	(43,591)
Transfers from other funds	4,612,175	14,838	60,000	4,687,013
Transfers to other funds	-	(574,675)	-	(574,675)
Net cash provided by (used in) noncapital financing activities	4,568,584	(559,837)	60,000	4,068,747
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES				
Purchases of capital assets and construction in progress	(6,054,752)	(105,316)	-	(6,160,068)
Interest paid	(1,847)	(4,618)	(3,431)	(9,896)
Payment on right to use leases	(12,002)	(20,154)	(1,063)	(33,219)
Net cash provided by (used in) capital and related financing activities	(6,068,601)	(130,088)	(4,494)	(6,203,183)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and investment revenue received	9,402	-	2,082	11,484
Net cash provided by (used in) investing activities	9,402	-	2,082	11,484
Net increase (decrease) in cash and cash equivalents	(769,927)	-	83,634	(686,293)
Balances - beginning of year	769,927	-	74,721	844,648
Balances - end of year	$ -	$ -	$ 158,355	$ 158,355
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (109,306)	$ (1,197,671)	$ (206,938)	$ (1,513,915)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	61,853	1,526,724	98,162	1,686,739
Changes in assets and liabilities:				
Accounts receivable	(569)	(7,028)	(10,460)	(18,057)
Due to/from other funds	517,240	787,393	-	1,304,633
Accounts payable	227,645	(435,083)	145,640	(61,798)
Accrued wages	(2,180)	46	746	(1,388)
Customer deposits	22,263	2,700	-	24,963
Compensated absences	(424)	11,334	(3,665)	7,245
Pension and OPEB liabilities	4,166	1,510	2,561	8,237
Net cash provided by (used in) operating activities	$ 720,688	$ 689,925	$ 26,046	$ 1,436,659

The accompanying notes are an integral part of these financial statements.

THE CITY OF PORT ARANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

THE CITY OF PORT ARANSAS

(1) Summary of significant accounting policies

Reporting entity

The City of Port Aransas, Texas (the "City") was incorporated as a general law city in November 1955. In August 1978 the City adopted the Mayor-Council-Manager form of government. The principal services accounted for as general governmental functions include public safety, health, streets, sanitation, park and recreation, planning, zoning, and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting principles and practices are discussed in subsequent sections of these notes.

Blended component unit

The Port Aransas Recreational Development Corporation (PARDC) was chartered on November 27, 1995. The public purposes for which the Corporation is organized and for which it may issue bonds are as follows: construction, development, expansion, maintenance, operation, and promotion of recreational and sports fields and stadiums, swimming pool, sport complexes, and related facilities and improvements. The Board of Directors consisting of seven members is appointed by the City Council. PARDC's main source of revenue is the additional one-half cent sales tax approved by voters.

Although they are legally separate from the City, the Port Aransas Recreational Development Corporation (PARDC) is reported as if they are a part of the primary government because their primary purpose is to provide services to the citizens of the City. The general fund of this entity is reported as a special revenue fund of the City. Separate financial statements are not prepared for the blended component unit.

Government-wide and fund financial statements

The City's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

(1) Summary of significant accounting policies (continued)

Government-wide and fund financial statements (continued)

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have both been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

Measurement focus, basis of accounting, and financial statement presentation

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses). Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, hotel/motel taxes, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The governmental reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Beach Fund* accounts for the portion of sales taxes required to provide beach cleaning and safety.
- The *Hotel-Motel Special Revenue/Facility Funds* account for the hotel/motel taxes that the Council requires to be set aside for recreational development.
- The *Airport Fund* is used to account for the fees and costs needed to operate the municipal airport.
- The *Debt Service Fund* is used to account for the resources needed to fund the City's debt service obligation on its outstanding bonds and tax notes.
- The *Hurricane Harvey Fund* is used to administer FEMA monies for reconstruction and cleanup within the City of Port Aransas.
- The *Construction Fund* is used to administer bond monies for various construction projects.

(1) Summary of significant accounting policies (continued)

Proprietary fund financial statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major proprietary fund and for the nonmajor funds aggregated. Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the utility funds (gas, sanitation, and harbor rental) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major proprietary funds: the *Gas Fund* accounts for the activities of the gas distribution system. The *Sanitation Fund* accounts for the garbage collection activities of the City. The *Harbor Fund* accounts for activities associated with Harbor rental and maintenance.

Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance

Deposits and investments

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer’s Investment Pool.

Investments for the government are reported at fair value. The State Treasurer’s Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as fair value of the pool shares.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

(1) Summary of significant accounting policies (continued)

Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from" other funds (e.g., the current portion of interfund loans) or advances to/from other funds (e.g., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2025, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2025, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding trade accounts receivable at September 30, 2025, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2025. The property tax receivable allowance is equal to 5 percent of current outstanding property taxes on September 30, 2025, and 5 percent of delinquent outstanding property taxes on September 30, 2025. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain proceeds are set aside in the general fund for future projects and are maintained in a separate bank account. The restricted assets are follows:

Type	Governmental Activities
Public Safety	$ 75,388

(1) Summary of significant accounting policies (continued)

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, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of two years. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (e.g., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (e.g., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Improvements other than buildings	20
Gas pipelines	30
Infrastructure	50
Runways and related improvements	50
Vehicles	5
Machinery and equipment	5
Office furniture	5

Compensated absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary funds financial statements.

(1) Summary of significant accounting policies (continued)

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund balances – governmental funds

The City implemented GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the City's fund balance more transparent. The following classification descript the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable* – accounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

- *Committed* – amounts that can be used only for specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City 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.

- *Assigned* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. 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.

- *Unassigned* – all other spendable amounts.

(1) Summary of significant accounting policies (continued)

Fund balances – governmental funds (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the City Council adopted a minimum fund balance policy for the general fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 25 to 50 percent of the subsequent year's budgeted general fund expenditures.

Adoption of new accounting policies

During fiscal year ended September 30, 2025, the City adopted the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections* and GASB Statement No. 101, *Compensated Absences*, which establishes updated guidance for the recognition, measurement, and financial reporting of compensated absences. The requirements of GASB Statement 101 were applied retrospectively to all periods presented and resulted in a prior period adjustment. See note 8 for additional details.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section of 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 (expenses/expenditure) until then. The deferred outflows of resources are reported in the government-wide statement of net position for governmental and business-type activities and the fund level for the proprietary statement of net position. The City has the following that qualifies for reporting in this category: amounts deferred under GASB 68 and GASB 75.

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 City has the following that qualifies for reporting in this category: amounts deferred under GASB 68, GASB 75, and leases.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. The City reports deferred ad valorem taxes as deferred inflows of resources in the fund financial statements.

(1) Summary of significant accounting policies (continued)

The components of the City's government-wide deferred outflows of resources and deferred inflows of resources are as follows:

	Governmental Activities	Business-Type Activities: Gas	Harbor	Sanitation	Total
Deferred outflows of resources					
Deferred outflows from pension activities	$ 1,370,857	$ 98,900	$ 51,377	$ 10,200	$ 1,531,334
Deferred outflows related to OPEB	1,265,405	84,360	42,181	14,059	1,406,005
Total deferred outflows of resources	$ 2,636,262	$ 183,260	$ 93,558	$ 24,259	$ 2,937,339
Deferred inflows of resources					
Deferred inflows related to pensions	$ 318,377	$ 22,969	$ 11,932	$ 2,369	$ 355,647
Deferred inflows related to OPEB	2,081,421	138,761	69,381	23,127	2,312,690
Deferred inflows related to leases	630,546	-	-	-	630,546
Deferred inflows of resources	$ 3,030,344	$ 161,730	$ 81,313	$ 25,496	$ 3,298,883

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.

