

**NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON**

\$2,500,000*
CITY OF LA VERNIA, TEXAS
(Wilson County)
**COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026**

Bids Due Thursday, September 10, 2026, at 10:00 AM, Central Time

THE CERTIFICATES WILL BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

THE SALE

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of La Vernia, Texas (the “City”) is offering for sale its \$2,500,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the “Certificates”). Bids may be submitted only by electronic submission.

The City and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of electronic bids.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all-time deadlines set forth in this Official Notice of Sale (this “Notice of Sale”), the official time shall be the time maintained only by the Parity Electronic Bid Submission System (“PARITY”).

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, by 10:00 AM on the date of the bid opening, SIGNED Official Bid Forms to Victor Quiroga, Jr., Specialized Public Finance Inc., 17721 Rogers Ranch Parkway, Suite 140, San Antonio, Texas, 78258. Subscription to the i-Deal LLC’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

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

If any provisions of this Notice of Sale conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under “Basis of Award” below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and the Official Bid Form.

NO BIDS BY FACSIMILE: BIDS BY FACSIMILE WILL NOT BE ACCEPTED.

NO BIDS BY TELEPHONE: BIDS BY TELEPHONE WILL NOT BE ACCEPTED.

PLACE AND TIME OF BID OPENING . . . The bids for the Certificates will be publicly opened and read in the office of the Financial Advisor at 10:00 AM, Central Time, Thursday, September 10, 2026.

AWARD OF THE CERTIFICATES . . . The City Council will take action to award the Certificates (or reject all bids) at a meeting scheduled to convene at 6:30 PM, Central Time, on the date of the bid opening. Upon awarding the Certificates, the City will also adopt the ordinance authorizing the Certificates (the “Ordinance”) and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Certificates will be made subject to the terms, conditions, and provisions of the Ordinance to which ordinance reference is hereby made for all purposes. The City reserves the right to reject any and all bids in its sole discretion and to waive any and all irregularities, except the time of filing.

*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS.” Preliminary, subject to change.

WITHDRAWAL OF THE BIDS . . . Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for twelve hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

EXTENSION OF SALE DATE . . . The City reserves the right to extend the date and/or time for the receipt of bids by giving notice by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, Central Time on Wednesday, September 9, 2026, of the new date and time of receipt of bids. Such notice shall be considered an amendment to this Notice of Sale.

THE CERTIFICATES

DESCRIPTION . . . The Certificates will be dated September 1, 2026 (the “Dated Date”). Interest will accrue from the date of initial delivery of the Certificates and will be due on March 1, 2027, and each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Certificates will mature on September 1 in each year as follows:

MATURITY SCHEDULE*			
Maturity (September 1)	Principal Amount*	Maturity (September 1)	Principal Amount*
2027	\$ 80,000	2037	\$ 125,000
2028	80,000	2038	130,000
2029	85,000	2039	135,000
2030	90,000	2040	145,000
2031	90,000	2041	150,000
2032	95,000	2042	155,000
2033	100,000	2043	165,000
2034	105,000	2044	175,000
2035	110,000	2045	180,000
2036	115,000	2046	190,000

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2037, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES . . . Bidders may provide that all of the Certificates be issued as serial Certificates or may provide that any two or more consecutive annual principal amounts be combined into one or more term Certificates (the “Term Certificates”). In the event the successful bidder designates principal amounts of the Certificates to be combined into one or more Term Certificates each such Term Certificate will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance.

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the book-entry-only system of The Depository Trust Company (“DTC”). See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be BOKF, NA, Dallas, Texas (see “THE CERTIFICATES – PAYING AGENT/REGISTRAR” in the Preliminary Official Statement).

SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a continuing, direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of certain net revenues of the City’s waterworks and sewer system.

Further details regarding the Certificates are set forth in the Preliminary Official Statement.

*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS.” Preliminary, subject to change.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . The Certificates will be sold in one block on an “All or None” basis, and at a price of not less than 104% of their par value and not more than 112% of their par value. Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 3% in rate. The maximum coupon rate shall not exceed 5.00%. For Certificates having stated maturities on and after September 1, 2037, no reoffering yield producing a dollar price less than 97.5% for any individual maturity will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to the award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Certificates of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

POST BID MODIFICATION OF PRINCIPAL AMOUNTS . . . After selecting the winning bid, the aggregate principal amount of the Certificates and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in \$5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Certificates by more than 15% from the amount set forth herein. The dollar amount bid for the Certificates by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Certificates finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within three (3) hours after the opening of bids. The purchaser’s compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Certificates as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Certificates from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Certificates and/or the maturity schedule for the Certificates made by the City or its Financial Advisor shall be subsequent to the award of the Certificates to the winning bidder as determined pursuant to “CONDITIONS OF THE SALE – BASIS FOR AWARD” herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

BASIS FOR AWARD . . . Subject to the City’s right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Certificates will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the “Purchaser”) making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the date of initial delivery of all debt service payments on the Certificates on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Certificates plus any premium bid, if any. In the event of a bidder’s error in interest cost rate calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Purchaser will be required to provide the City with a breakdown of its “underwriting spread” among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHING THE ISSUE PRICE FOR THE CERTIFICATES . . . The City intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of municipal bonds), which requires, among other things, that the City receives bids from **at least three underwriters** of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the “Competitive Sale Requirement”).

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

In order to provide the City with information that enables it to comply with the establishment of the issue price of the Certificates under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the City or to the City’s municipal advisor, Specialized Public Finance Inc. (the “City’s Financial Advisor”) the appropriate certification as to the Certificates’ “issue price” (the “Issue Price Certificate”) substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions, at least 5 business days before the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Certificates for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the City. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such

investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

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

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

(ii) “Underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public),

(iii) “Related Party” means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

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

All actions to be taken by the City under this Notice of Sale and Bidding Instructions to establish the issue price of the Certificates may be taken on behalf of the City by the City’s Financial Advisor, and any notice or report to be provided to the City may be provided to the City’s Financial Advisor.

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

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

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

PROVISION OF TEXAS ETHICS COMMISSION FORM 1295 (“TEC FORM 1295”) . . . In accordance with Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the City may not award the Certificates to a bidder unless the winning bidder either:

(i) submits a Certificate of Interested Parties Form 1295 (the “TEC Form 1295”) to the City as prescribed by the Texas Ethics Commission (“TEC”), or

(ii) certifies in the Official Bid Form that it is exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder’s bid for the Certificates is the best bid received, the City, acting through the City’s Financial Advisor, will promptly notify the winning bidder. That notification will serve as the City’s conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below, in order to allow the City to complete the award. The City reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*City of La Vernia, Texas*) and box 3 is the identification number assigned to this contract by the City (*La Vernia CO 2026*) and description of the goods or services (*Purchase of the City of La Vernia, Texas Certificates of Obligation, Series 2026*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require certain business entities contracting with the City to complete the TEC Form 1295 electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC’s “electronic portal” to the City. The completed and signed TEC Form 1295 must be sent by email to the City’s Financial Advisor at victor@spfmuni.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, a non-exempt winning bidder must submit the TEC Form 1295 with original signatures by email to Bond Counsel as follows: cbinford@mphlegal.com and lferrero@mphlegal.com.

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the City, the Interested Party Disclosure Act and the TEC 1295 provide that such declaration is made “under oath and under penalty of perjury.” Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed TEC Form 1295 is received. The City reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295, as described herein. Neither the City nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS. . . The City will not award the Certificates to a bidder unless the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended (the “Covered Verifications”), are included in the bid. As used in such verifications, “affiliate” means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such Covered Verifications during the terms of the Official Bid Form shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or this Official Notice of Sale, notwithstanding anything in the Official Bid Form or this Official Notice of Sale to the contrary.

(i) **No Boycott of Israel (Chapter 2271, Texas Government Code, as amended):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Official Bid Form. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Texas Government Code, as amended.

(ii) **Not a Sanctioned Company (Chapter 2252, Texas Government Code, as amended):** A bidder must represent that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, as amended. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) **No Discrimination Against Firearm Entities or Firearm Trade Associations (Chapter 2274, Texas Government Code, as amended):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the

Official Bid Form. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Texas Government Code, as amended.

(iv) No Boycott of Energy Companies (Chapter 2276, Texas Government Code, as amended): A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Official Bid Form. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Texas Government Code, as amended.

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

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

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

GOOD FAITH DEPOSIT . . . The winning bidder will be required to provide a deposit in the amount of \$50,000.00 to the City as bid security by 5:00 p.m. Central Time on September 10, 2026. The bid security may be provided to the City (i) via wire transfer (the City or the City’s Financial Advisor, Specialized Public Finance Inc., will provide wire instructions to the winning bidder), or (ii) in the form of a certified or cashier’s check made payable to the order of City in the amount of the deposit set forth above. The wire option will be retained by the City and: (a) will be applied, without allowance for interest, against the purchase price when the Certificates are delivered to and paid for by such winning bidder, or (b) will be retained by the City as liquidated damages if the winning bidder defaults with respect to the terms of its bid, or (c) will be returned to the winning bidder if the Certificates are not issued by the City for any reason which does not constitute a default by the winning bidder. If the check option is utilized, the check will be (a) returned uncashed to the winning bidder when the Certificates are delivered to and paid for by such winning bidder, (b) cashed by the City as liquidated damages if the winning bidder defaults with respect to the terms of its bid, or (c) returned uncashed to the winning bidder if the Certificates are not issued by the City for any reason which does not constitute a default by the winning bidder. In the event the Purchaser should fail or refuse to take up and pay for the Certificates in accordance with its bid then said check shall be cashed and accepted by the City and shall constitute full and complete liquidated damages; however, if it is determined after the acceptance of the bid by the City that the Purchaser was found not to satisfy the requirements described under “Covered Verifications” and as a result the Texas Attorney General will not deliver its approving opinion of the Certificates, then said check shall be cashed and accepted by the City but shall not be the sole or exclusive remedy available to the City.

DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Certificates, but neither the failure to print or type such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Global Service Bureau, New York, New York, prior to the date of sale. CUSIP identification numbers will be made available to the Purchaser at the time the Certificates are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Certificates shall be paid by the City.

DELIVERY OF CERTIFICATES . . . Delivery will be accomplished by the issuance of one Initial Certificate (also called the “Certificate” or “Certificates”), either in typed or printed form, in the aggregate principal amount of \$2,500,000*, payable in

*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS.” Preliminary, subject to change.

stated installments to the Purchaser, signed by the Mayor or Mayor Pro-Tem and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Certificate for each maturity will be registered and delivered only to Cede & Co. and deposited with DTC in connection with DTC's book-entry-only system. Delivery will be at a principal office of the Paying Agent/Registrar. Payment for the Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six business days' notice of the time fixed for delivery of the Certificates. It is anticipated that delivery of the Certificates can be made on or about October 6, 2026, and it is understood and agreed that the Purchaser will accept delivery and make payment for the Certificates by 10:00 AM, Central Time, on October 6, 2026, or thereafter on the date the Certificate is tendered for delivery, up to and including October 20, 2026. If for any reason the City is unable to make delivery on or before October 20, 2026, the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Purchaser to take up and pay for the Certificates is subject to the Purchaser's receipt of (a) the legal opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel for the City ("Bond Counsel") and (b) the no-litigation certificate, all as further described in the Official Statement. In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exemption of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (no later than the close of business on the business day following the award of the bid) a certification as to their "issue price" substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions. In the event the successful bidder will not reoffer the Certificates for sale, such certificate may be modified in a manner approved by the City. In no event will the City fail to deliver the Certificates as a result of the Purchaser's inability to sell a substantial amount of the Certificates at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate not later than the close of business on the business day following the award of the bid, if its bid is accepted by the City. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

LEGAL OPINION . . . The Certificates are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Certificates is subject to the receipt by the Purchaser of an opinion of Bond Counsel, to the effect that the Certificates are valid and binding obligations of the City (except as the enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion) and that the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Preliminary Official Statement.

QUALIFIED TAX-EXEMPT CERTIFICATES . . . The Certificates will be designated as "qualified tax-exempt obligations for financial institutions" (see "TAX MATTERS – Qualified Tax-Exempt Certificates for Financial Institutions" in the Preliminary Official Statement).

