PRELIMINARY OFFICIAL STATEMENT
Dated July 22, 2026

NEW ISSUE – Book-Entry-Only

Ratings:
Moody's: "Aaa"
S&P: "AAA"
(See "OTHER INFORMATION – Ratings" herein)

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

CITY OF ALLEN, TEXAS
(Collin County)

$21,630,000*
GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS, SERIES 2026

Dated Date: July 1, 2026
Due: August 15, as shown on page ii
Interest Accrues: Date of Initial Delivery (as defined below)

PAYMENT TERMS . . . Interest on the $21,630,000* City of Allen, Texas, General Obligation Improvement and Refunding Bonds, Series 2026 (the "Bonds") will accrue from the Date of Initial Delivery (defined below) to the initial purchasers shown below (the "Underwriters"), will be payable February 15 and August 15 of each year, commencing February 15, 2027, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (identified below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE; SECURITY AND SOURCE OF PAYMENT . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapters 1207, 1331, and 1371, as amended, an election held within the City of Allen, Texas (the "City") on November 7, 2023 and approved by a majority of voters and an ordinance adopted by the City Council (the "City Council") of the City on May 12, 2026, authorizing the issuance of the Bonds (the "Bond Ordinance"). In the Bond Ordinance, the City Council delegated to certain officials of the City the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The final terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). The Bonds are direct obligations of the City, payable from a direct and continuing annual ad valorem tax, within the limits prescribed by law, levied on all taxable property within the City as provided in the Ordinance (see "THE BONDS – Authority for Issuance of the Bonds" and "THE BONDS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) permanent public improvements and public purposes, to wit: (a) designing, constructing, repairing, improving and maintaining streets, thoroughfares, alleys, sidewalks, bridges and other public ways; and (b) constructing, improving, expanding, renovating and equipping Ford Park, including the installation and development of athletic fields and sport courts, (ii) refunding certain outstanding obligations of the City (the "Refunded Bonds"), as more particularly described in "SCHEDULE I – Schedule of Refunded Bonds," to achieve debt service savings, and (iii) paying the costs related to the issuance of the Bonds. See "PLAN OF FINANCING".

MATURITY SCHEDULE
See Schedule on Page ii

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas.

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on September 2, 2026 (the "Date of Initial Delivery").

RAYMOND JAMES

FROST BANK **UMB BANK, N.A.**

*Preliminary, subject to change.

MATURITY SCHEDULE*
CUSIP Prefix: 018095[1]

$21,630,000*
General Obligation Improvement and Refunding Bonds, Series 2026

(August 15) Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[1]
2027	$ 1,905,000			
2028	3,190,000			
2029	1,670,000			
2030	975,000			
2031	1,495,000			
2032	1,570,000			
2033	1,650,000			
2034	975,000			
2035	515,000			
2036	540,000			
2037	570,000			
2038	595,000			
2039	625,000			
2040	660,000			
2041	690,000			
2042	725,000			
2043	760,000			
2044	800,000			
2045	840,000			
2046	880,000			

(Interest to accrue from Date of Initial Delivery)

REDEMPTION* . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, ____ in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). Additionally, the Bonds will be subject to mandatory sinking fund redemption if the Underwriters elect to combine two or more consecutive serial maturities identified above into one or more term bonds. The "Term Bonds", if any, will be described in the final Official Statement.

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(1) CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed on behalf of the American Bankers Association, by FactSet Research Systems, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

*Preliminary, subject to change.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters 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 Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

The Underwriters have provided the following sentence for inclusion in the Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to the Underwriters and other dealers who may sell the Bonds into investment accounts.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including the schedule and appendices hereto, to obtain information essential to making an informed investment decision.

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

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

None of the City, the Underwriters, or the Financial Advisor makes 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.

The statements contained in this Official Statement, and in other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. See "OTHER INFORMATION – Forward-Looking Statements Disclaimer."

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TABLE OF CONTENTS

The cover page hereof, this page, and the schedule and appendices included herein and any addenda, supplement or amendment hereto, are part of the Preliminary 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 Bonds (defined herein) 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 Allen, Texas (the "City") is a political subdivision and home-rule municipal corporation of the State of Texas (the "State"), located in Collin County, Texas. The City is located approximately 25 miles north of Dallas, Texas on U.S. Highway 75 (see "INTRODUCTION - Description of the City").

THE BONDS................................. The Bonds will be issued as $21,630,000* City of Allen, Texas, General Obligation Improvement and Refunding Bonds, Series 2026 (the "Bonds"), in serial and/or term maturities maturing on August 15 in the years 2027 through 2046.