Other postemployment benefits

The other postemployment benefit liability of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit Plan (SDBF) and retiree healthcare plan have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the other postemployment benefit (OPEB) liability and deferred outflows and inflows of resources related to the other postemployment benefits, (OPEB) expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. Contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. 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 applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

(2) Reconciliation of government-wide and fund financial statements

Below are explanations 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 payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this ($54,353,963) difference are as follows:

Right to use payables	$ (1,253,723)
Bonds payable	(23,985,000)
Tax notes payable	(16,950,000)
Bond premium	(2,305,129)
OPEB liabilities	(3,772,591)
Net pension liability	(4,672,718)
Accrued interest payable	(224,755)
Compensated absences	(1,190,047)
	$ (54,353,963)

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 capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The details of this $107,558,037 difference are as follows:

Capital assets not being depreciated	$ 53,914,981
Capital assets being depreciated	104,813,379
Accumulated depreciation	(51,170,323)
Net adjustment to increase net changes in fund balances - total funds to arrive at changes in net position of governmental activities	$ 107,558,037

The governmental fund balance sheet incudes reconciliation 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 property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). The details of this $241,033 difference are as follows:

Property taxes receivable	$ 253,719
Allowance for doubtful accounts	(12,686)
Net	$ 241,033

(2) Reconciliation of government-wide and fund financial statements (continued)

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 other long-term assets/liabilities are unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). The details of the $269,002 difference is as follows:

GASB 68	
Deferred outflows of resources - pensions	$ 1,531,334
Deferred inflows of resources - pensions	(355,647)
GASB 75	
Deferred outflows of resources - TMRS	21,843
Deferred outflows of resources - Retiree health	1,384,162
Deferred inflows of resources - TMRS	(93,680)
Deferred inflows of resources - Retiree health	(2,219,010)
Net	$ 269,002

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that 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. The details of this $20,879,556 difference are as follows:

Capital outlay - additions not being depreciated	$ 15,625,224
Capital outlay - additions being depreciated	3,364,903
Depreciation expense	(5,993,240)
Gain on disposals of assets	7,882,669
Net adjustment to increase net changes in fund balances - total funds to arrive at changes in net position of governmental activities	$ 20,879,556

(3) Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the library fund, the COVID-19 fund, drainage impact fees fund, winter storm URI fund, and the Hurricane Harvey fund. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the city council. The legal level of budgetary control is the fund; whereby budgeted expenditures may not exceed budgeted revenues plus beginning unrestricted equity.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Deficit fund equity

On September 30, 2025, the Airport Fund had a deficit of ($142,464) and the Hurricane Harvey Fund had a deficit of ($7,689,639). These deficits are expected to be liquidated with future resources of funds from federal and state assistance and reimbursement from other funds.

On September 30, 2025, the City has a deficit unrestricted net position in the gas, harbor, and sanitation enterprise funds of ($1,761,017), ($2,166,483), and ($76,414), respectively. This deficit is due to the District's implementation of accounting standards Statement No. 68 related to the net pension liability and Statement No. 75 related to other postemployment benefits liabilities.

Deposits and investments

Legal and contractual provisions governing deposits and investments: The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investment, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment procedures related to investment practices as provided by the Act. The City is in compliance with the requirements of the Act and with local policies.

(4) Detailed notes on all funds

Deposits and investments (continued)

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

Deposits

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of September 30, 2025, the City had a bank balance of $1,604,239 in American Bank and was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is $8,910,096 and the FDIC coverage is $250,000. The City also has a balance of $133,701 with Value Bank of Texas and FDIC coverage of $250,000. The overall book balance of the City's bank balances on September 30, 2025, is $1,588,403.

Investments

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool and Texas Class, through which political subdivisions and other entities may invest public funds.

TexPool and Texas Class use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool and Texas Class does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals.

All funds participate in a pooling of cash and investment income to maximize investment opportunities. Each fund may liquidate its equity in the pool on demand.

The City's investments are authorized by City resolutions, bond ordinances, and State statutes. The City is authorized to invest in obligations of the U.S. Government and its agencies or instrumentalities; direct obligations of Texas and its agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; insured or collateralized certificates of deposit; fully collateralized repurchase agreements; and government pools.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City's investments by fair value level are classified in level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no level 1 investments (investments valued using prices quoted in active markets for identical securities) or level 3 investments (investments valued using significant unobservable inputs).

(4) Detailed notes on all funds (continued)

Deposits and investments (continued)

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Concentration of credit risk. The City places no limit on the amount the City may invest in any one issuer. TexPool (50% of portfolio), Texas Class (10% of portfolio), LOGIC (34% of portfolio), and certificates of deposits (2%).

As of September 30, 2025 the City had the following pooled and cash investments:

	Carrying Amount	Maturity (WAM) days	Rating
Cash on hand	$ 1,271	1	N/A
Cash in bank	1,588,403	1	N/A
Money market	316,881	1	N/A
TexPool	31,097,507	42	AAAm
Texas Class	6,276,870	25	AAAm
LOGIC	21,183,763		
Certificates of deposit	1,234,530	470	N/A
Total pooled cash and investments	$ 61,699,225		
Portfolio weighted after maturity (days)		33	0

Receivables

Receivables at year end for the City's individual major funds, and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables:	General	Beach	Hotel/ Motel Fund	Hotel/Motel Special Revenue/ Facility Fund	Airport	Debt Service	Hurricane Harvey Fund	Construction	Nonmajor Funds	Total Governmental Funds
Taxes - ad valorem	$ 151,796	$ -	$ -	$ -	$ -	$ 101,923	$ -	$ -	$ -	$ 253,719
Taxes - sales	75,506	-	-	15,022	-	-	-	-	141,531	232,059
Intergovernmental	223,128	27,852	-	-	14,152	-	26,951	410,189	-	702,272
Accounts	-	-	-	-	-	-	-	-	-	-
Other	13,970	56,787	379	-	-	-	-	-	-	71,136
Gross receivables	464,400	84,639	379	15,022	14,152	101,923	26,951	410,189	141,531	1,259,186
Less allowances for uncollectibles	(17,016)	-	-	-	-	(5,096)	-	-	-	(22,112)
Net total receivables	$ 447,384	$ 84,639	$ 379	$ 15,022	$ 14,152	$ 96,827	$ 26,951	$ 410,189	$ 141,531	$ 1,237,074

(4) Detailed notes on all funds (continued)

Receivables:	Gas	Harbor	Sanitation	Total Enterprise Funds	Grand Total
Taxes - ad valorem	$ -	$ -	$ -	$ -	$ 253,719
Taxes - sales	-	-	-	-	232,059
Intergovernmental	-	-	-	-	702,272
Accounts	4,766	293,238	45,919	343,923	343,923
Other	-	-	-	-	71,136
Gross receivables	4,766	293,238	45,919	343,923	1,603,109
Less allowances for uncollectibles	(251)	(226,811)	(168)	(227,230)	(249,342)
Net total receivables	$ 4,515	$ 66,427	$ 45,751	$ 116,693	$ 1,353,767

The receivables are expected to be collected within one year.