NO MATERIAL ADVERSE CHANGE . . . The obligations of the City to deliver the Certificates and of the Purchaser to accept delivery of and pay for the Certificates are subject to the condition that at the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the condition of the City from those set forth in or contemplated by the Preliminary Official Statement as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Certificates to the Purchaser, the City will deliver to the Purchaser a certificate, as of the same date, to the effect that to the best of the City's knowledge no litigation of any nature is pending or, to the best of the certifying officials' knowledge or belief, threatened against the City, contesting or affecting the Certificates; restraining or enjoining the authorization, execution, or delivery of the Certificates; affecting the provision made for the payment of or security for the Certificates; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Certificates; or affecting the validity of the Certificates or the title of the present officials of the City.

GENERAL CONSIDERATIONS

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., in its capacity as Financial

Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Purchaser represents that the sale of the Certificates in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Certificates in accordance with the securities law of the states in which the Certificates are offered or sold. The City agrees to cooperate with the Purchaser, at the Purchaser's written request and expense, in registering the Certificates or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Certificates but is merely notice of the sale of the Certificates. The offer to sell the Certificates is being made by means of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Certificates.

RATING . . . The Certificates have been rated "AA-" without regard to credit enhancement by S&P Global Ratings ("S&P"). On August 27, 2026, S&P lowered its rating on the City to "AA-" from "AA". A notice related to the foregoing was timely filed to EMMA on August 27, 2026 (see "OTHER INFORMATION – Rating").

BOND INSURANCE . . . The City has applied for municipal bond insurance on the Certificates and will consider the purchase of such insurance after an analysis of the bids from such companies has been made.

THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15C2-12 . . . The City has prepared the accompanying Preliminary Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12, deems such Preliminary Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Preliminary Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Preliminary Official Statement.

The City will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven (7) business days from the sale date copies of the final Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Certificates. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser. The Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the subject securities.

CONTINUING DISCLOSURE AGREEMENT . . . The City will agree in the Ordinance to provide certain periodic information and notices of specified events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

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

Mr. Gary Gilbert
Mayor
City of La Vernia, Texas

ATTEST:

Ms. Madison Farrow
City Secretary
City of La Vernia, Texas

August 27, 2026

OFFICIAL BID FORM

Honorable Mayor and City Council
City of La Vernia, Texas
P.O. Box 225
102 E. Chihuahua
La Vernia, Texas 78121

September 10, 2026

Members of the City Council:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions, dated August 27, 2026, of \$2,500,000* CITY OF LA VERNIA, TEXAS COMBINATION TAX LIMITED PLEDGE AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026, both of which constitute a part hereof.

For your legally issued Certificates, in the aggregate principal amount of \$2,500,000*, we will pay you a price of \$_____, representing approximately _____% of the par value. Such Certificates mature September 1 in each of the years and in the amounts and interest rates shown below:

Maturity (September 1)	Principal Amount*	Interest Rate	Maturity (September 1)	Principal Amount*	Interest Rate
2027	\$ 80,000	_____%	2037	\$ 125,000	_____%
2028	80,000	_____%	2038	130,000	_____%
2029	85,000	_____%	2039	135,000	_____%
2030	90,000	_____%	2040	145,000	_____%
2031	90,000	_____%	2041	150,000	_____%
2032	95,000	_____%	2042	155,000	_____%
2033	100,000	_____%	2043	165,000	_____%
2034	105,000	_____%	2044	175,000	_____%
2035	110,000	_____%	2045	180,000	_____%
2036	115,000	_____%	2046	190,000	_____%

Of the principal maturities set forth in the table above, Term Certificates have been created as indicated in the following table (which may include multiple Term Certificates, one Term Certificate or no Term Certificate if none is indicated). For those years which have been combined into Term Certificates, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date shall mature in such year. The Term Certificates created are as follows:

Term Certificates Maturing September 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
_____	_____	\$ _____	_____%
_____	_____	\$ _____	_____%
_____	_____	\$ _____	_____%
_____	_____	\$ _____	_____%
_____	_____	\$ _____	_____%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST _____%

*Preliminary, subject to change.

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

A wire transfer or a cashiers or certified check to the City in the amount of \$25,000.00 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Certificates in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against the purchaser, except as it relates to the Covered Verifications.

We agree to accept delivery of the Certificates utilizing the book-entry-only system through DTC and make payment for the Initial Certificate in immediately available funds in the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 AM, Central Time, on October 6, 2026, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

As used in the following verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this Official Bid Form shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or Official Notice of Sale, notwithstanding anything in this Official Bid Form or Official Notice of Sale to the contrary.

(i) No Boycott of Israel Verification (Chapter 2271, Texas Government Code, as amended). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Texas Government Code, as amended.

(ii) Not a Sanctioned Company (Chapter 2252, Texas Government Code, as amended). The Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, as amended. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) No Boycott of Energy Companies (Chapter 2276, Texas Government Code, as amended). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Texas Government Code, as amended.

(iv) No Discrimination Against Firearm Entities or Firearm Trade Associations (Chapter 2274, Texas Government Code, as amended). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Texas Government Code, as amended.

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

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

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

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

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

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

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

BY SUBMITTING A BID, EACH BIDDER AGREES, SHOULD IT BE THE WINNING BIDDER, TO COOPERATE WITH THE CITY AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW.

The City reserves the right, in its sole discretion, to reject the bid from any bidder.

At the request of the City, the undersigned agrees to execute further written certification as may be necessary or convenient for the City to establish compliance with these laws.

The undersigned agrees to complete, execute, and deliver to the City, at least five business days prior to delivery of the Certificates, a certificate relating to the "issue price" of the Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City and Bond Counsel.

The undersigned certifies that the Purchaser [is]/ [is not] exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Name of Purchaser or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of La Vernia, Texas, this the 10th day of September 2026.

ATTEST:

City Secretary
City of La Vernia, Texas

Mayor
City of La Vernia, Texas

ISSUE PRICE CERTIFICATE

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

The undersigned, as the Underwriter or the manager of the syndicate of Underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 issued by the City of La Vernia, Texas ("Issuer") in the principal amount of \$2,500,000* ("Certificates"), hereby certifies and represents, based on its records and information, as follows:

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

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

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

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

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

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _____, 2026.

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

ISSUE PRICE CERTIFICATE

(Form of Certificate if less than 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 issued by City of La Vernia, Texas ("Issuer") in the principal amount of \$2,500,000* ("Certificates"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Certificates maturing in _____ ("Hold-the-Price Maturities"), the][The] first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Certificates having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Certificates that is attached to this Certificate as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Certificates ("Sale Date"), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Certificates to the Public at no higher price than the Initial Offering Price for such Maturity.

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

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

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _____, 2026.

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

PRELIMINARY OFFICIAL STATEMENT

Dated August 27, 2026

NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "AA-"

Insurance: Applied For

**See "OTHER INFORMATION - Rating", "BOND INSURANCE"
and "BOND INSURANCE GENERAL RISKS" herein**

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

THE CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

\$2,500,000*

CITY OF LA VERNIA, TEXAS

(Wilson County, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE

CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: September 1, 2026

Due: September 1, as shown on inside cover

Interest accrues from the Date of Initial Delivery (defined below)

AUTHORITY FOR ISSUANCE . . . The \$2,500,000* City of La Vernia, Texas, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the "Certificates") are being issued by the City of La Vernia, Texas (the "City" or the "Issuer") pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and an ordinance to be adopted by the City Council of the City on September 10, 2026 authorizing the issuance of the Certificates (the "Ordinance").

The Certificates are direct and general obligations of the City primarily payable from the levy and collection of a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance. (See "THE CERTIFICATES – Security and Source of Payment" and "Tax Rate Limitations" herein). Additionally, the Certificates also are secured with a limited pledge of the "Net Revenues" of the City's Waterworks and Sewer System (the "System") (see "THE CERTIFICATES – Authority for Issuance of the Certificates," "Security and Source of Payment," and "Net Revenue Pledge for the Certificates").

PAYMENT TERMS . . . Interest on the Certificates will accrue from the date of their initial delivery to the Purchaser (defined below), will be payable on March 1 and September 1 of each year commencing March 1, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES – Paying Agent/Registrar").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's waterworks and sewer utility system, (ii) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (iii) paying the costs of issuing the Certificates.

BOND INSURANCE. . . The City has applied for municipal bond insurance on the Certificates and will consider the purchase of such insurance after an analysis of the bids from such companies has been made (see "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein).

CUSIP PREFIX: 505242

MATURITY SCHEDULE & CUSIP SUFFIX

See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, San Antonio, Texas (see APPENDIX C – "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on October 6, 2026 (the "Date of Initial Delivery").

BIDS DUE THURSDAY, SEPTEMBER 10, 2026, AT 10:00 AM CENTRAL TIME

***Preliminary, subject to change.**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$2,500,000*
CITY OF LA VERNIA, TEXAS
(Wilson County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

MATURITY SCHEDULE*

CUSIP Prefix: 505242 ⁽¹⁾

Maturity (September 1)	Principal Amount*	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
2027	\$ 80,000			
2028	80,000			
2029	85,000			
2030	90,000			
2031	90,000			
2032	95,000			
2033	100,000			
2034	105,000			
2035	110,000			
2036	115,000			
2037	125,000			
2038	130,000			
2039	135,000			
2040	145,000			
2041	150,000			
2042	155,000			
2043	165,000			
2044	175,000			
2045	180,000			
2046	190,000			

*Preliminary, subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc., 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. CUSIP numbers are included herein solely for the convenience of the owners of the Certificates. None of the City, the Financial Advisor or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”). In the event any of the Certificates are structured as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Years Served	Term Expires	Occupation
Mr. Gary Gilbert Mayor	5	2028	City of San Antonio Manager of Admin Services
Ms. Dianell Recker Mayor Pro-Tem	6	2028	Holt – Executive Assistant
Mr. Garrett Rabel Council Member	4	2027	Business Owner
Ms. Chelsey Ingle Council Member	1 month	2027	Homemaker
Ms. Katie Evans Council Member	2	2027	Business Owner
Mr. Justin Oates Council Member	6	2027	CPS – Energy Manager

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Service with the City
Ms. Lindsey Wheeler	City Administrator	7
Ms. Madison Farrow	City Secretary	2

CONSULTANTS AND ADVISORS

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

Auditors Armstrong, Vaughan & Associates, P.C.
Universal City, Texas

Financial Advisor Specialized Public Finance Inc.
San Antonio, Texas

For additional information regarding the City, please contact:

Ms. Lindsey Wheeler
City Administrator
City of La Vernia
P.O. Box 225
102 E. Chihuahua
La Vernia, Texas 78121
Phone: (830) 779-4541
lboyd@lavernia-tx.gov

or Mr. Victor Quiroga, Jr.
Managing Director
Specialized Public Finance Inc.
17721 Rogers Ranch Parkway Suite 140
San Antonio, Texas 78258
Phone: (210) 239-0204
victor@spfmuni.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”), this document constitutes an “official statement” of the City with respect to the Certificates that has been “deemed final” by the City as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.

No dealer, broker, salesman or other person has been authorized by the City or the Purchaser 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 or the Purchaser. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Certificates in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

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

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

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

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

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

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The cover page hereof, this page and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of La Vernia, Texas (the “City” or “Issuer”) The City’s is on the north bank of Cibolo Creek at the junction of U.S. Highway 87 and Farm Road 775, fifteen miles north of the City of Floresville in northern Wilson County. The City’s estimated 2026 population is approximately 1,500. The City is a General Law type A form of Government pursuant to the laws of the State of Texas. The City Manager, appointed by the six-member elected City Council, is the chief administrative officer of the City. (See “APPENDIX B – General Information Regarding the City of La Vernia and Wilson County, Texas” and “INTRODUCTION – Description of the City”).
THE CERTIFICATES.....	The \$2,500,000* City of La Vernia, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the “Certificates”) are issued as serial Certificates maturing September 1 in the years 2027 through 2046 unless the Purchaser of the Certificates designates two or more consecutive maturities as term Certificates (see “THE CERTIFICATES – Description of the Certificates”).
AUTHORITY FOR ISSUANCE	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and an ordinance to be adopted by the City Council of the City on September 10, 2026 (the “Ordinance”) authorizing the issuance of the Certificates.
PAYMENT OF INTEREST	Interest on the Certificates will accrue from the Date of the Initial Delivery and is payable on March 1, 2027, and each September 1 and March 1 thereafter until stated maturity or prior redemption (see “THE CERTIFICATES – Description of the Certificates”).
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct and general obligations of the Issuer payable primarily from the levy and collection of direct and continuing ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law. (See “THE CERTIFICATES – Security and Source of Payment” and “THE CERTIFICATES – Tax Rate Limitations” herein.) Additionally, the Certificates also are secured by a pledge of the “Net Revenues” of the City’s Waterworks and Sewer System (see “THE CERTIFICATES – Pledge of Net Revenues”) herein.
OPTIONAL REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”). In the event any of the Certificates are structured as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.
TAX EXEMPTION	In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax for certain corporations.