Lease receivable

The City has entered into various (18) lease agreements as the lessor for the use of hangers at the City's airport. The leases have interest rates ranging from 1.608% to 3.935%. The leases have receipts that range from $2,100 to $4,620. The value of the lease receivable on September 30, 2025 is $646,173 and the City recognized lease revenue of $29,729 during the fiscal year.

Future minimum lease payments are as follows:

GOVERNMENTAL ACTIVITIES

September 30,	Principal	Interest	Total
2026	$ 30,314	$ 13,721	$ 44,035
2027	30,911	13,124	44,035
2028	31,522	12,513	44,035
2029	32,147	11,888	44,035
2030	32,785	11,250	44,035
2030-2034	173,998	46,177	220,175
2035-2039	187,597	27,958	215,555
2040-2044	100,535	11,150	111,685
2045-2027	26,364	1,086	27,450
	$ 646,173	$ 148,867	$ 795,040

(4) Detailed notes on all funds (continued)

Capital assets

Capital asset activity for governmental activities for the year ended September 30, 2025, was as follows:

Governmental activities:	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 12,900,075	$ 1,689,445	$ -	$ 14,589,520
Construction in progress	33,373,965	13,935,779	(7,984,283)	39,325,461
Total capital assets, not being depreciated	46,274,040	15,625,224	(7,984,283)	53,914,981
Capital assets, being depreciated:				
Infrastructure	59,346,225	8,799,066	7,984,283	76,129,574
Buildings	10,398,287	7,834	(126,971)	10,279,150
Machinery and equipment	8,030,360	1,191,615	(131,101)	9,090,874
Vehicles	6,902,806	626,348	(300,153)	7,229,001
Right to use lease assets	1,376,373	703,479	(299,090)	1,780,762
Right to use subscription assets	320,485	20,844	(37,311)	304,018
Total capital assets being depreciated	86,374,536	11,349,186	7,089,657	104,813,379
Less accumulated depreciation for:				
Infrastructure	(30,293,446)	(3,428,656)	-	(33,722,102)
Buildings	(5,320,829)	(521,398)	83,545	(5,758,682)
Machinery and equipment	(5,570,129)	(808,002)	72,913	(6,305,218)
Vehicles	(4,196,500)	(711,348)	300,153	(4,607,695)
Right to use lease assets	(439,743)	(425,064)	299,090	(565,717)
Right to use subscription assets	(149,448)	(98,772)	37,311	(210,909)
Total accumulated depreciation	(45,970,095)	(5,993,240)	793,012	(51,170,323)
Total capital assets being depreciated, net	40,404,441	5,355,946	7,882,669	53,643,056
Governmental activities capital assets, net	$ 86,678,481	$ 20,981,170	$ (101,614)	$ 107,558,037

(4) Detailed notes on all funds (continued)

Capital assets (continued)

Capital asset activity for business-type activities for the year ended September 30, 2025, was as follows:

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 25,453,388	$ 6,099,873	$ -	$ 31,553,261
Total capital assets, not being depreciated	25,453,388	6,099,873	-	31,553,261
Capital assets, being depreciated:				
Infrastructure	21,425,260	53,301	-	21,478,561
Buildings	8,618,563	51,820	(9,521)	8,660,862
Machinery and equipment	604,541	7,819	-	612,360
Vehicles	251,725	-	-	251,725
Right to use lease assets	352,574	352	-	352,926
Total capital assets being depreciated	31,252,663	113,292	(9,521)	31,356,434
Less accumulated depreciation for:				
Infrastructure	(10,038,223)	(1,114,861)	-	(11,153,084)
Buildings	(193,225)	(456,172)	-	(649,397)
Machinery and equipment	(455,205)	(62,958)	-	(518,163)
Vehicles	(230,783)	(14,225)	-	(245,008)
Right to use lease assets	(41,334)	(38,523)	-	(79,857)
Total accumulated depreciation	(10,958,770)	(1,686,739)	-	(12,645,509)
Total capital assets being depreciated, net	20,293,893	(1,573,447)	(9,521)	18,710,925
Business-type activities capital assets, net	$ 45,747,281	$ 4,526,426	$ (9,521)	$ 50,264,186

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General administration	$ 2,527,913
Public facilities	184,782
Public safety	1,042,886
Culture and recreation	2,237,659
Total depreciation expense - governmental activities	$ 5,993,240
Business-Type Activities	
Gas	$ 61,853
Harbor	1,526,724
Sanitation	98,162
Total depreciation expense - business-type activities	$ 1,686,739

Significant construction activity during the year was for various street, ramp, harbor, and dock construction and paving projects.

(4) Detailed notes on all funds (continued)

Interfund balances and transfers

Interfund balances represent reimbursements for expenditures paid or cash received on behalf of other funds and are expected to be liquidated in the next fiscal year. In the fund financial statements, the City had the below interfund balances as September 30, 2025:

	Due To	Due From
General Fund	$ -	$ 8,668,802
Airport Fund	175,363	-
Hurricane Harvey Fund	5,839,431	
Nonmajor Governmental Funds	258,298	
Harbor Fund	1,878,470	-
Gas Fund	517,240	-
Total	$ 8,668,802	$ 8,668,802

Interfund transfers: transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

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(4) Detailed notes on all funds (continued)

Interfund balances and transfers (continued)

In the year ended September 30, 2025, the government made the following one-time transfers:

	Transfers In	Transfers Out
General Fund		
Street Maintenance	$ -	$ 200,000
Total General Fund	-	200,000
Beach Fund		
Sanitation Fund	-	60,000
Construction Fund	879,500	-
Total Beach Fund	879,500	60,000
Hurricane Harvey Fund		
Gas Fund	-	4,612,175
Harbor Fund	-	14,838
Construction Fund	3,434,980	-
Total Hurricane Harvey Fund	3,434,980	4,627,013
Debt Service Fund		
Impact Fees Zone 1	275,000	-
Impact Fees Zone 2	72,700	-
Hotel/Motel Special Revenue Fund	231,200	-
Harbor Fund	574,675	-
Total Debt Service Fund	1,153,575	-
Hotel/Motel Special Revenue Fund		
Nature Preserve Fund	-	654,585
Debt Service Fund	-	231,200
Recreational Development Fund	-	2,252,790
Total Hotel/Motel Special Revenue Fund	-	3,138,575
Construction Fund		
Hurricane Harvey Fund	-	3,434,980
Beach Fund	-	879,500
Total Construction Fund	-	4,314,480
Nonmajor Governmental Funds		
Impact Fees Zone 1	-	275,000
Impact Fees Zone 2	-	72,700
Recreational Development Fund	2,252,790	-
Debt Service Fund	200,000	-
Nature Preserve Fund	654,585	-
Total Nonmajor Governmental Funds	3,107,375	347,700
Harbor Fund		
Debt Service Fund	-	574,675
Hurricane Harvey Fund	14,838	-
Total Harbor Fund	14,838	574,675
Gas Fund		
Hurricane Harvey Fund	4,612,175	-
Total Gas Fund	4,612,175	-
Sanitation Fund		
Beach Fund	60,000	-
Total Sanitation Fund	60,000	-
Total Funds	$ 13,262,443	$ 13,262,443

(4) Detailed notes on all funds (continued)

Long-term liabilities

Right to use lease obligations

On September 30, 2025, the City had 46 active leases. The leases have payments that range from $0 to $25,334 and interest rates that range from 0.3280% to 3.1440%. As of September 30, 2025, the total combined value of the lease liability is $1,184,612, the total combined value of the short-term lease liability is $270,164. The combined value of the right to use asset, as of September 30, 2025, of $1,728,947 with accumulated amortization of $645,574. The leases had $-0- of variable payments and $-0- of other payments within the fiscal year.