*Preliminary, subject to change.

QUALIFIED TAX-EXEMPT CERTIFICATES	The Certificates are expected to be designated as “qualified tax-exempt” obligations for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein.
USE OF PROCEEDS.....	Proceeds from the sale of the Certificates will be used for (i) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City’s waterworks and sewer utility system, (ii) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (iii) paying the costs of issuing the Certificates.
RATING.....	S&P Global Ratings (“S&P”) has rated the Certificates “AA-” without regard to credit enhancement. On August 27, 2026, S&P lowered its rating on the City to “AA-” from “AA”. A notice related to the foregoing was timely filed to EMMA on August 27, 2026 (see “OTHER INFORMATION – Rating”).
BOND INSURANCE	The City has applied for municipal bond insurance on the Certificates and will consider the purchase of such insurance after an analysis of the bids from such companies has been made (see “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS”).
BOOK-ENTRY-ONLY SYSTEM.....	The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates 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 Certificates (see “BOOK-ENTRY-ONLY SYSTEM”).
PAYMENT RECORD	The City has never defaulted in payment of its general obligation tax debt.

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**PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$2,500,000*
CITY OF LA VERNIA, TEXAS
(Wilson County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance by the City of La Vernia, Texas (the “City” or “Issuer”) of the \$2,500,000* City of La Vernia, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (the “Certificates”). The Certificates are being issued pursuant to an ordinance to be adopted by the City Council of the City (the “Ordinance”) on September 10, 2026. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein. The term “Purchaser” used herein means the initial purchaser of the Certificates, as determined resulting from the submission on September 10, 2026, of the winning bid for the Certificates.

There follows in this Official Statement descriptions of the Certificates and certain information regarding 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, Specialized Public Finance Inc., San Antonio, Texas.

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

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets System (“EMMA”). See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City of La Vernia, Texas (the “City” or “Issuer”). The City’s is on the north bank of Cibolo Creek at the junction of U.S. Highway 87 and Farm Road 775, fifteen miles north of the City of Floresville in northern Wilson County. The City’s estimated 2026 population is approximately 1,499. The City is a General Law type A form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the Mayor and five-member elected City Council, is the chief administrative officer of the City. (See “APPENDIX B – General Information Regarding the City of La Vernia and Wilson County, Texas”).

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated September 1, 2026, and mature on September 1 in each of the years and in the amounts shown on page 2. Interest on the Certificates will accrue from the date of their initial delivery to the Purchaser, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1, 2027, on each September 1 and March 1 thereafter until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates. See “BOOK-ENTRY-ONLY SYSTEM” herein.

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City’s waterworks and sewer utility system, (ii) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (iii) paying the costs of issuing the Certificates.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES. . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and the Ordinance.

*Preliminary, subject to change.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct and general obligations of the Issuer payable from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law. (See “THE CERTIFICATES” – “Tax Rate Limitation” herein.) Additionally, the Certificates also are secured by a pledge of the “Net Revenues” of the City’s Waterworks and Sewer System (see “THE CERTIFICATES – Pledge of Net Revenues”) herein.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution limits the maximum ad valorem tax rate for Type A General Law Municipality to \$1.50 per \$100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all tax-supported debt service calculated at the time of issuance based on 90% tax collections. The issuance of the Certificates does not violate the Constitutional Provision or the Texas Attorney General’s administrative policy.

PLEDGE OF NET REVENUES . . . Solely to comply with Texas law to permit the Certificates to be sold for cash, the Certificates are additionally secured by a lien on and pledge of the “Net Revenues” derived from the ownership and operation of the City’s Waterworks and Sewer System (the “System”), as provided in the Ordinance. The term “Net Revenues” is generally described in the Ordinance to mean revenues derived from the City’s Waterworks and Sewer System remaining after payment of all maintenance and operation expenses of the System and all debt service, reserve, and other requirements and amounts required to be paid under all ordinances heretofore or hereafter authorizing all bonds and other obligations, including contracts, which are secured, in whole or in part, by any System revenues. The City does not have any presently outstanding revenue bond obligations.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. In the event any of the Certificates are structured as “Term Certificates”, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance. If less than all of the Certificates are to be redeemed, the City may select the maturities to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In the event two or more consecutive maturities of the Certificates are structured as “Term Certificates”, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions in the Ordinance, which provisions will be included in the final Official Statement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificate to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificate called for redemption or any other action premised on any such notice.

Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificate held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificate from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. See “BOOK-ENTRY-ONLY SYSTEM” herein.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the City, so long as a book-entry-only system (the “Book-Entry-Only System”) is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant

or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Certificates or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "THE CERTIFICATES – Book-Entry-Only System" herein.

DEFEASANCE . . . General. The Ordinance provides for the defeasance of the Certificates when payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment and/or (2) Government Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. The City may limit the foregoing Government Securities in connection with the sale of the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. Provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or those for any other Government Security will be maintained at any particular rating category.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the

registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See “Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for the party to whom interest on the Certificates is payable on any interest payment date means the close of business on the fifteenth day of the preceding month.

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

BONDHOLDERS’ REMEDIES . . . If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the certificate holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court (the “Court”) ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”) 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 again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

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

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificateholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance

of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

AMENDMENTS TO THE ORDINANCE . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance as may be required (i) by the provisions of such Ordinance, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission, or (iii) in connection with any other change which is not to the prejudice of the Registered Owners.

The Ordinance further provides that the owners of the Certificates aggregating in principal amount 51% of such outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the applicable owners in original principal amount of the then outstanding Certificates no amendment may be made for the purpose of (i) extending the time or times of payment of the principal of, premium, if any, interest on the Certificates, reduce the principal amount thereof, redemption price therefor, or the rate of interest thereon, (ii) giving any preference to any Certificate over any other Certificate, or (iii) reducing the aggregate principal amount of Certificates required for consent to any such amendment, change, modification, or rescission. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates 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 Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity 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 an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed 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 Certificates 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, 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, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered to DTC.

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 neither the City nor the Purchaser take any responsibility for the accuracy thereof.

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 holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Financial Advisor, nor the Purchaser.

BOND INSURANCE

The Certificates, or a portion thereof, may be insured by municipal bond insurance from a qualified bond insurer (the “Bond Insurer”). No representation is hereby made that municipal bond insurance will be used in connection with the issuance of the Certificates. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to the bond insurance policy (the “Policy”) and Bond Insurer.

BOND INSURANCE GENERAL RISKS

The Policy may guarantee the scheduled payment of principal and interest on all or some of the Certificates. It has yet to be determined whether any insurance will be purchased with the Certificates.

If a Policy is purchased for some or all the Certificates, the following are risk factors related to bond insurance. In the event of default of the payment of the principal or interest with respect to the Certificates when all or some become due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with the mandatory or optional prepayment of the Certificates by the City, which is recovered by the City from the Certificate owner as a voidable preference under applicable bankruptcy law may be covered by the Policy; however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the City, unless the Bond Insurer chooses to pay such amounts at an earlier date. Payment of principal and interest is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Bond Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercise and the Bond Insurer’s consent may be required in connection with amendments to any applicable Certificate documents. In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the security provided pursuant to the applicable Certificate documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. If a Policy is acquired, the long-term ratings of the Certificates are dependent in part on the financial strength of the Bond Insurer and its claim-paying ability. The Bond Insurer’s financial strength and claims-paying ability are predicated upon a number of factors which could change over time.

No assurance is given that the long-term ratings of the Bond Insurer and the ratings on the Certificates insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the price of the Certificates or the marketability (liquidity) for the Certificates. See “OTHER INFORMATION – Rating” herein. The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies. None of the City, the Financial Advisor, or the Purchaser have made independent investigation into the claims-paying ability of any potential Bond Insurer, and no insurance or representation regarding the financial strength or projected financial strength of any potential Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any potential Bond Insurer, particularly over the life of the Certificates.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . In the past, Moody’s Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc. have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, past events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of such bond insurer to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

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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. Reference is made to Title I of the Texas Tax Code, as amended (the “Property Tax Code”), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (“Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Wilson Appraisal District (the “Appraisal District”). Except as 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 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 (the “10% Homestead Cap”). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. Unless extended by the Legislature, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5.32 million dollars (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owner 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 (“Productivity Value”). The same land may not be qualified as both agricultural and open-space land. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to valuation by Productivity 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 – Issuer and Taxpayer Remedies.”

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased, or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties and school districts are prohibited from repealing or reducing an optional exemption that was granted in tax year 2022 through December 31, 2027. See APPENDIX, Table 1, for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory.

Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the state to be forwarded outside the State, and are detained in the State for one hundred seventy-five days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within one hundred seventy-five days (“goods-in-transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax goods-in-transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax goods-in-transit. Goods-in-transit and Freeport Property do not include oil, natural gas or petroleum products, and goods-in-transit do not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the goods-in-transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from the State taxation.

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

TAX INCREMENT REINVESTMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, as amended, general located within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value,” and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” for descriptions of any TIRZ created in the City.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” for descriptions of any of the City’s tax abatement agreements. See APPENDIX A, Table 1, for the reduction in taxable valuation, if any, attributable to tax abatement agreements.

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

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. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. 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%) of the delinquent tax, penalty, and interest collected 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, 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 as of January 1 of the year for which the tax is imposed. 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 the State and each local taxing unit, including the City, having power to tax the property. 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. 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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 OPERATION TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

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

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

"effective tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

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

"rollback tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.08, plus the debt service tax rate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See “– Public Hearing and Maintenance and Operation Tax Rate Limitations”.) The Property Tax Code also establishes a procedure for 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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published edition of the Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration as well as appraisal formulas developed by the State Comptroller. Taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Certain taxpayers, including the disabled, persons 65 years or older and disabled veterans, who qualified for certain tax exemptions are permitted by State law to pay taxes on homesteads in four installments with the first due before February 1 of each year and the final installment due before August 1. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “AD VALOREM PROPERTY TAXATION - Temporary Exemption For Qualified Property Damaged By A Disaster” for a discussion of the applicability of this section of the Property Tax Code.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney’s collection of up to 20% of the total delinquent tax, penalty and interest collected may be added. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action 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.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$5,000.

The City has not granted any additional exemption of the market value of residence homesteads.

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

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

The City does not tax nonbusiness personal property.

The City does not permit split payments: discounts are not allowed.

The City does not tax freeport property.

The City does not tax goods-in-transit.

The City has authorized the additional one-fourth cent sales tax for reduction of ad valorem taxes.

The City has currently entered into two property tax abatements for economic and business development purposes, each of which are more fully described in the City’s most recent Annual Financial Report attached hereto as APPENDIX D.

DEFINED BENEFIT PENSION PLAN

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code, as amended (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State. The TMRS Act places the general administration and management of the System with a six-member board of trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State.

TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"). TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained at www.tmr.com.

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

For more information related to the foregoing, see the City's most recent Annual Financial Report attached hereto as APPENDIX D.

INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under State law, the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (5) 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; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in the State and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or a depository institution that has its main office or a branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the City with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit

issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (15) investment pools if the City has authorized investment in the particular pool and the pool invests solely in investments permitted by the Investment Act, and is continuously rated no lower than “AAA” or “AAA-m” or at an equivalent rating by at least one nationally recognized rating service; (16) guaranteed investment contracts that (1) have a defined termination date, (2) are secured by obligations which meet the requirements of the Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (3) are pledged to the City and deposited with the City or with a third party selected and approved by the City; and (17) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011, Texas Government Code, as amended.

The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record in such rule, order, ordinance or resolution any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity’s entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City’s investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

CURRENT INVESTMENTS (UNAUDITED)

TABLE 1

As of July 31, 2026, the City’s investable funds in the amount of \$2,202,729 were invested in the following categories:

<u>Types of Investment</u>	<u>Amount</u>
TexPool	\$ 2,202,729
Total	\$ 2,202,729

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

TEXAS LEGISLATURE

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 or any additional reforms at the legislative level or the impacts therefrom, if implemented.

TAX MATTERS

OPINION . . . On the Date of Initial Delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Certificates for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Certificates will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See “APPENDIX C – Form of Bond Counsel’s Opinion.”