Future minimum lease payments for these leases are as follows:

	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
Fiscal Year September 30,	Principal	Interest	Total	Principal	Interest	Total
2026	$ 447,641	$ 25,359	$ 473,000	$ 32,988	$ 5,190	$ 38,178
2027	364,270	13,819	378,089	30,555	4,344	34,899
2028	179,847	6,282	186,129	15,866	3,753	19,619
2029	49,188	3,365	52,553	8,469	3,531	12,000
2030	3,346	2,704	6,050	44,756	15,244	60,000
2031 - 2035	18,304	12,551	30,855	49,055	10,945	60,000
2036 - 2040	23,294	10,646	33,940	53,766	6,234	60,000
2041 - 2045	29,092	8,242	37,334	34,709	1,293	36,002
2046 - 2050	35,808	5,260	41,068	-	-	-
2051 - 2054	33,822	1,606	35,428	-	-	-
	$ 1,184,612	$ 89,834	$ 1,274,446	$ 270,164	$ 50,534	$ 320,698

Right to use subscriptions obligations

On September 30, 2025, the City had 4 active subscriptions. The subscriptions have payments that range from $0 to $39,450 and interest rates that range from 2.676% - 3.630%. The total combined value of the subscription liability is $69,111 and the total value of the short-term subscription liability is $53,913 at September 30, 2025. The combined value of the right to use asset, as of September 30, 2025, is $304,018 with accumulated amortization of $210,909. The subscriptions had $-0- of variable payments and $-0- of other payments within the fiscal year.

Future minimum lease payments for these leases are as follows:

Fiscal Year	Governmental Activities		
September 30,	Principal	Interest	Total
2026	$ 53,913	$ 1,746	$ 55,659
2027	7,264	436	7,700
2028	7,934	228	8,162
	$ 69,111	$ 2,410	$ 71,521

(4) Detailed notes on all funds (continued)

Long-term liabilities

Certificates of obligation, general obligation bonds, and tax notes

The City issues certificates of obligation, general obligation bonds, and tax notes to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation, general obligation bonds, and tax notes have been issued for governmental activities. The certificates of obligation bonds are direct obligations and pledge the full faith and credit of the City.

Certificates of obligation, general obligation bonds, and tax notes currently outstanding are as follows:

Governmental Activities	Date of Issuance	Original Amount of Issuance	Interest Rate to Maturity	Maturity Date	Balances Sept. 30, 2025
General Obligation Debt:					
General Obligation Bonds, Series 2012	2/1/2012	$ 6,400,000	1.75-2.125%	2/1/2027	$ 1,090,000
General Obligation Bonds, Series 2017	2/15/2017	4,380,000	2.70-4.00	2/1/2032	2,345,000
General Obligation Refunding Bonds, Series 2019	3/28/2019	2,020,000	2.56	9/30/2024	-
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	10/1/2014	1,685,000	2.49	2/1/2029	65,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018	11/15/2017	6,300,000	3.00	2/1/2033	4,100,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2021	3/17/2021	2,695,000	2.00-3.00	9/30/2036	2,225,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2022	2/16/2022	885,000	2.00-4.00	2/1/2037	745,000
General Obligation Bonds, Series 2023	4/19/2023	6,020,000	4.00-5.00	2/1/2038	5,710,000
Combination Tax and Limited Pledge Revenues Certificates of Obligation, Series 2025	3/19/2025	7,705,000	4.00-5.00	2/1/2034	7,705,000
Total bonded debt					23,985,000
Tax Notes, Series 2021	3/18/2021	1,790,000	2.00-3.00	2/1/2028	810,000
Tax Notes, Series 2022	9/28/2022	9,115,000	2.62-2.85	2/1/2029	5,235,000
Tax Notes, Series 2024	9/28/2022	9,115,000	2.62-2.85	2/1/2029	10,905,000
Total tax notes					16,950,000
Total long-term debt					$ 40,935,000

(4) Detailed notes on all funds (continued)

Long-term liabilities (continued)

Debt service requirements on outstanding bonds and certificates of obligation are as follows:

General Obligation Bonds

Year Ending	Governmental Activities		
September 30,	Principal	Interest	Total
2026	$ 2,270,000	$ 875,967	$ 3,145,967
2027	2,295,000	797,952	3,092,952
2028	1,805,000	721,830	2,526,830
2029	1,880,000	648,705	2,528,705
2030	1,960,000	572,823	2,532,823
2031-2035	8,595,000	1,782,025	10,377,025
2036-2040	5,180,000	434,925	5,614,925
	$ 23,985,000	$ 5,834,227	$ 29,819,227
Average annual requirements			$ 1,987,948

Debt service requirements on tax notes are as follows:

Tax Notes

Year ending	Governmental Activities		
September 30,	Principal	Interest	Total
2026	$ 3,485,000	$ 644,820	$ 4,129,820
2027	3,630,000	501,190	4,131,190
2028	3,780,000	350,527	4,130,527
2029	3,650,000	196,826	3,846,826
2030	2,405,000	60,125	2,465,125
	$ 16,950,000	$ 1,753,488	$ 18,703,488
Average annual requirements			$ 3,740,698

(4) Detailed notes on all funds (continued)

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2025:

	Beginning Balance	Additions	Retirements/ Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
General obligation bonds	$ 18,185,000	$ 7,705,000	$ (1,905,000)	$ 23,985,000	$ 2,270,000	$ 21,715,000
Tax notes	20,040,000	-	(3,090,000)	16,950,000	3,485,000	13,465,000
Bond premiums	2,119,519	495,483	(309,873)	2,305,129	309,873	1,995,256
Total long-term debt	40,344,519	8,200,483	(5,304,873)	43,240,129	6,064,873	37,175,256
Other long-term liabilities:						
OPEB liability - TMRS	308,831	-	(4,773)	304,058	-	304,058
OPEB liability - Retiree Health	2,960,464	508,069	-	3,468,533	-	3,468,533
Net pension liabilty - TMRS	5,080,066	-	(407,348)	4,672,718	-	4,672,718
Right to use lease liability	882,721	703,233	(401,342)	1,184,612	447,641	736,971
Right to use subscription liability	99,527	18,144	(48,560)	69,111	53,913	15,198
Compensated absences	888,703	301,344	-	1,190,047	297,512	892,535
Total other long-term liabilities	10,220,312	1,530,790	(862,023)	10,889,079	799,066	10,090,013
Total governmental activities	50,564,831	9,731,273	(6,166,896)	54,129,208	6,863,939	47,265,269
Business-type activities:						
OPEB liability - TMRS	34,314	-	(530)	33,784	-	33,784
OPEB liability - Retiree Health	328,940	56,453	-	385,393	-	385,393
Net pension liability	594,693	-	(47,686)	547,007	-	547,007
Right to use lease liability	303,383	-	(33,219)	270,164	32,988	237,176
Compensated absences	85,236	-	(1,444)	83,792	20,948	62,844
Total business-type activities	1,346,566	56,453	(82,879)	1,320,140	53,936	1,266,204
Total long-term liabilities	$ 51,911,397	$ 9,787,726	$ (6,249,775)	$ 55,449,348	$ 6,917,875	$ 48,531,473

Segment information

Because the gas fund, the sanitation fund, and the harbor fund are reported as major funds in the fund financial statements, separate segment disclosures for them are not required.

(5) Other information

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; natural disasters; and workers' compensation for which the City carries commercial insurance. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

General liability insurance

The City is insured for general, police officers and automobile liability.

The City has joined with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims more than $500,000 to $1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and casualty insurance

Property, casualty, mobile equipment, boiler, and machinery insurance is provided by TML.

Worker's compensation insurance

The City insures against workers' compensation claims through TML.

Group health and life insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment compensation insurance

The City self-insures for unemployment claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

(5) Other information

Contingent liabilities

Amounts received or receivable from grant 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 amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Contingent liabilities

On September 30, 2024, the City had contracts for construction in progress projects not completed in the amount of $48,197,583. These projects are for the Gas System, Public Safety/Gas Project, Fire/EMS Project, Public Works, Recreation Center, City Hall/Civic Center Renovation and Community Center Project.

Related party transactions

Wendy Moore, Mayor, is an officer with American Bank, N.A., which is the depository bank for the City of Port Aransas. Ms. Moore states no direct benefit (financially or otherwise) over the City of Port Aransas accounts.

(6) Defined benefit pension plan

Texas Municipal Retirement System (TMRS)

Plan description – The City participates as one of the 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed, Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at tmrs.com.

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

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest and the City-financed monetary credits with interest. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contributions and interest.

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

The plan provisions are adopted by the City Council with in the options available in statutes governing TMRS. Plan provisions for the City are as follows:

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	20 years at any age, 5 years at 60 and above

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

Active employees	144
Inactive employees or beneficiaries currently receiving benefits	75
Inactive employees entitled to but not yet receiving benefits	87
Total	306

Contributions – The contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching ratios are either 1:1, 1.5:1, or 2:1, 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City of Port Aransas were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 15.29% and 15.64% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $1,612,750 and were equal to the required contributions.

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 TPL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

Actuarial assumptions (continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the 110% of Public Safety table used for males and the 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent scale MP-2021 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 is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 through December 31, 2022. The assumptions 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

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 equity	35.00%	7.10%
Core fixed income	6.00%	5.00%
Non-core fixed income	6.00%	6.80%
Hedge funds	5.00%	6.40%
Private equity	13.00%	8.50%
Private debt	13.00%	8.20%
Real estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other private markets	4.00%	7.30%
Total	100.00%	

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

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

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	$ 27,066,711	$ 21,391,952	$ 5,674,759
Changes for the year:			
Service cost	1,727,473	-	1,727,473
Interest	1,847,758	-	1,847,758
Changes of benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	322,890	-	322,890
Changes of assumptions	-	-	-
Contributions - employer	-	1,469,025	(1,469,025)
Contributions - employee	-	672,542	(672,542)
Net investment income	-	2,226,177	(2,226,177)
Benefit payments, including refunds of employee contributions	(1,112,519)	(1,112,519)	-
Administrative expenses	-	(14,255)	14,255
Other changes	-	(334)	334
Net changes	2,785,602	3,240,636	(455,034)
Balance at 12/31/2024	$ 29,852,313	$ 24,632,588	$ 5,219,725

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 1.0% lower (5.75%) or 1.0% higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	$ 9,708,398	$ 5,219,725	$ 1,553,775

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the schedule of changes in fiduciary net position by participating city. That report may be obtained at tmrs.com.

(6) Defined benefit pension plan (continued)

Texas Municipal Retirement System (TMRS) (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2025, the City recognized pension expense of $1,688,051.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ -	$ 293,231
Changes in actuarial assumptions	-	51,949
Difference between projected and actual earnings on investment earnings	328,586	10,467
Contributions subsequent to the measurement date	1,202,748	-
Total	$ 1,531,334	$ 355,647

$1,202,748 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date 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:

September 30,	Amortization Expense
2026	$ 142,364
2027	276,155
2028	(289,136)
2029	(156,444)
2030	-
Thereafter	-
Total	$ (27,061)

(7) Post retirement benefits other than pensions

The City provides for two postemployment benefit (OPEB) plans; one provides for postemployment medical care through a single-member unfunded defined benefit medical plan (medical OPEB) and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail below.

Aggregate amounts for the two OPEB plans are as follows:

	Medical OPEB	TMRS SDBF	Total
OPEB liability	$3,853,926	$ 337,842	$ 4,191,768
Deferred outflows of resources	1,384,162	21,843	1,406,005
Deferred inflows of resources	2,219,010	93,680	2,312,690
OPEB expense	187,853	11,035	198,888

Medical benefits

Plan description, benefits provided, and contributions

The City provides medical benefits through a single employer defined benefit OPEB plan. The City maintains fully-insured medical insurance coverage for eligible retirees. The City contributes 100% of the contribution rate for individual retiree coverage for the medical plan before age 65 and for a medical supplement policy for age 65 and older. No dependent coverage or other benefits are available to the retiree. The plan does not issue a publicly available financial report.

The City has elected service retirement with 15 years of service at any age or age 60 with at least 5 years of service.

At September 30, 2025, the following employees were covered by the benefit terms:

Retirees currently receiving benefits	11
Inactive employees entitled to but not receiving benefits	-
Active employees	140
Total	151

(7) Post retirement benefits other than pensions (continued)

OPEB liability

The City's OPEB liability of $3,853,926 was measured as of September 30, 2025, and was determined by an actuarial valuation as of September 30, 2025.

Changes in the total OPEB liability:

Balance at September 30, 2024	$ 3,289,404
Changes for the year:	
Service cost	245,339
Interest on total OPEB liability	142,248
Changes of benefit terms	-
Difference between expected and actual experience	555,643
Changes of assumptions	(316,532)
Benefit payments	(62,176)
Net changes	564,522
Balance at September 30, 2025	$ 3,853,926

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 4.50%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current rate:

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
OPEB liability	$ 4,626,168	$ 3,853,926	$ 3,247,002

Sensitivity of the total OPEB liability to the healthcare cost trend rate assumption:

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates:

	1% Decrease (3.50%)	Current Healthcare Cost Trend Rate Assumption (4.50%)	1% Increase (5.50%)
OPEB liability	$ 3,173,281	$ 3,853,926	$ 4,745,491

(7) Post retirement benefits other than pension (continued)

OPEB liability (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended September 30, 2025, the City reported OPEB expense of $187,853 and deferred outflows of resources as determined inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 925,027	$ 974,303
Changes in actuarial assumptions	459,135	1,244,707
Contributions made subsequent to the measurement date	-	-
Total	$ 1,384,162	$ 2,219,010

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

Year Ended September 30,	Net Deferred Outflows/(Inflows)
2026	$ (199,734)
2027	(297,515)
2028	(287,575)
2029	(112,136)
2030	1,626
Thereafter	60,486
	$ (834,848)

Actuarial valuation information:

Actuarial assumptions and other inputs - the OPEB liability in the September 30, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary scale	3.50%
Discount rate	4.50%

The discount rate was selected by reviewing the recently published S&P Municipal Bond 20 Year High Grade Rate Index.

The mortality assumption for this valuation was based on the RPH-2014 total table with Projection MP-2021.

(7) Post retirement benefits other than pension (continued)

OPEB liability (continued)

The following change was made to assumptions since the prior valuation:

The discount rate was changed from 4.06% to 4.05% based on updated 20-year municipal bond rates.