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

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

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

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

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

Under Existing Law, any owner who has purchased such Original Issue Discount Obligation in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Obligation is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period and ratably within each such six-month period) and the

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (“SEC”) regarding the City’s continuing disclosure obligations because the City has less than \$10,000,000 in aggregate amount of outstanding obligations (excluding securities offered in transactions that were exempt from the Rule) and no person is committed by contract or other arrangement with respect to payment of the Certificates. As required by the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City is obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”) or to any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

ANNUAL REPORTS . . . The City will provide to the MSRB certain updated financial information and operating data which is customarily prepared by the City and is publicly available on an annual basis. The information to be provided is the City’s Annual Audited Financial Report. The City will update and provide this information within twelve months after the end of each fiscal year. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the SEC, as permitted by the Rule. The updated information will include audited financial statements if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial information by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The City’s current fiscal year end is September 30. Accordingly, the City must provide updated information by the last day of September in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change prior to the next date by which the City otherwise would be required to provide financial information and operating data.

EVENT NOTICES . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or change in the name of the 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 a 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 a financial obligation of the City, any of which reflect financial difficulties. 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.” In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. Neither the Certificates nor the Ordinance make provision for credit enhancement (although applications have been made to have the Certificates insured by a municipal bond insurance policy), liquidity enhancement, or debt service reserves.

For these purposes, (A) any event described in the immediately preceding clause (12) 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 of business of the City, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of financial obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

AVAILABILITY OF INFORMATION . . . All information and documentation filings required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at www.emma.msrb.org.

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

The City may amend its continuing disclosure agreement from time to time 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 (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) 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 and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions 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 an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to 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 financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the past five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

LEGAL MATTERS

LEGAL OPINION . . . Except as hereinafter noted, Bond Counsel has not verified and has not passed upon, and assumes no responsibility for the accuracy, completeness or fairness of the information and statements contained in the Official Statement. In the performance of its duties, Bond Counsel has reviewed (except for numerical, statistical, and technical data) the information relating to the Certificates and the Ordinance contained under the captions “THE CERTIFICATES” (exclusive of subcaption “– Bondholders’ Remedies”), “TAX MATTERS”, “LEGAL MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION” (exclusive of the subcaption “– Compliance with Prior Undertakings”), “OTHER INFORMATION – Registration and Qualification of Certificates for Sale”, “OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas,” “APPENDIX C – Form of Bond Counsel’s Opinion” contained in the Official Statement and Bond Counsel is of the opinion that the information relating to the Certificates 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 Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. In connection with the issuance of the Certificates, Bond Counsel has been engaged by, and only represents, the City.

The legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that 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.

OTHER INFORMATION

RATING . . . S&P Global Ratings (“S&P”) has rated the Certificates “AA-” without regard to credit enhancement. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. The City has applied for municipal bond insurance on the Certificates and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. The City also has various issues outstanding which are insured by various commercial insurance companies. A rating is not a recommendation to buy, hold, or sell Securities. An explanation of the significance of such a rating may be obtained from S&P. The rating reflects only the views of S&P, and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

On August 27, 2026, S&P lowered its rating on the City to “AA-” from “AA”. A notice related to the foregoing was timely filed to EMMA on August 27, 2026 (see “OTHER INFORMATION – Rating”).

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

LITIGATION . . . It is the opinion of the City Attorney and City staff that there is no pending, or to their knowledge, threatened litigation or other proceeding against the City that would have a material adverse financial impact upon the City or its operations.

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities 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 of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION - Rating” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates 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. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes. Additionally, with respect to the Certificates, Section 271.051 of Texas Local Government Code, as amended, expressly provides that certificates of obligation approved by the Attorney General of Texas are legally authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

NO-LITIGATION CERTIFICATE . . . The City will furnish to the Purchaser a certificate, dated as of the date of delivery of the Certificates, executed by both the Mayor and City Secretary of the City, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Certificates; restraining or enjoining the issuance, execution or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Certificates; or affecting the validity of the Certificates.

NO MATERIAL ADVERSE CHANGE . . . The obligation of the Purchaser to take and pay for the Certificates, and of the City to deliver the Certificates, are subject to the condition that, up to the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the condition (financial or otherwise) of the City from that set forth or contemplated in the Official Statement.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City 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, 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.

INITIAL PURCHASER . . . After requesting competitive bids for the Certificates, the City accepted the bid from _____ (the "Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of \$ _____. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . 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 expectations, hopes, intentions, or strategies of the City 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 assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

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

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which 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. The Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

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.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Certificates, the Purchaser will be furnished a certificate, executed by a proper officer of the City acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Certificates and the acceptance of the best bid therefor, and on the date of the delivery, 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 any 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 light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements, and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City; and (e) no litigation of any nature has been filed or is pending, as of the date of delivery of the Certificates, to restrain or enjoin the issuance or delivery of the Certificates or which would affect the provisions made for their payment or security or in any manner question the validity of the Certificates.

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

Mayor
City of La Vernia, Texas

ATTEST:

City Secretary
City of La Vernia, Texas

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION	TABLE 1
2026 Total Appraised Value	\$ 329,417,494
Less:	
Over 65/Surviving Spouse Exemption	\$ 2,107,073
Disabled Person	285,000
Disabled Veterans/Surviving Spouse Exemption	344,500
Disabled Veterans/Surviving Spouse Homestead Exemption	20,314,741
AB/Other Exemptions	10,397,486
Productivity Loss	6,635,120
10% Cap Loss	9,440,437
2026 Net Taxable Assessed Valuation	\$ 279,893,137

Note: The above figures were taken from the Wilson County Appraisal District, which is compiled during the initial phase of the tax year and are subject to change.

GENERAL OBLIGATION BONDED DEBT

(As of July 31, 2026)

General Obligation Debt Outstanding⁽¹⁾:

Combination Tax & Revenue Certificates of Obligation, Series 2016	\$ 1,980,000
Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2024	1,145,000
The Certificates	<u>2,500,000</u> ⁽²⁾
Total Gross General Obligation Debt Outstanding	\$ 5,625,000 ⁽³⁾
Total Net General Obligation Debt Outstanding	\$ 5,625,000 ⁽³⁾
Interest and Sinking Fund Balance as of June 30, 2026	\$ 184,068.04
2026 Net Taxable Assessed Valuation	\$ 279,893,137
Ratio of Total General Obligation Debt to 2026 Net Taxable Assessed Valuation ⁽¹⁾	2.01% ⁽³⁾

Area of District:	1.93 Square Miles
Estimated Population:	1,500 in Year 2026
Per Capita 2026 Net Taxable Assessed Valuation:	\$ 186,595
Per Capita 2026 Net General Obligation Tax Debt:	\$ 3,750 ⁽³⁾

⁽¹⁾ See "AD VALOREM PROPERTY TAXATION" in the body of the Official Statement for a description of the Issuer's taxation procedures.

⁽²⁾ Preliminary, subject to change.

⁽³⁾ Includes the Certificates. Preliminary, subject to change.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Current Total Debt Service	The Certificates ⁽¹⁾			Combined Debt Service	Total Net Combined Debt Service
		Principal	Interest	Total Principal and Interest		
2026	\$ 339,475	\$ -	\$ -	\$ -	\$ 339,475	\$ 339,475
2027	337,600	80,000	119,792	199,792	537,392	537,392
2028	338,800	80,000	121,000	201,000	539,800	539,800
2029	339,500	85,000	117,000	202,000	541,500	541,500
2030	339,800	90,000	112,750	202,750	542,550	542,550
2031	339,800	90,000	108,250	198,250	538,050	538,050
2032	339,300	95,000	103,750	198,750	538,050	538,050
2033	338,500	100,000	99,000	199,000	537,500	537,500
2034	337,200	105,000	94,000	199,000	536,200	536,200
2035	340,500	110,000	88,750	198,750	539,250	539,250
2036	338,200	115,000	83,250	198,250	536,450	536,450
2037	110,600	125,000	77,500	202,500	313,100	313,100
2038	111,500	130,000	71,250	201,250	312,750	312,750
2039	112,200	135,000	64,750	199,750	311,950	311,950
2040	-	145,000	58,000	203,000	203,000	203,000
2041	-	150,000	50,750	200,750	200,750	200,750
2042	-	155,000	43,250	198,250	198,250	198,250
2043	-	165,000	35,500	200,500	200,500	200,500
2044	-	175,000	27,250	202,250	202,250	202,250
2045	-	180,000	18,500	198,500	198,500	198,500
2046	-	190,000	9,500	199,500	199,500	199,500
	\$ 4,062,975	\$ 2,500,000	\$ 1,503,792	\$ 4,003,792	\$ 8,066,767	\$ 8,066,767

⁽¹⁾ Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

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TAX ADEQUACY (Includes Self-Supporting Debt)

2026 Net Taxable Assessed Valuation		\$	279,893,137
Maximum Annual Debt Service Requirements for Fiscal Year Ending:	9/30/2030	\$	542,550 ⁽¹⁾
Indicated Interest and Sinking Fund Tax Rate		\$	0.1978
Indicated Interest and Sinking Fund Tax Rate at the following Collections:	98%	\$	542,556

⁽¹⁾ Includes the Certificates. Preliminary, subject to change.

INTEREST AND SINKING FUND MANAGEMENT INDEX

Interest and Sinking Fund Balance as of September 30, 2025		\$	-
2025 Interest and Sinking Fund Tax Levy at 98% Collections Produce			346,473
Total Available for Debt Service		\$	346,473
Less: General Obligation Debt Service Requirements, Fiscal Year Ending September 30, 2026			339,475 ⁽¹⁾
Estimated Balance at Fiscal Year Ended September 30, 2026		\$	6,998

⁽¹⁾ Includes the Certificates. Preliminary, subject to change.

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

- None -

Note: The above information was taken from the Issuer's 2025 Annual Financial Statement.

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Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2022	181,502,201	34,490,122	23.46%
2023	231,788,691	50,286,490	27.71%
2024	265,864,245	34,075,554	14.70%
2025	276,465,055	10,600,810	3.99%
2026	279,893,137	3,428,082	1.24%

Note: The above figures were taken from Wilson County Appraisal District.

PRINCIPAL TAXPAYERS

TABLE 4

Name	2025 Net	% of Total
	Taxable Assessed Valuation	2025 Assessed Valuation
HEB Grocery Company LP	\$ 13,780,092	4.98%
Texan Store Properties LLC	5,695,800	2.06%
MJS Development LLC	4,198,780	1.52%
Abundance Forever Hospitality Inc.	2,921,250	1.06%
Columbia Realty LTD	2,795,040	1.01%
Buffalo Place LLC	2,250,010	0.81%
McDonalds Real Estate Co.	2,145,230	0.78%
Koepp Chevrolet Inc.	2,079,442	0.75%
Producers Cooperative Marketing Association	1,933,670	0.70%
Salinas Monica A	1,905,457	0.69%
	\$ 39,704,771	14.36%

Note: The above information is based on the 2025 Net Taxable value of \$276,465,055 and was provided by the Wilson County Appraisal District.

As shown in the table above, the top ten taxpayers in the City account for in excess of 14% of the City's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the City, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Certificates may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually.

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CLASSIFICATION OF ASSESSED VALUATION
TABLE 5

	2026	% of Total	2025	% of Total	2024	% of Total
Real, Residential, Single-Family	\$ 179,355,490	54.45%	\$ 173,022,671	54.22%	\$ 166,125,701	50.43%
Real, Residential, Multi-Family	11,652,890	3.54%	11,070,951	3.47%	9,951,971	3.02%
Real, Vacant Lots/Tracts	14,946,583	4.54%	14,049,913	4.40%	12,219,880	3.71%
Qualified Open-Space Land	6,692,600	2.03%	6,575,300	2.06%	6,123,850	1.86%
Improvements on Qualified Open-Space	18,780	0.01%	18,400	0.01%	21,310	0.01%
Real, Rural Land Non Qualified Open-Space Land	1,780,170	0.54%	1,717,594	0.54%	2,695,980	0.82%
Real, Commercial	92,704,411	28.14%	90,683,269	28.42%	89,866,510	27.28%
Real, Industrial & Manufacturing	-	0.00%	-	0.00%	-	0.00%
Real & Tangible, Personal Utilities	1,255,600	0.38%	1,244,030	0.39%	1,214,400	0.37%
Tangible Personal, Commercial	17,909,720	5.44%	17,597,278	5.51%	16,086,523	4.88%
Tangible Personal, Industrial & Manufacturing	366,140	0.11%	609,440	0.19%	521,390	0.16%
Tangible Personal, Mobile Homes	654,500	0.20%	673,690	0.21%	688,690	0.21%
Real Property, Inventory	638,690	0.19%	809,450	0.25%	1,096,320	0.33%
Special Inventory	1,441,920	0.44%	1,047,370	0.33%	1,098,800	0.33%
Total Appraised Value	\$ 329,417,494	100.00%	\$ 319,119,356	100.00%	\$ 307,711,325	93.41%

Less:

Over 65/Surviving Spouse Exemption	\$ 2,107,073	\$ 2,120,673	\$ 2,054,530
Disabled Person	285,000	285,000	285,000
Disabled Veterans/Surviving Spouse Exemption	344,500	407,100	355,100
Disabled Veterans/Surviving Spouse Homestead Exemption	20,314,741	18,410,555	13,950,596
Productivity Loss	6,635,120	6,515,550	6,062,240
10% Cap Loss	9,440,437	12,225,854	14,092,282
AB/Other Exemptions	10,397,486	2,689,569	5,047,332
Net Taxable Assessed Valuation	\$ 279,893,137	\$ 276,465,055	\$ 265,864,245

Note: The above figures were taken from the Wilson County Appraisal District which is compiled during the initial phase of the tax year and are subject to change.