Supplemental death benefits fund (SDBF)

Plan description

The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (SDBF). SDBF provides group-term life insurance to employees who are active members in TMRS. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Benefits provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for $7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree members, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (e.g., no assets are accumulated).

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

The contribution rate for the City was 0.29% and 0.36% for calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the SDBF program for the year ended September 30, 2025 were $31,955 and were equal to the required contributions.

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

Active employees	144
Inactive employees currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	17
Total	215

(7) Post retirement benefits other than pension (continued)

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of $337,842 was measured as of December 31, 2024 and 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 and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.60% to 11.85% including inflation
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.
Mortality rates - service retirees	2019 Municipal Retires of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

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

(7) Post retirement benefits other than pension (continued)

Other postemployment benefits (OPEB) liability (continued)

Changes in the total OPEB liability:

Balance at December 31, 2023	$ 343,146
Changes for the year:	
Service cost	22,098
Interest on the total OPEB liability	13,136
Changes of benefit terms	-
Differences between expected and actual experience	(11,393)
Changes of assumptions	(17,616)
Benefit payments*	(11,529)
Net changes	(5,304)
Balance at December 31, 2024	$ 337,842

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

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 OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
OPEB liability	$ 399,779	$ 337,842	$ 288,826

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 $11,035 related to the SDBF.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 330	$ 22,119
Changes in actuarial assumptions	13,823	71,561
Contributions made subsequent to the measurement date	7,690	-
Total	$ 21,843	$ 93,680

(7) Post retirement benefits other than pension (continued)

Other postemployment benefits (OPEB) liability (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

The City reported $7,690 as deferred outflows of resources related to the OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

September 30,	Amortization Expense
2026	$ (37,061)
2027	(31,587)
2028	(5,558)
2029	(5,321)
Total	$ (79,527)

(8) Prior period adjustment

	Net Position		
	Governmental Activities	Business Activities	Fund Balance
	Net Position	Hurricane Harvey Fund	Construction Fund
Implementation of GASB 101 compensated absences	$ (127,260)	$ (42,104)	$ -
Understated CDBG receivable in prior year	-	-	313,659
Total prior period adjustment - change in accounting princple/correction of error	$ (127,260)	$ (42,104)	$ 313,659

(9) Subsequent event

In preparing the financial statements, the management of the City of Port Aransas has evaluated events and transactions for potential recognition or disclosure through March 25, 2026 the date the financial statements were available to be issued.

THE CITY OF PORT ARANSAS

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF PORT ARANSAS

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the year ended September 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Property	$ 6,005,300	$ 6,005,300	$ 5,705,449	(299,851)
Sales	2,625,000	2,825,000	2,850,853	25,853
Franchise	640,400	640,400	654,840	14,440
Intergovernmental	610,950	610,950	640,583	29,633
Licenses and permits	1,979,500	1,979,500	2,048,952	69,452
Charges for services	452,000	502,000	2,101,308	1,599,308
Fines and forfeitures	467,000	467,000	511,742	44,742
Interest	1,000,000	500,000	445,115	(54,885)
Opioid abatement	-	-	9,242	9,242
Miscellaneous	1,453,900	1,453,900	178,380	(1,275,520)
Total revenues	15,234,050	14,984,050	15,146,464	162,414
Expenditures:				
Current:				
General administration	4,656,650	4,519,150	3,651,833	867,317
Legal	150,500	150,500	108,304	42,196
Financial administration	478,250	478,250	480,822	(2,572)
Public facilities	1,222,275	1,222,275	1,323,137	(100,862)
Public safety	7,868,640	7,768,640	7,121,184	647,456
Public transportation	311,450	311,450	239,575	71,875
Culture and recreation	1,316,420	1,316,420	1,199,062	117,358
Capital outlay	7,891,900	5,146,900	2,699,104	2,447,796
Debt service:	-	-		
Principal retirement	-	-	286,648	(286,648)
Interest retirement	-	-	12,657	(12,657)
Total expenditures	23,896,085	20,913,585	17,122,326	3,791,259
Excess (deficiency) of revenues over (under) expenditures	(8,662,035)	(5,929,535)	(1,975,862)	3,953,673
Other financing sources (uses):				
Transfers out	-	(200,000)	(200,000)	-
Proceeds from right to use subscriptions	-	-	444,583	444,583
Total other financing sources (uses)	-	(200,000)	244,583	444,583
Net change in fund balances	(8,662,035)	(6,129,535)	(1,731,279)	4,398,256
Fund balance at October 1, 2024	15,451,068	15,451,068	15,451,068	-
Fund balance at September 30, 2025	$ 6,789,033	$ 9,321,533	$ 13,719,789	$ 4,398,256

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
BEACH FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the year ended September 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Hotel/Motel	$ 2,900,000	$ 2,900,000	$ 3,020,973	120,973
Beach parking permits	1,300,000	1,300,000	1,454,635	154,635
Intergovernmental	329,000	329,000	471,785	142,785
Interest	200,000	200,000	245,850	45,850
Total revenues	4,729,000	4,729,000	5,193,243	464,243
Expenditures:				
Culture and recreation:				
Lifeguards and permits	2,589,940	2,739,940	974,448	1,765,492
Beach public works	5,114,621	4,964,621	3,505,993	1,458,628
Debt service	-	-	119,177	(119,177)
Capital outlay	-	-	1,963,748	(1,963,748)
Total expenditures	7,704,561	7,704,561	6,563,366	1,141,195
Excess (deficiency) of revenues over (under) expenditures	(2,975,561)	(2,975,561)	(1,370,123)	1,605,438
Other financing sources (uses):				
Transfers in	879,500	879,500	879,500	-
Transfers out	(1,410,000)	(1,410,000)	(60,000)	1,350,000
Proceeds from right to use leases/subscriptions	-	-	246,836	246,836
Total other financing sources (uses)	(530,500)	(530,500)	1,066,336	1,596,836
Net change in fund balances	(3,506,061)	(3,506,061)	(303,787)	3,202,274
Fund balance at October 1, 2024	8,286,821	8,286,821	8,286,821	-
Fund balance at September 30, 2025	$ 4,780,760	$ 4,780,760	$ 7,983,034	$ 3,202,274

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the year ended September 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Hotel/Motel	$ 4,656,310	$ 5,223,310	$ 5,279,849	$ 56,539
Interest	-	-	-	-
Total revenues	4,656,310	5,223,310	5,279,849	56,539
Expenditures:				
General administration:				
Mayor and council	4,656,310	5,223,310	5,279,304	(55,994)
Total expenditures	4,656,310	5,223,310	5,279,304	(55,994)
Net change in fund balances	-	-	545	545
Fund balance at October 1, 2024	60	60	60	-
Fund balance at September 30, 2025	$ 60	$ 60	$ 605	$ 545