TAX DATA
TABLE 6

Taxes are due October 1 and become delinquent after January 31. Split payments are allowed; no discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of delinquent taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	Collections		Year Ended
				Current	Total	
2021	\$ 147,012,079	\$ 0.1752	\$ 257,258	97.24%	97.43%	9/30/2022
2022	181,502,201	0.1540	278,171	96.26%	97.49%	9/30/2023
2023	231,788,691	0.1308	302,041	96.03%	97.42%	9/30/2024
2024	265,864,245	0.1781	472,697	95.83%	97.25%	9/30/2025
2025	276,465,055	0.2725	754,027	95.80% ⁽¹⁾	96.38% ⁽¹⁾	9/30/2026

Note: The above figures were taken from the Wilson County Appraisal District and the Issuer's 2025 Annual Financial Statement and information from the City.

⁽¹⁾ Partial collections through August 19, 2026.

TAX RATE DISTRIBUTION**TABLE 7**

	2025	2024	2023	2022	2021
General Fund	\$ 0.1447	\$ 0.1381	\$ 0.1308	\$ 0.1540	\$ 0.1752
I&S Fund	0.1279	0.0400	-	-	-
Total Tax Rate	\$ 0.2725	\$ 0.1781	\$ 0.1308	\$ 0.1540	\$ 0.1752

Note: The above figures was taken from the Wilson County Appraisal District.

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND
ANALYSIS OF CHANGES IN FUND BALANCES**
TABLE 8

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Fund Balance-Beginning of the Year	\$ 1,928,065	\$ 1,224,715	\$ 1,232,381	\$ 1,838,880	\$ 1,612,020
Revenues	\$ 2,795,694	\$ 2,947,492	\$ 2,258,011	\$ 2,070,982	\$ 1,922,183
Expenditures	3,163,554	2,312,142	2,329,759	2,741,588	1,683,543
Excess (Defecit) of Revenues Over Expenditure:	\$ (367,860)	\$ 635,350 #	\$ (71,748)	\$ (670,606)	\$ 238,640
Other Financing Sources & (Uses):					
Sale of Capital Assets	\$ 5,000	\$ 8,000	\$ -	\$ 25,025	\$ -
Transfers In	60,000	60,000	64,082	39,082	139,082
Transfers Out	-	-	-	-	(150,862)
Total Other Financing Sources (Uses)	\$ 65,000	\$ 68,000	\$ 64,082	\$ 64,107	\$ (11,780)
Fund Balance - Ending of the Year ⁽¹⁾	<u>\$ 1,625,205</u>	<u>\$ 1,928,065 #</u>	<u>\$ 1,224,715</u>	<u>\$ 1,232,381</u>	<u>\$ 1,838,880</u>

Note: The above information was taken from the Issuer's Annual Financial Statements dated September 30, 2021-2025.

⁽¹⁾ *The City expects its unaudited General Fund balance to be approximately \$1,673,578 on September 30, 2026.*

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OVERLAPPING DEBT DATA AND INFORMATION

(As of July 31, 2026)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures.

The following statements of direct and estimated overlapping ad valorem bonds were developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete.

Furthermore, certain of the entities below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt	% Overlapping	Amount Overlapping
La Vernia ISD	\$ 111,950,000	14.71%	\$ 16,467,845
Wilson Co	4,050,000	5.87%	237,735
Wilson Co Mem Hosp Dist-Connally Memorial Med Ctr.	1,735,000	5.87%	101,845
The City	5,625,000	100.00%	<u>5,625,000</u> ⁽¹⁾
Total Direct and Overlapping Debt			\$ 22,432,425
Ratio of Direct and Overlapping Debt to the 2025 Assessed Valuation			8.01% ⁽¹⁾
Per Capita Direct and Overlapping Debt			\$ 14,955 ⁽¹⁾

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

⁽¹⁾ Includes the Certificates and excludes self-supporting debt. Preliminary, subject to change.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Date of Authorization	Purpose	Amount Authorized	Previously Issued	Currently Being Issued	Unissued
			None		

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY

GENERAL INFORMATION REGARDING THE CITY OF LA VERNIA AND WILSON COUNTY, TEXAS

Location: The City of La Vernia (“the City”) is on the north bank of Cibolo Creek at the junction of U.S. Highway 87 and Farm Road 775, fifteen miles north of the City of Floresville in northern Wilson County. The City has an estimated 2026 population of 1,500.

Wilson County Characteristics: Wilson County, Texas (the “Wilson County”) was created and organized in 1860 from Bexar and Karnes Counties. Wilson County is a south Texas county, traversed by U.S. Highways 87 and 181, State Highway 97, 119, and 123, and six farm-to-market roads. The County has an estimated 2025 population of 56,139.

Economic Base: Mineral: Oil, gas and clay.
 Industry: Agribusiness.
 Agricultural: Watermelons, vegetables, sorghums, small grains, poultry, peanuts, hogs, fruits, dairy, corn, and cattle.

Employment Data:	2025		2024		2023	
	Employed	Earnings	Employed	Earnings	Employed	Earnings
1st Quarter:	9,650	\$129.1M	9,449	\$121.6M	9,366	\$113.0M
2nd Quarter:	9,533	\$123.4M	9,532	\$119.6M	9,396	\$112.3M
3rd Quarter:	9,465	\$124.2M	9,585	\$123.0M	9,636	\$116.1M
4th Quarter:	N/A	N/A	9,724	\$129.7M	9,497	\$121.1M

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas and DemographicsUSA County Edition. Any data on population, value added by manufacturing or production of minerals or agricultural products are from US Census or other official sources.

Labor Force Statistics	Wilson County		Texas		United States	
	June 2026	June 2025	June 2026	June 2025	June 2026	June 2025
Total Civilian Labor Force	26,488	26,420	15,921,944	15,866,465	170,198,000	171,343,000
Total Employment	25,283	25,427	15,140,964	15,193,245	162,722,000	163,883,000
Total Unemployment	1,205	993	780,980	673,220	7,476,000	7,460,000
Percent Unemployed	4.5	3.8	4.9	4.2	4.4	4.4

Source: Texas Labor Market Review.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

October 6, 2026

**CITY OF LA VERNIA, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION SERIES 2026
DATED AS OF SEPTEMBER 1, 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

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

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986. In expressing the aforementioned opinions, we

*City of La Vernia, Texas Combination Tax and Limited Pledge Revenue
Certificates of Obligation, Series 2026*

Page 1

have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

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

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

have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein

Respectfully,

APPENDIX D

EXCERPTS FROM THE CITY OF LA VERNIA, TEXAS ANNUAL FINANCIAL REPORT For the Year Ended September 30, 2025

The information contained in this APPENDIX consists of excerpts from the City of La Vernia, Texas Annual Financial Report for the 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 Report for further information.



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of La Vernia, 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 fund remaining information of the City of La Vernia, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of La Vernia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of La Vernia'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 Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of La Vernia'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 City of La Vernia'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 schedules of changes and contributions for net pension liability and total other post-employment benefit liability as referred to in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of La Vernia's basic financial statements. The supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.
January 26, 2026

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

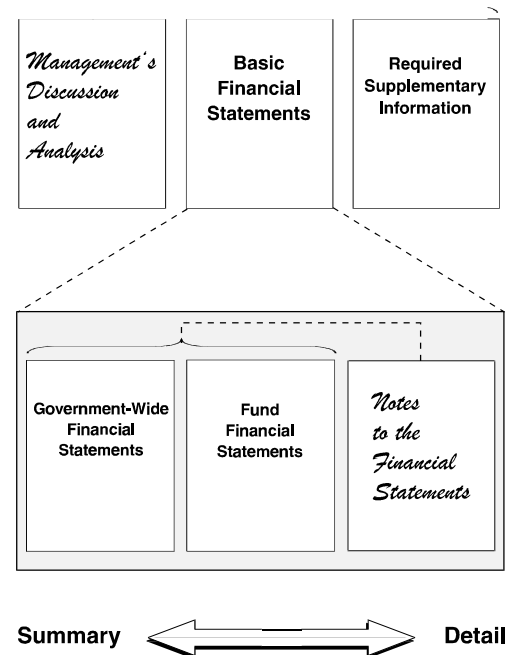
- The City’s total combined net position was \$9.2 million at September 30, 2025, an increase of \$251 thousand from the year prior.
- During the year, the City’s governmental expenses were \$445 thousand less than the \$4.2 million generated in general and program revenues for governmental activities. The total cost of the City’s governmental programs increased 29% from the prior year. A significant portion of the increase was for street maintenance, professional inspections on a large school district permit and city-wide technology improvements.
- The general fund reported an unassigned fund balance this year of \$1.6 million, a decrease of \$309 thousand. The decrease was the result of significant planned capital purchases including a new police station.
- Utility charges for services were 31% higher than the prior year because of increase rates. Costs only increased 8%, helping to reduce the operating loss for the utility fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the City operates similar to private businesses: utilities
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

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

Government-Wide Statements

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

The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health.

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

- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.
- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, sanitation, municipal development, parks, and interest on long-term debt. Property taxes, sales taxes and charges for services finance most of these activities.

Fund Financial Statements

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

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

The City has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$9.2 million at September 30, 2025. (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<i>Assets:</i>						
Current Assets	\$ 5,937,312	\$ 6,477,262	\$ (632,318)	\$ (277,088)	\$ 5,304,994	\$ 6,200,174
Other Assets	-	-	97,380	89,749	97,380	89,749
Capital Assets (net)	3,921,799	3,035,815	3,891,288	4,250,238	7,813,087	7,286,053
<i>Total Assets</i>	<u>9,859,111</u>	<u>9,513,077</u>	<u>3,356,350</u>	<u>4,062,899</u>	<u>13,215,461</u>	<u>13,575,976</u>
<i>Deferred Outflows</i>	<u>68,583</u>	<u>85,252</u>	<u>-</u>	<u>-</u>	<u>68,583</u>	<u>85,252</u>
<i>Liabilities:</i>						
Current Liabilities	272,051	269,833	400,758	445,077	672,809	714,910
Long-Term Liabilities	1,299,901	1,443,735	2,001,240	2,469,446	3,301,141	3,913,181
<i>Total Liabilities</i>	<u>1,571,952</u>	<u>1,713,568</u>	<u>2,401,998</u>	<u>2,914,523</u>	<u>3,973,950</u>	<u>4,628,091</u>
<i>Deferred Inflows</i>	<u>79,759</u>	<u>54,244</u>	<u>-</u>	<u>-</u>	<u>79,759</u>	<u>54,244</u>
<i>Net Position:</i>						
Net Investment in Capital Assets	3,875,041	2,940,167	1,699,675	1,548,151	5,574,716	4,488,318
Restricted	2,986,954	3,172,223	97,380	89,749	3,084,334	3,261,972
Unrestricted	1,413,988	1,718,127	(842,703)	(489,524)	571,285	1,228,603
<i>Total Net Position</i>	<u>\$ 8,275,983</u>	<u>\$ 7,830,517</u>	<u>\$ 954,352</u>	<u>\$ 1,148,376</u>	<u>\$ 9,230,335</u>	<u>\$ 8,978,893</u>

Governmental Activities

- Sales tax continues to be the main funding source for governmental activities at \$2.8 million. Tax revenues overall increased 11%.
- Charges for services decreased in 2025 because a large school district permit was received in 2024. Costs related to that permit are occurring in 2025 in code enforcement.
- Governmental expenses increased 29% to \$3.8 million, mostly in police and code enforcement. Public works also increased from a street maintenance project.
- Governmental net position increased by \$445 thousand.

Business-Type Activities

Revenues of the City's utility business-type activities increased \$463 thousand due to an increase in charge rates. Operating costs increased 8%. The utility fund has borrowed funds from the general fund to pay its obligations, but the increased rates have helped reduce its operating deficit from \$496 thousand in 2024 to \$194 thousand in 2025.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<i>Program Revenues:</i>						
Charges for Services	\$ 567,923	\$ 863,144	\$ 1,962,571	\$ 1,499,138	\$ 2,530,494	\$ 2,362,282
Grants and Contributions:						
Operating	78,862	33,355	-	-	78,862	33,355
Capital	20,000	105	-	-	20,000	105
<i>General Revenues:</i>						
Taxes	3,353,841	3,014,299	-	-	3,353,841	3,014,299
Interest Earnings	118,019	126,530	445	1,012	118,464	127,542
Miscellaneous	91,459	79,203	-	-	91,459	79,203
TOTAL REVENUES	4,230,104	4,116,636	1,963,016	1,500,150	6,193,120	5,616,786
<i>Program Expenses:</i>						
Code Enforcement	358,118	65,535	-	-	358,118	65,535
General	612,778	584,260	-	-	612,778	584,260
Municipal Development	367,307	285,642	-	-	367,307	285,642
Municipal Court	47,830	58,038	-	-	47,830	58,038
Police	1,688,802	1,495,817	-	-	1,688,802	1,495,817
Public Works	503,971	246,441	-	-	503,971	246,441
Parks	171,490	162,891	-	-	171,490	162,891
Interest	34,342	31,817	-	-	34,342	31,817
Utility	-	-	2,157,040	1,996,597	2,157,040	1,996,597
TOTAL EXPENSES	3,784,638	2,930,441	2,157,040	1,996,597	5,941,678	4,927,038
 Increase (Decrease) in Net Position	 445,466	 1,186,195	 (194,024)	 (496,447)	 251,442	 689,748
 Beginning Net Position	 7,830,517	 6,644,322	 1,148,376	 1,644,823	 8,978,893	 8,289,145
Ending Net Position	\$ 8,275,983	\$ 7,830,517	\$ 954,352	\$ 1,148,376	\$ 9,230,335	\$ 8,978,893

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$4.2 million, an increase of 3% from the preceding year. Property tax collections increased from a new levy for the 2024 drainage bonds. Sales tax also grew, which help offset the decrease in permit revenue. Expenditures increased from \$3.5 to \$4.8 million. The increase was largely related to the new police station, street maintenance and inspection costs for the school district permit.

Budgetary Highlights

The City's actual expenditures in the general fund were \$14 thousand less than budgeted amounts. The police exceeded its budget as the cost of outfitting the new police station was more than expected. General government exceeded the budget for technology updates and employee training. Revenues were \$27 thousand less than projected, primarily from ad valorem taxes and how those are now split with debt service. General fund balance decreased \$303 thousand as expected in the budget.

The Municipal Development District's revenues were \$160 thousand more than budgeted amounts (primarily from stronger than expected sales tax), while expenditures were \$425 thousand more than budgeted amounts. Expenditures exceeded the budget for capital projects and event costs. This led to a net decrease in fund balance of \$424 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2025, the City had invested \$15.8 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant additions for 2025 include a new police department building and a new pickleball court. (See Table A-3.)

Table A-3
City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 209,198	\$ 209,198	\$ 31,158	\$ 31,158	\$ 240,356	\$ 240,356
Buildings and Improvements	1,374,574	399,934	14,000	14,000	1,388,574	413,934
Equipment	1,116,515	1,127,655	604,945	593,292	1,721,460	1,720,947
Infrastructure	2,631,358	2,523,515	9,471,572	9,471,572	12,102,930	11,995,087
Construction in Progress	268,743	234,891	79,350	25,300	348,093	260,191
Totals at Historical Cost	5,600,388	4,495,193	10,201,025	10,135,322	15,801,413	14,630,515
Total Accumulated Depreciation	(1,678,589)	(1,459,378)	(6,309,737)	(5,885,084)	(7,988,326)	(7,344,462)
Net Capital Assets	<u>\$ 3,921,799</u>	<u>\$ 3,035,815</u>	<u>\$ 3,891,288</u>	<u>\$ 4,250,238</u>	<u>\$ 7,813,087</u>	<u>\$ 7,286,053</u>

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

Long Term Debt

At year-end, the City had \$3.3 million in bonds outstanding as shown in Table A-4. No new debt was issued but the City chose to pay off the 2017 bonds in the utility fund early to save on interest. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-4
City's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Bonds and Loans Payable	\$ 1,210,000	\$ 1,250,000	\$ 2,106,627	\$ 2,603,269	\$ 3,316,627	\$ 3,853,269
Total Bonds & Notes Payable	<u>\$ 1,210,000</u>	<u>\$ 1,250,000</u>	<u>\$ 2,106,627</u>	<u>\$ 2,603,269</u>	<u>\$ 3,316,627</u>	<u>\$ 3,853,269</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budget for 2026 is based on a property tax rate increase from 0.178093 to 0.272538. The additional revenue will be used to help supplement the general fund budget so that investments in streets and parks can continue. The 2026 budget also includes 5% cost of living adjustment to remain competitive with other governments in the area. Drainage improvements are expected to continue from the 2024 bonds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (830) 779-4541.



CITY OF LA VERNIA
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2025

BASIC FINANCIAL STATEMENTS

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

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Fund

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



CITY OF LA VERNIA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,609,009	\$ 1,203	\$ 4,610,212
Receivables (net of allowances):			
Ad Valorem Taxes	15,081	-	15,081
Other	486,933	187,205	674,138
Prepaid Items	5,563	-	5,563
Restricted Cash - Impact Fees	-	97,380	97,380
Internal Balances	820,726	(820,726)	-
Capital Assets (net)	3,921,799	3,891,288	7,813,087
TOTAL ASSETS	9,859,111	3,356,350	13,215,461
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Related Outflows	58,711	-	58,711
Deferred OPEB Related Outflows	9,872	-	9,872
TOTAL DEFERRED OUTFLOWS	68,583	-	68,583
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	31,403	55,552	86,955
Accrued Wages	44,279	4,089	48,368
Accrued Interest Payable	7,796	7,893	15,689
Accrued Compensated Absences	123,573	17,796	141,369
Customer Deposits	-	102,794	102,794
Unearned Revenue	-	22,261	22,261
<i>Noncurrent Liabilities:</i>			
Due within One Year	65,000	190,373	255,373
Due in more than One Year	1,216,182	2,001,240	3,217,422
Net Pension Liability	48,602	-	48,602
Total OPEB Liability	35,117	-	35,117
TOTAL LIABILITIES	1,571,952	2,401,998	3,973,950
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	63,909	-	63,909
Deferred OPEB Related Inflows	15,850	-	15,850
TOTAL DEFERRED INFLOWS	79,759	-	79,759
NET POSITION:			
Net Investment in Capital Assets	3,875,041	1,699,675	5,574,716
Restricted for:			
Street Repair	693,368	-	693,368
Municipal Development District	1,993,152	-	1,993,152
Municipal Court	21,267	-	21,267
Police	1,920	-	1,920
Tourism	277,247	-	277,247
Impact Fees	-	97,380	97,380
Unrestricted	1,413,988	(842,703)	571,285
TOTAL NET POSITION	\$ 8,275,983	\$ 954,352	\$ 9,230,335

See accompanying notes to basic financial statements.

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

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Code Enforcement	\$ 358,118	\$ 78,527	\$ -	\$ -
General Government	612,778	45,369	-	20,000
Municipal Development	367,307	-	-	-
Municipal Court	47,830	101,221	-	-
Police	1,688,802	342,806	78,862	-
Public Works	503,971	-	-	-
Parks	171,490	-	-	-
Interest	34,342	-	-	-
Total Governmental Activities	3,784,638	567,923	78,862	20,000
Business-Type Activities:				
Water and Sewer Utility	2,157,040	1,962,571	-	-
Total Business-Type Activities	2,157,040	1,962,571	-	-
Total Primary Government	\$ 5,941,678	\$ 2,530,494	\$ 78,862	\$ 20,000

General Revenues:

Taxes
Ad Valorem Taxes
Franchise Taxes
Sales Taxes
Interest and Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Position

Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (279,591)		\$ (279,591)
(547,409)		(547,409)
(367,307)		(367,307)
53,391		53,391
(1,267,134)		(1,267,134)
(503,971)		(503,971)
(171,490)		(171,490)
(34,342)		(34,342)
<u>(3,117,853)</u>		<u>(3,117,853)</u>
	\$ (194,469)	(194,469)
	<u>(194,469)</u>	<u>(194,469)</u>
<u>(3,117,853)</u>	<u>(194,469)</u>	<u>(3,312,322)</u>
458,847	-	458,847
91,365	-	91,365
2,803,629	-	2,803,629
118,019	445	118,464
91,459	-	91,459
<u>3,563,319</u>	<u>445</u>	<u>3,563,764</u>
445,466	(194,024)	251,442
<u>7,830,517</u>	<u>1,148,376</u>	<u>8,978,893</u>
<u>\$ 8,275,983</u>	<u>\$ 954,352</u>	<u>\$ 9,230,335</u>

CITY OF LA VERNIA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Street Maintenance	Municipal Development District
ASSETS			
Cash and Cash Equivalents	\$ 805,428	\$ 636,883	\$ 1,635,421
Receivables (net of allowances for uncollectibles):			
Property Taxes	15,081	-	-
Other Receivables	316,194	56,485	110,672
Due From Other Funds	820,726	-	250,000
Prepaid Items	5,563	-	-
TOTAL ASSETS	<u><u>\$ 1,962,992</u></u>	<u><u>\$ 693,368</u></u>	<u><u>\$ 1,996,093</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES			
<i>Liabilities</i>			
Accounts Payable	\$ 31,403	\$ -	\$ -
Accrued Wages	41,338	-	2,941
Due To Other Funds	250,000	-	-
<i>Total Liabilities</i>	<u>322,741</u>	<u>-</u>	<u>2,941</u>
<i>Deferred Inflows of Resources</i>			
Unavailable Property Tax Revenues	15,046	-	-
<i>Total Deferred Inflows of Resources</i>	<u>15,046</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>			
Nonspendable Prepaid Items	5,563	-	-
Restricted for:			
Street Repair	-	693,368	-
Municipal Court	-	-	-
Police	-	-	-
Tourism Development	-	-	-
Municipal Development	-	-	1,993,152
Drainage Improvements	-	-	-
Unassigned	1,619,642	-	-
<i>Total Fund Balances</i>	<u>1,625,205</u>	<u>693,368</u>	<u>1,993,152</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u><u>\$ 1,962,992</u></u>	<u><u>\$ 693,368</u></u>	<u><u>\$ 1,996,093</u></u>

See accompanying notes to basic financial statements.

2024 Drainage Bonds	Total Nonmajor Funds	Total Governmental Funds
\$ 1,234,424	\$ 296,852	\$ 4,609,008
-	-	15,081
-	3,582	486,933
-	-	1,070,726
-	-	5,563
<u>\$ 1,234,424</u>	<u>\$ 300,434</u>	<u>\$ 6,187,311</u>

\$ -	\$ -	\$ 31,403
-	-	44,279
-	-	250,000
<u>-</u>	<u>-</u>	<u>325,682</u>

-	-	15,046
<u>-</u>	<u>-</u>	<u>15,046</u>

-	-	5,563
-	-	693,368
-	21,267	21,267
-	1,920	1,920
-	277,247	277,247
-	-	1,993,152
1,234,424	-	1,234,424
-	-	1,619,642
<u>1,234,424</u>	<u>300,434</u>	<u>5,846,583</u>

<u>\$ 1,234,424</u>	<u>\$ 300,434</u>	<u>\$ 6,187,311</u>
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CITY OF LA VERNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 5,846,583
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,921,799
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		15,047
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Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the funds.		(123,573)
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Net pension liabilities (and related deferred outflows of resources) do not provide or consume current financial resources and are not reported in the funds.

Net Pension Liability	(48,602)	
Pension Related Deferred Outflows	58,711	
Pension Related Deferred Inflows	<u>(63,909)</u>	(53,800)

Total OPEB liabilities (and related deferred outflows of resources) do not provide or consume current financial resources and are not reported in the funds.