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
HOTEL/MOTEL SPECIAL REVENUE/FACILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the year ended September 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Taxes:				
Hotel/Motel	$ 4,656,330	$ 5,309,330	$ 6,092,133	$ 782,803
Charges for services	-	-	18,001	18,001
Miscellaneous	300,000	300,000	-	(300,000)
Interest	-	-	404,198	404,198
Total revenues	4,956,330	5,609,330	6,514,332	905,002
Expenditures:				
Current:				
Culture and recreation	3,263,265	263,265	1,489,596	(1,226,331)
Debt Service	231,200	231,200	13,778	217,422
Capital outlay	-	-	3,308,599	(3,308,599)
Total expenditures	3,494,465	494,465	4,811,973	(4,317,508)
Excess (deficiency) of revenues over (under) expenditures	1,461,865	5,114,865	1,702,359	(3,412,506)
Other financing sources (uses):				
Proceeds from right to use leases/subscriptions	-	-	552	552
Transfers out	(9,587,885)	(9,587,885)	(3,138,576)	6,449,309
Total other financing sources (uses)	(9,587,885)	(9,587,885)	(3,138,024)	6,449,861
Net change in fund balances	(8,126,020)	(4,473,020)	(1,435,665)	3,037,355
Fund balance at October 1, 2024	11,886,301	11,886,301	11,886,301	-
Fund balance at September 30, 2025	$ 3,760,281	$ 7,413,281	$ 10,450,636	$ 3,037,355

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the year ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:				
Intergovernmental	$ 478,400	$ 478,400	$ 14,048	$ (464,352)
Charges for services	256,150	256,150	248,830	(7,320)
Interest	-	-	-	-
Miscellaneous	5,000	5,000	6,758	1,758
Total revenues	739,550	739,550	269,636	(469,914)
Expenditures:				
Airport	248,585	248,585	207,965	40,620
Debt service	-	-	5,500	(5,500)
Capital outlay	481,000	481,000	11,772	469,228
Total expenditures	729,585	729,585	225,237	504,348
Excess (deficiency) of revenues over (under) expenditures	9,965	9,965	44,399	34,434
Fund balance at October 1, 2024	(186,863)	(186,863)	(186,863)	-
Fund balance at September 30, 2025	$ (176,898)	$ (176,898)	$ (142,464)	$ 34,434

THE CITY OF PORT ARANSAS

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

For the year ended September 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Grant proceeds	$ 1,131,756	$ 1,131,756	$ 414,109	$ (717,647)
Miscellaneous	100,000	100,000	840,000	740,000
Interest	-	-	1,717,129	1,717,129
Total revenues	1,231,756	1,231,756	2,971,238	1,739,482
Expenditures:				
Capital outlay:				
Capital projects	25,499,286	25,499,286	6,995,401	18,503,885
Debt service:				
Issuance costs	-	-	200,483	(200,483)
Total expenditures	25,499,286	25,499,286	7,195,884	18,303,402
Excess (deficiency) of revenues over (under) expenditures	(24,267,530)	(24,267,530)	(4,224,646)	20,042,884
Other financing sources (uses):				
Transfers out	(879,500)	(879,500)	(4,314,480)	(3,434,980)
Proceeds of bond	-	8,000,000	7,705,000	(295,000)
Bond premium	-	-	495,483	495,483
Total other financing sources (uses)	(879,500)	7,120,500	3,886,003	(3,234,497)
Net change in fund balances	(25,147,030)	(17,147,030)	(338,643)	16,808,387
Fund balance at October 1, 2024	28,725,097	28,725,097	28,725,097	-
Prior period adjusment - correction of error	-	-	313,659	313,659
Fund balance at October 1, 2022, as restated	28,725,097	28,725,097	29,038,756	313,659
Fund balance at September 30, 2025	$ 3,578,067	$ 11,578,067	$ 28,700,113	$ 17,122,046

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS) RELATED RATIOS

For the year ended September 30, 2025

	Plan Year Ended December 31, 2024	Plan Year Ended December 31, 2023	Plan Year Ended December 31, 2022	Plan Year Ended December 31, 2021
Total pension liability				
Service cost	$ 1,727,473	$ 1,528,718	$ 1,279,125	$ 969,700
Interest	1,847,758	1,705,553	1,522,139	1,283,703
Difference in benefit terms including substantively automatic status	-	-	1,856,638	-
Differences between expected and actual experience	322,890	(24,907)	675,970	16,241
Changes of assumptions	-	(123,605)	-	-
Benefit payments, including refunds of employee contributions	(1,112,519)	(1,044,296)	(725,256)	(771,971)
Net change in total pension liability	2,785,602	2,041,463	4,608,616	1,497,673
Total pension liability - beginning	27,066,711	25,025,248	20,416,632	18,918,959
Total pension liability - ending (a)	29,852,313	27,066,711	25,025,248	20,416,632
Plan fiduciary net position				
Contributions - employer	1,469,025	1,300,267	906,929	784,283
Contributions - employee	672,542	632,075	479,503	413,518
Net investment income	2,226,177	2,131,206	(1,396,795)	2,158,435
Benefit payments, including refunds of employee contributions	(1,112,519)	(1,044,296)	(725,256)	(771,971)
Administrative expense	(14,255)	(13,538)	(12,077)	(9,980)
Other	(334)	(95)	14,410	69
Net change in plan fiduciary net position	3,240,636	3,005,619	(733,286)	2,574,354
Plan fiduciary net position - beginning	21,391,952	18,386,333	19,119,619	16,545,265
Plan fiduciary net position - ending (b)*	24,632,588	21,391,952	18,386,333	19,119,619
City's net position liability - ending (a) - (b)	$ 5,219,725	$ 5,674,759	$ 6,638,915	$ 1,297,013
Plan fiduciary net position as a percentage of the total pension liability	82.51%	79.03%	73.47%	93.65%
Covered payroll	$ 9,607,747	$ 9,029,638	$ 7,613,836	$ 6,891,970
City's net pension liability as a percentage of covered payroll	54.33%	62.85%	87.20%	18.82%

*FNP may be off a dollar due to rounding

Note to schedule: N/A

Plan Year Ended December 31, 2020	Plan Year Ended December 31, 2019	Plan Year Ended December 31, 2018	Plan Year Ended December 31, 2017	Plan Year Ended December 31, 2016	Plan Year Ended December 31, 2015
$ 956,505	$ 842,106	$ 848,018	$ 907,907	$ 826,657	$ 714,598
1,196,253	1,114,685	1,036,361	957,205	875,901	865,317
-	-	-	-	-	-
(126,601)	(214,179)	(20,913)	-	45,133	(565,781)
-	125,908	-	1,626	-	105,958
(702,410)	(732,215)	(668,095)	(660,131)	(507,493)	(615,455)
1,323,747	1,136,305	1,195,371	1,206,607	1,240,198	504,637
17,595,212	16,458,907	15,263,536	14,056,929	12,816,731	12,312,094
18,918,959	17,595,212	16,458,907	15,263,536	14,056,929	12,816,731
796,179	677,320	676,202	739,519	702,974	642,335
409,346	351,855	349,458	376,985	345,160	308,238
1,132,787	1,960,094	(380,621)	1,491,703	647,381	13,638
(702,410)	(732,215)	(668,095)	(660,131)	(507,493)	(615,455)
(7,327)	(11,069)	(7,354)	(7,730)	(7,313)	(8,306)
(286)	(333)	(384)	(392)	(394)	(410)
1,628,289	2,245,652	(30,794)	1,939,954	1,180,315	340,040
14,916,976	12,671,324	12,702,118	10,762,164	9,581,849	9,241,809
16,545,265	14,916,976	12,671,324	12,702,118	10,762,164	9,581,849
$ 2,373,694	$ 2,678,236	$ 3,787,583	$ 2,561,418	$ 3,294,765	$ 3,234,882
87.45%	84.78%	76.99%	83.22%	76.56%	74.76%
$ 6,822,433	$ 5,864,246	$ 5,824,298	$ 6,283,090	$ 5,752,659	$ 5,137,298
34.79%	45.67%	65.03%	40.77%	57.27%	62.97%

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS AND NOTES TO
SCHEDULE OF CONTRIBUTIONS – NET PENSION LIABILITY

For the year ended September 30,

	2025	2024	2023	2022	2021
Actuarially determined contribution	$ 1,612,750	$ 1,408,790	$ 1,306,855	$ 799,303	$ 689,194
Contributions in relation to the actuarially determined contribution	1,612,750	1,408,790	1,306,855	799,303	689,194
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 10,371,707	$ 9,355,180	$ 8,867,945	$ 7,239,887	$ 6,056,186
Contributions as a percentage of covered payroll	15.55%	15.06%	14.74%	11.04%	11.38%

Notes to schedule of contributions

Valuation date

Notes	Actuarially determined contributions are determined 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; 12.0% soft corridor
Actuarial assumption:	
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the public safety table used for males and the general employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information:	
Notes	Increased member contribution rate from 6% to 7% Removed statutory max.