Total OPEB Liability	(35,117)	
OPEB Related Deferred Outflows	9,872	
OPEB Related Deferred Inflows	<u>(15,850)</u>	(41,095)

Long-term debt is not due and payable in the current period and therefore not reported in the governmental funds

Bonds Payable	(1,210,000)	
Unamortized Bond Premiums	(71,182)	
Accrued Interest	<u>(7,796)</u>	<u>(1,288,978)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 8,275,983</u></u>
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See accompanying notes to basic financial statements.

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

	General Fund	Street Maintenance	Municipal Development District
REVENUES			
Ad Valorem Taxes	\$ 342,982	\$ -	\$ -
Franchise Fees and Hotel Taxes	91,365	-	-
Sales Taxes	1,732,118	340,577	666,173
Fines and Penalties	96,359	-	-
Licenses and Permits	78,527	-	-
Interest Income	44,100	13,841	15,326
Grants and Donations	1,651	-	-
Miscellaneous	72,266	-	67,111
Police Services for School District	336,326	-	-
TOTAL REVENUES	<u>2,795,694</u>	<u>354,418</u>	<u>748,610</u>
EXPENDITURES			
<i>Current:</i>			
Code Enforcement	358,466	-	-
General Government	567,566	-	-
Municipal Court	48,009	-	-
Police	1,471,148	-	-
Public Works	183,047	185,963	-
Parks	172,968	-	-
Municipal Development	-	-	362,723
Capital Outlay	362,350	-	750,295
<i>Debt Service:</i>			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>3,163,554</u>	<u>185,963</u>	<u>1,113,018</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(367,860)</u>	<u>168,455</u>	<u>(364,408)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Property	5,000	-	-
Transfer In	60,000	-	-
Transfer Out	-	-	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>65,000</u>	<u>-</u>	<u>(60,000)</u>
Net Change in Fund Balance	(302,860)	168,455	(424,408)
Fund Balances at Beginning of Year	<u>1,928,065</u>	<u>524,913</u>	<u>2,417,560</u>
Fund Balances at End of Year	<u>\$ 1,625,205</u>	<u>\$ 693,368</u>	<u>\$ 1,993,152</u>

See accompanying notes to basic financial statements.

2024 Drainage Bonds	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ 112,259	\$ 455,241
-	64,761	156,126
-	-	2,738,868
-	4,861	101,220
-	-	78,527
43,495	1,262	118,024
-	96,141	97,792
-	-	139,377
-	-	336,326
<u>43,495</u>	<u>279,284</u>	<u>4,221,501</u>
-	-	358,466
-	-	567,566
-	200	48,209
-	76,641	1,547,789
-	-	369,010
-	-	172,968
-	-	362,723
48,501	19,500	1,180,646
-	40,000	40,000
-	72,259	72,259
<u>48,501</u>	<u>208,600</u>	<u>4,719,636</u>
<u>(5,006)</u>	<u>70,684</u>	<u>(498,135)</u>
-	-	5,000
-	-	60,000
-	-	(60,000)
<u>-</u>	<u>-</u>	<u>5,000</u>
(5,006)	70,684	(493,135)
<u>1,239,430</u>	<u>229,750</u>	<u>6,339,718</u>
<u>\$ 1,234,424</u>	<u>\$ 300,434</u>	<u>\$ 5,846,583</u>



CITY OF LA VERNIA
STATEMENT OF NET POSITION
PROPRIETARY UTILITY FUND
SEPTEMBER 30, 2025

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,203
Receivables (net of allowances for uncollectibles):	<u>187,205</u>
<i>Total Current Assets</i>	<u>188,408</u>

Other Assets:

Restricted Cash - Impact Fees	97,380
Capital Assets (net of depreciation)	<u>3,891,288</u>
<i>Total Other Assets</i>	<u>3,988,668</u>

TOTAL ASSETS

4,177,076

LIABILITIES

Current Liabilities:

Accounts Payable	55,552
Accrued Wages	4,089
Accrued Interest Payable	7,893
Accrued Compensated Absences	17,796
Customer Deposits	102,794
Due to Other Funds	820,726
Unearned Revenue	22,261
Long-Term Debt - Current Portion	<u>190,373</u>
<i>Total Current Liabilities</i>	<u>1,221,484</u>

Noncurrent Liabilities:

Long-Term Debt - Net of Current Portion	<u>2,001,240</u>
TOTAL LIABILITIES	<u>3,222,724</u>

NET POSITION:

Net Investment in Capital Assets	1,699,675
Restricted Impact Fees	97,380
Unrestricted (Deficit)	<u>(842,703)</u>
TOTAL NET POSITION	<u>\$ 954,352</u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY UTILITY FUND
FOR THE YEAR SEPTEMBER 30, 2025

OPERATING REVENUES

Water Charges	\$ 1,061,089
Sewer Charges	327,197
Garbage Charges	506,342
Connection and Impact Fees	25,079
Other Charges	42,864
TOTAL OPERATING REVENUES	<u>1,962,571</u>

OPERATING EXPENSES

Personnel	221,815
Water Purchase	94,975
Garbage Collection	414,685
Utilities	98,239
Office and Administrative	53,687
Repairs and Chemicals	583,232
Treatment Plant Contract	167,641
Depreciation	446,888
TOTAL OPERATING EXPENSES	<u>2,081,162</u>

OPERATING INCOME (LOSS)	<u>(118,591)</u>
--------------------------------	------------------

NONOPERATING REVENUES (EXPENSES)

Interest Income	445
Interest Expense	(75,878)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(75,433)</u>

CHANGE IN NET POSITION	(194,024)
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NET POSITION AT BEGINNING OF YEAR	<u>1,148,376</u>
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NET POSITION AT END OF YEAR	<u><u>\$ 954,352</u></u>
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CITY OF LA VERNIA
STATEMENT OF CASH FLOWS - PROPRIETARY UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Cash Flows From Operating Activities:

Cash Received From Customers	\$ 1,916,058
Cash Paid to Suppliers for Goods and Services	(1,425,142)
Cash Paid to Employees	(214,273)
Net Cash Provided (Used) by Operating Activities	<u>276,643</u>

Cash Flows From Capital and Related Financing Activities:

Purchases of Capital Assets	(87,938)
Principal Payments	(496,642)
Interest Paid	(91,129)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(675,709)</u>

Cash Flows From Noncapital Financing Activities:

Short-term cash advances from other funds	407,455
Net Cash Provided (Used) by Noncapital Financing Activities	<u>407,455</u>

Cash Flows From Investing Activities:

Investment Interest Received	445
Net Cash Provided (Used) by Investing Activities	<u>445</u>

Net Increase (Decrease) in Cash and Cash Equivalents	8,834
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Cash and Cash Equivalents at Beginning of Year

Cash and Cash Equivalents	-
Restricted Cash	89,749
	<u>89,749</u>

Cash and Cash Equivalents at End of Year

Cash and Cash Equivalents	1,203
Restricted Cash	97,380
	<u>\$ 98,583</u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
STATEMENT OF CASH FLOWS - PROPRIETARY UTILITY FUND (CONT.)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ (118,591)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	446,888
(Increase) Decrease in Operating Assets:	
Accounts Receivable (net)	(51,022)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(12,683)
Accrued Wages	834
Accrued Compensated Absences	6,708
Customer Deposits	3,180
Unearned Revenue	1,329
Total Adjustments to Reconcile Operating Activities	<u>395,234</u>
 Net Cash Provided (Used) by	
Operating Activities	 <u><u>\$ 276,643</u></u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of La Vernia, Texas (“City”) operates under a Council-Mayor form of government and provides the following services: police protection, parks and recreation, municipal court, planning and zoning, general administrative services, and utility (water, sewer and garbage) services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2025, the City had one component unit that is blended in these financial statements:

La Vernia Municipal Development District

The City appoints a voting majority to, and exerts significant control over, the Municipal Development District (MDD), a legally separate entity. This qualifies the MDD as a component unit, which is presented in a separate column in the governmental fund financial statements (blended presentation). The MDD collects a 1/2 cent sales tax to promote the economic growth and enhance overall quality of life in the City of La Vernia. The MDD does not issue standalone financial statements. The MDD is located in the City Hall.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** (Continued)

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund, Street Maintenance Fund, Municipal Development District and 2024 Drainage Bonds meet the criteria as *major governmental funds*.

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

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

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred outflows of resources.

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The government reports the following major governmental funds:

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

The Street Maintenance Fund is used to account for the ¼ cent sales tax dedicated to maintaining the streets of the City.

Municipal Development District is used to account for the ½ cent sales tax to promote economic development and enhance overall quality of life in the City.

2024 Drainage Bonds is used to account for bonds issued for capital improvements in the City.

The City has the following nonmajor funds: Court Security, Court Technology, Grant Fund, Hotel Tax, Debt Service and Police Forfeiture.

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

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

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

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City. Cash is only reported as restricted if it has a restriction narrower than the purpose of the fund that it is recorded in.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. INVESTMENTS

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

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2024 and past due after January 31, 2025. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for credit losses, which the City currently estimates to be \$2,661 for the general fund.

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

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. CAPITAL ASSETS

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

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

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

<u>Asset</u>	<u>Estimated Life</u>
Buildings and improvements	10 to 40 years
Streets and Infrastructure	10 to 30 years
Utility system in service	10 to 30 years
Machinery and equipment	3 to 20 years

10. COMPENSATED ABSENCES

Employees earn vacation and sick leave at varying rates depending on length of service. Accrued vacation leave must be taken within the employment year (based on anniversary date). No sick leave days are paid when an employee leaves City employment. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements based on an estimate of the absences that are more likely than not to be taken as time off or paid out. The City uses the first in first out flows assumption in determining the liability.

11. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resource in the period the amounts become available.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. DEFERRED COMPENSATION PLAN

The City offers an Internal Revenue Code Section 457 deferred compensation plan. The City does not contribute to the plan, the plan is administered by an unrelated party, and the assets are invested at the direction of the employee.

13. UNEARNED REVENUE

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the discount. Bond issuance costs are expensed when incurred.

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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

15. PENSIONS

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

16. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. FUND EQUITY (CONT.)

Committed - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council may make assignments and has chosen not to delegate that authority to any other individuals.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third. The City has established minimum fund balance policy of 35% of on-going expenditures in the general fund and 25% of on-going expenditures in all other funds. In addition, a maximum fund balance of 60% was set for the general fund.

17. NET POSITION

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

18. OPERATING REVENUES AND EXPENSES

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

19. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

20. USE OF ESTIMATES

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE B -- DEPOSITS AND INVESTMENTS

Deposits

The City holds deposits at two institutions. At September 30, 2025, the City's deposits (including certificates of deposit) were fully collateralized by a combination of FDIC and pledged securities by the City's depositories.

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, the investment practices of the City were in accordance with local policies.

Public Funds Investment Pools

As of September 30, 2025, the City held \$2,272,066 in TexPool, a local government investment pool. Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported in an amount determined, by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

GASB Statement 40 requires additional disclosures addressing other common risks of deposits and investments as follows:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE B -- DEPOSITS AND INVESTMENTS (CONT.)

b. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City had no exposure to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Wilson County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. The total taxable value as of January 1, 2024, upon which the fiscal 2025 levy was based, was \$263 million (i.e., market value less exemptions). The tax rate to finance general governmental services for the year ended September 30, 2025, was \$0.178093 per \$100 of assessed value. In general, the City may not increase the maintenance and operations portion of the property tax rate (that funds the General Fund) more than 3.5% annually (based on a three year average) without an election.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2025 are as follows:

	General Fund	Street Maintenance	Municipal Development	Total Nonmajor Funds	Utility
Sales Tax	\$ 287,145	\$ 56,485	\$ 110,672	\$ -	\$ -
Franchise Taxes	19,844	-	-	-	-
Police Services	3,861	-	-	-	-
Other	5,344	-	-	3,582	-
Utility Services	-	-	-	-	194,856
Allowance for Credit Losses	-	-	-	-	(7,651)
Total Other Receivables	<u>\$ 316,194</u>	<u>\$ 56,485</u>	<u>\$ 110,672</u>	<u>\$ 3,582</u>	<u>\$ 187,205</u>