2020	2019	2018	2017	2016
$ 687,841	$ 677,320	$ 676,202	$ 739,519	$ 702,974
687,841	677,320	676,202	739,519	702,974
$ -	$ -	$ -	$ -	$ -
$ 5,894,098	$ 5,864,246	$ 5,837,617	$ 5,824,298	$ 5,752,659
11.67%	11.55%	11.58%	12.70%	12.50%

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS) RELATED RATIOS - SDBF

For the year ended September 30,

	Plan Year Ended December 31, 2024	Plan Year Ended December 31, 2023	Plan Year Ended December 31, 2022	Plan Year Ended December 31, 2021
Total OPEB liability				
Service cost	$ 22,098	$ 18,962	$ 31,978	$ 25,500
Interest	13,136	13,131	8,299	8,632
Differences between expected and actual experience	(11,393)	(14,356)	870	(22,894)
Changes of assumptions	(17,616)	16,532	(151,360)	12,916
Benefit payments *	(11,528)	(11,740)	(8,376)	(7,580)
Net change in total OPEB liability	(5,303)	22,529	(118,589)	16,574
Total OPEB liability - beginning	343,145	320,616	439,205	422,631
Total OPEB liability - ending	$ 337,842	$ 343,145	$ 320,616	$ 439,205
Covered payroll	$ 9,607,747	$ 9,029,638	$ 7,613,836	$ 6,891,970
City's OPEB liability as a percentage of covered payroll	3.52%	3.80%	4.21%	6.37%

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's contributions for retirees.

Changes of assumptions reflect a change in the discount rate each period. The following are the discount used each period

2024 - 4.08%
2023 - 3.77%
2022 - 4.05%
2021 - 1.84%
2020 - 2.00%
2019 - 2.75%
2018 - 3.71%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the seventh year of implementation of GASB 75. The City will develop the schedule prospectively.

Plan Year Ended December 31, 2020	Plan Year Ended December 31, 2019	Plan Year Ended December 31, 2018
$ 22,514	$ 17,006	$ 19,803
9,685	10,173	9,256
(4,264)	(5,568)	(12,937)
55,127	55,864	(18,393)
(2,729)	(1,759)	(1,747)
80,333	75,716	(4,018)
342,298	266,582	270,600
$ 422,631	$ 342,298	$ 266,582
$ 6,822,433	$ 6,283,090	$ 6,822,433

CITY OF PORT ARANSAS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE OPEB LIABILITY - RETIREE HEALTH INSURANCE

For the year ended September 30,

	September 30, 2025	September 30, 2024	September 30, 2023	September 30, 2022	September 30, 2021
Total OPEB liability					
Service cost	$ 245,339	$ 195,004	$ 173,129	$ 258,315	$ 374,016
Interest	142,248	155,040	147,811	85,956	112,619
Differences between expected and actual experience	555,643	(468,450)	(152,979)	(1,774,021)	(1,429,860)
Changes of assumptions	(316,532)	444,064	(52,765)	866,362	(85,226)
Benefit payments	(62,176)	(49,654)	(54,880)	(57,130)	(58,404)
Net change in total OPEB liability	564,522	276,004	60,316	(620,518)	(1,086,855)
Total OPEB liability - beginning	3,289,404	3,013,400	2,953,084	3,573,602	4,660,457
Total OPEB liability - ending	$ 3,853,926	$ 3,289,404	$ 3,013,400	$ 2,953,084	$ 3,573,602
Covered-employee payroll	$ 10,371,707	$ 9,355,180	$ 8,867,945	$ 7,239,887	$ 6,056,186
City's OPEB liability as a percentage of covered-employee payroll	37.16%	35.16%	33.98%	40.79%	59.01%

FYE23 - The demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the health care trend rates were updated to better reflect the plan's anticipated experience and the repeal of the excise tax on high-cost employer health plans.

FYE23 - The health care trend assumption was modified.

Changes of assumptions reflect the effects of changes in the discount rate of each period.
The following are the discount rates used in each period:

FYE	Discount rate
2025	4.50%
2024	4.06%
2023	4.87%
2022	4.77%
2021	2.00%
2020	2.00%
2019	2.75%
2018	3.31%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the eighth year of implementation of GASB 75. The City will develop the schedule prospectively.

September 30, 2020	September 30, 2019	September 30, 2018
$ 307,141	$ 191,338	$ 183,873
123,008	136,314	126,648
18,683	(4,841)	-
(67,046)	907,144	-
(77,103)	(80,640)	(79,211)
304,683	1,149,315	231,310
4,355,774	3,206,459	2,975,149
$ 4,660,457	$ 4,355,774	$ 3,206,459
$ 5,894,098	$ 5,864,246	$ 5,837,617
81.42%	97.62%	62.24%

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APPENDIX E

Form of Opinion of Bond Counsel

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NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

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

October 15, 2026

FINAL

IN REGARD to the authorization and issuance of the "City of Port Aransas, Texas Venue Project Revenue Bonds (Combined Venue Tax), Series 2026" (the *Bonds*), dated October 1, 2026 in the aggregate principal amount of $46,500,000, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Port Aransas, Texas (the *Issuer*). The Bonds are issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 1 in each of the years 2027 through 2046, August 1, 2051, and August 1, 2056, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. 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 Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds 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 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 Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Bonds, 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 Bonds and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of "CITY OF PORT ARANSAS, TEXAS VENUE PROJECT REVENUE BONDS (COMBINED VENUE TAX), SERIES 2026"

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds 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 Bonds are payable from a first and prior lien on and pledge of the Pledged Revenues, being a first and prior lien on and pledge of the Property Tax Revenues, a first and prior lien on and pledge of the Hotel Occupancy Tax Revenues, and a lien on and pledge of such other money, income, and revenues held in the Construction Account of the Venue Project Fund all as set forth in the Ordinance. In the Ordinance, the Issuer retains the right to issue subordinate lien obligations secured in whole or in part by a lien on and pledge of the Subordinate Pledged Revenues 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 Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds 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 Bonds will not be included in computing the alternative minimum taxable income of the owners thereof.

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 Bonds. Ownership of tax-exempt obligations such as the Bonds 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, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of "CITY OF PORT ARANSAS, TEXAS VENUE PROJECT REVENUE BONDS (COMBINED VENUE TAX), SERIES 2026"

Norton Rose Fulbright US LLP

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