NOTE E -- CAPITAL ASSETS

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

<i>Business-Type Activities</i>	Balance 10/1/2024	Additions	Disposals/ Transfers	Balance 9/30/2025
Land	\$ 31,158	\$ -	\$ -	\$ 31,158
Buildings and Improvements	14,000	-	-	14,000
Vehicles and Equipment	593,292	33,888	(22,235)	604,945
Infrastructure	9,471,572	-	-	9,471,572
Construction in Progress	25,300	54,050	-	79,350
	<u>10,135,322</u>	<u>87,938</u>	<u>(22,235)</u>	<u>10,201,025</u>
Less Accumulated Depreciation				
Buildings and Improvements	(13,954)	(25)	-	(13,979)
Equipment	(323,157)	(68,761)	22,235	(369,683)
Infrastructure	<u>(5,547,973)</u>	<u>(378,102)</u>	<u>-</u>	<u>(5,926,075)</u>
	<u>(5,885,084)</u>	<u>(446,888)</u>	<u>22,235</u>	<u>(6,309,737)</u>
Business-Type Capital Assets, Net	<u>\$ 4,250,238</u>	<u>\$ (358,950)</u>	<u>\$ -</u>	<u>\$ 3,891,288</u>

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE E -- CAPITAL ASSETS (Continued)

<i>Governmental Activities</i>	Balance 10/1/2024	Additions	Disposals/ Transfers	Balance 9/30/2025
Land	\$ 209,198	\$ -	\$ -	\$ 209,198
Buildings and Improvements	399,934	974,640	-	1,374,574
Vehicles and Equipment	1,127,655	32,368	(43,508)	1,116,515
Infrastructure	2,523,515	107,843	-	2,631,358
Construction in Progress	234,891	33,852	-	268,743
	<u>4,495,193</u>	<u>1,148,703</u>	<u>(43,508)</u>	<u>5,600,388</u>
Less Accumulated Depreciation				
Buildings and Improvements	(185,165)	(15,413)	-	(200,578)
Equipment	(715,513)	(127,617)	43,508	(799,622)
Infrastructure	<u>(558,700)</u>	<u>(119,689)</u>	<u>-</u>	<u>(678,389)</u>
	<u>(1,459,378)</u>	<u>(262,719)</u>	<u>43,508</u>	<u>(1,678,589)</u>
Governmental Capital Assets, Net	<u>\$ 3,035,815</u>	<u>\$ 885,984</u>	<u>\$ -</u>	<u>\$ 3,921,799</u>

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

General	\$ 49,791
Police	101,553
Public Works	<u>111,375</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 262,719</u>

NOTE F -- LONG-TERM DEBT

Changes in long-term debt for the year ending September 30, 2025 were as follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025
Bonds and Notes	\$ 4,037,166	\$ -	\$ (564,371)	\$ 3,472,795
Net Pension Liability	118,477	246,874	(316,749)	48,602
Total OPEB Liability	30,180	8,240	(3,303)	35,117
Compensated Absences	83,005	58,364	-	141,369
Totals	<u>\$ 4,268,828</u>	<u>\$ 313,478</u>	<u>\$ (884,423)</u>	<u>\$ 3,697,883</u>

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE F -- LONG-TERM DEBT (Continued)

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

Note Payable – San Antonio River Authority (SARA)

In April 2004, the City borrowed money from SARA to improve the wastewater treatment plant. The loan was for \$600,000 with an interest rate of 4.48%. The loan requires annual installments of \$46,046, maturing in June 2024. The loan is supported by a pledge of income and fees from the utility fund.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016

In December 2015, the City issued \$3,025,000 in Combination Tax and Revenue Certificates of Obligation, Series 2016. The proceeds are to be used for water system improvements. The City intends to use utility revenues to service the debt but has the ability to levy property taxes for the debt service as well. The bonds mature September 1, 2036 and bear interest at rates ranging from 1.00% to 3.15%.

General Obligation Refunding Bonds, Series 2017

In November 2017, the City authorized \$564,000 in general obligation refunding bonds to advance refund a portion of the outstanding 2011 series. The debt service on the new bonds will be paid for from net utility fund revenues. The bonds mature March 1, 2030 and bear interest at rates ranging from 1.295% to 2.84%.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024

In January 2024, the City authorized \$1,250,000 in certificates for drainage improvements. The debt service on the new bonds will be paid from property tax revenues. The bonds mature serially through February, 2039 and bear interest at rates ranging from 2.7 to 3.3%.

Changes in Bonds and Notes:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
Governmental Activities					
<i>Public Offerings:</i>					
Certificates of Obligation, 2024	\$ 1,250,000	\$ -	\$ (40,000)	\$ 1,210,000	\$ 65,000
Unamortized Premiums	85,078	-	(13,896)	71,182	-
<i>Total Governmental Activities</i>	<u>1,335,078</u>	<u>-</u>	<u>(53,896)</u>	<u>1,281,182</u>	<u>65,000</u>
Business-Type Activities					
<i>Private Placements and Direct Borrowings:</i>					
San Antonio River Authority	165,269	-	(38,642)	126,627	40,373
Refunding, 2017	313,000	-	(313,000)	-	-
<i>Public Offerings:</i>					
Certificates of Obligation, 2016	2,125,000	-	(145,000)	1,980,000	150,000
Unamortized Premiums	98,819	-	(13,833)	84,986	-
<i>Total Business-Type Activities</i>	<u>2,702,088</u>	<u>-</u>	<u>(510,475)</u>	<u>2,191,613</u>	<u>190,373</u>
 Total Primary Government	<u>\$4,037,166</u>	<u>\$ -</u>	<u>\$ (564,371)</u>	<u>\$3,472,795</u>	<u>\$ 255,373</u>

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE F -- LONG-TERM DEBT (Continued)

The annual requirements to service long-term debt and obligations outstanding as of September 30, 2025, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Public Offerings		Total
	Principal	Interest	
2026	\$ 65,000	\$ 46,775	\$ 111,775
2027	70,000	44,400	114,400
2028	70,000	41,600	111,600
2029	75,000	38,700	113,700
2030	80,000	35,600	115,600
2031-2035	435,000	127,900	562,900
2036-2039	415,000	33,900	448,900
	<u>\$ 1,210,000</u>	<u>\$ 368,875</u>	<u>\$ 1,578,875</u>

Year Ending September 30,	Business-Type Activities				
	Private Placements and Direct Borrowings		Public Offerings		Total
	Principal	Interest	Principal	Interest	
2026	\$ 40,373	\$ 5,673	\$ 150,000	\$ 77,700	\$ 273,746
2027	42,182	3,864	150,000	73,200	269,246
2028	44,072	1,974	160,000	67,200	273,246
2029	-	-	165,000	60,800	225,800
2030	-	-	170,000	54,200	224,200
2031-2035	-	-	970,000	162,400	1,132,400
2036	-	-	215,000	8,600	223,600
	<u>\$ 126,627</u>	<u>\$ 11,511</u>	<u>\$ 1,980,000</u>	<u>\$ 504,100</u>	<u>\$ 2,622,238</u>

The City has a bond series and a note payable that were directly placed at local banking institutions. The bond documents do not contain subjective acceleration clauses, events of default with finance related consequences or termination events with finance-related consequences.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

Plan Description

The City participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	20
Active employees	25
	51

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 1 to 1, 1.5 to 1, or 2 to 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

For the year ending September 30, 2025, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year and the City match is at 1.5 to 1. The contribution rates for the City were 4.97% and 4.84% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$76,461 which equaled 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 Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.60% to 11.85%
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, 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 MP2021 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 to 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 to satisfy the short-term and long-term funding needs of TMRS.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
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%
	<u>100.00%</u>	

Discount Rate

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2024:

Changes in Net Pension Liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2023	\$ 1,184,659	\$ 1,066,182	\$ 118,477
Changes for the year:			
Service Cost	162,337	-	162,337
Interest	83,810	-	83,810
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(31,460)	-	(31,460)
Changes of Assumptions	-	-	-
Contributions - Employer	-	72,621	(72,621)
Contributions - Employee	-	102,282	(102,282)
Net Investment Income	-	110,386	(110,386)
Benefit Payments, Including Refunds of Employee Contributions	(48,405)	(48,405)	-
Administrative Expense	-	(710)	710
Other Changes	-	(17)	17
Net Changes	<u>166,282</u>	<u>236,157</u>	<u>(69,875)</u>

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 255,302	\$ 48,602	\$ (119,219)

Pension Plan Fiduciary Net Position

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$50,592. Also as of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 44,002
Changes in Actuarial Assumptions	-	3,674
Differences Between Projected and Actual Investment Earnings	-	16,233
Contributions Subsequent to the Measurement Date	58,711	-
	<u>\$ 58,711</u>	<u>\$ 63,909</u>

Deferred outflows of resources in the amount of \$58,711 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the calendar year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,

2025	\$ (15,665)
2026	(5,721)
2027	(29,059)
2028	(13,464)
2029	-
Thereafter	-
	<u>\$ (63,909)</u>

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE H -- OTHER POSTEMPLOYMENT BENEFIT (OPEB)

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2024, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	2
Active employees	25
	32
	32

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 201 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. These assumptions are summarized below:

Inflation	2.50% per year
Salary Increases	3.50% to 11.85% Including Inflation
Discount Rate	4.08% (Based on Bond Buyer "20-Bond GO Index")
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 Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
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 Scale UMP to account for future mortality improvements subject to the floor.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE H -- OTHER POSTEMPLOYMENT BENEFIT (Continued)

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

	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rate
For the Plan Year Ended December 31,		
2025	0.21%	0.08%
2024	0.25%	0.10%

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

	Discount Rate 3.08%	Discount Rate 4.08%	Discount Rate 5.08%
Total OPEB Liability (Asset)	\$ 41,731	\$ 35,117	\$ 29,967

The City's Total OPEB Liability (TOL), as of December 31, 2024 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2023	\$ 30,180
Changes for the year:	
Service Cost	3,215
Interest	1,171
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	3,854
Changes of Assumptions or Other Inputs	(1,842)
Benefit Payments	(1,461)
Net Changes	4,937
Balance at December 31, 2024	\$ 35,117

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE H -- OTHER POSTEMPLOYMENT BENEFIT (Continued)

For the year ended September 30, 2025, the City recognized OPEB expense of \$3,400. Also as of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 5,240	\$ 11,140
Difference in Expected and Actual Experience	4,262	4,710
Contributions Subsequent to the Measurement Date	370	-
	<u>\$ 9,872</u>	<u>\$ 15,850</u>

Deferred outflows of resources in the amount of \$370 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year ended December 31,	
2025	(1,035)
2026	(1,081)
2027	(916)
2028	(1,312)
2029	(1,443)
Thereafter	(561)
	<u>\$ (6,348)</u>

NOTE I -- INTERFUND TRANSACTIONS

The Municipal Development Fund transferred \$60,000 to the General Fund in support of administrative overhead.

As of September 30, 2025, the Utility Fund owed \$820,726 to the General Fund for short-term pool cash loans. The City expects to repay the amount with increased utility rates over time.

In 2025, the General Fund borrowed \$250,000 from the Municipal Development District for the renovations of a police station. The loan agreement requires annual payments of \$16,667 for 15 years beginning in 2026.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE J -- TEXAS HIGHER EDUCATION AUTHORITY

In September 2006, the City created a nonprofit corporation under Section 53.35(b) of The Texas Education code. The creation of this nonprofit corporation established a Higher Education Authority (the Authority) for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the city is not liable for any expenses incurred in establishing or administering the Higher Education Authority. The Texas Higher Education Authority is not consolidated into the financial statements of City of La Vernia because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. The Authority has no outstanding bonds as of the date of this report.

NOTE K -- ABATEMENTS FOR ECONOMIC DEVELOPMENT

The City entered into an agreement on March 31, 2018 with a hotel in the community in accordance with Article III, Section 52-a of the Texas Constitution and Chapter 380 of the Texas Local Government Code to promote state or local economic development and to stimulate business and commercial activity in the City. Ongoing commitments of the City include a 75% annual property tax abatement and rebate of 50% of annual occupancy taxes collected for each calendar year from 2019 through 2028 with no obligation for a refund for any calendar year after 2028. The percentages abated gradually decrease over the life of the agreement to 5% in the final year. During the year ended September 30, 2025, the City abated \$3,468 in property taxes and no occupancy taxes.

In September 2021, the MDD sold land to an entity to construct a business. The land was sold in exchange for a forgivable note of \$110,000. If certain performance metrics are achieved, the loan will be forgiven in four annual amounts of \$27,500. Management fully expects to forgive the entire loan and thus has not recorded a receivable on these financial statements. As of September 30, 2025, \$55,000 of the loan has been forgiven.

NOTE L -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$1,000,000.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE M – COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Commitments

The City has engaged an engineer for well improvements for a total of \$115,000. As of September 30, 2025, \$86,250 had been incurred, leaving an estimated commitment of \$28,750.

The City has engaged an engineer for drainage improvements for a total of \$79,500. As of September 30, 2025, \$17,294 has been incurred, leaving an estimated commitment of \$62,206.