PAYMENT OF INTEREST .... Interest on the Bonds will accrue from the Date of Initial Delivery to the Underwriters and will be payable February 15, 2027, and each August 15 and February 15 thereafter until stated maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapters 1207, 1331, and 1371, as amended, an election held within the City on November 7, 2023 and approved by a majority of voters, and an ordinance adopted by the City Council (the "City Council") of the City on May 12, 2026, authorizing the issuance of the Bonds (the "Bond Ordinance"). In the Bond Ordinance, the City Council delegated to certain officials of the City the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The final terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance").

SECURITY FOR THE BONDS......... The Bonds are direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City.

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, ____, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). If two or more consecutive serial maturities of the Bonds are grouped into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance and will be described in the final Official Statement.

TAX EXEMPTION .... In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS – Tax Exemption" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for (i) permanent public improvements and public purposes, to wit: (a) designing, constructing, repairing, improving and maintaining streets, thoroughfares, alleys, sidewalks, bridges and other public ways; and (b) constructing, improving, expanding, renovating and equipping Ford Park, including the installation and development of athletic fields and sport courts, (ii) refunding certain outstanding obligations of the City (the "Refunded Bonds"), as more particularly described in "SCHEDULE I – Schedule of Refunded Bonds," to achieve debt service savings, and (iii) paying the costs related to the issuance of the Bonds. See "PLAN OF FINANCING".

RATINGS .... The Bonds and certain of the presently outstanding ad valorem tax-supported debt of the City are rated "Aaa" by Moody's Investors Service Inc. ("Moody's") and "AAA" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") (see "OTHER INFORMATION - Ratings").

PAYMENT RECORD .... The City has never defaulted in payment of its general obligation tax debt.

BOOK-ENTRY-ONLY SYSTEM...... The definitive Bonds 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 Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

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*Preliminary, subject to change.

Selected Financial Information

Fiscal Year Ended 9/30	Estimated Population [1]	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Tax Debt	Per Capita Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Total Tax Collections
2022	109,039	$ 15,787,317,956	$ 144,786	$ 119,955,000	$ 1,100	0.76%	99.91%
2023	110,821	18,233,967,240	164,535	123,315,000	1,113	0.68%	99.90%
2024	111,963	19,922,834,991	177,941	189,715,000	1,694	0.95%	99.88%
2025	113,855	21,505,959,363	188,889	191,120,000	1,679	0.89%	99.80%
2026	114,647	23,225,184,012	202,580	188,490,000 [2]	1,644 [2]	0.81% [2]	98.45% [3]

____

[1] City estimate.
[2] Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.
[3] Through April, 2026.

General Fund Consolidated Statement Summary

	For Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Beginning Balance	$ 34,368,679	$ 32,548,113	$ 28,779,924	$ 27,764,293	$ 26,898,146
Total Revenues	135,768,381	127,676,681	115,182,038	112,386,565	107,569,352
Total Expenditures	(139,420,726)	(133,087,757)	(112,633,428)	(112,906,147)	(105,037,924)
Other Resources (Uses)	7,618,822	7,231,642	1,219,579	1,535,213	(1,665,281)
Ending Balance	$ 38,335,156	$ 34,368,679	$ 32,548,113	$ 28,779,924	$ 27,764,293

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CITY OFFICIALS, STAFF, AND CONSULTANTS

Elected Officials

City Council	Position	Length of Service	Term Expires	Occupation
Chris Schulmeister	Mayor	Newly Elected	May 2029	Small Business Owner- Finance
Michael Schaeffer	Councilmember, Place 1	2 Years	May 2027	Small Business Owner- Construction
Tommy Baril	Councilmember, Place 2	3 Years	May 2029	Assistant Director GAO Cybersecurity
Ken Cook	Councilmember, Place 3	2 Years	May 2027	Healthcare Professional
Amy Gnadt	Councilmember, Place 4	1 Year	May 2028	Insurance Professional
Carl Clemencich	Councilmember, Place 5	2 Years	May 2027	Accounting Management Consultant
Ben Trahan	Councilmember Place 6	4 Years	May 2028	Commercial Banker

Selected Administrative Staff

Name	Position	Length of Service
Eric Ellwanger	City Manager	14 Years
Peter Phillis	Chief Financial Officer	5 Years
Shelley B. George	City Secretary	29 Years

Consultants and Advisors

Independent Auditors .... Weaver and Tidwell, L.L.P.
Dallas, Texas

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

Financial Advisor .... Estrada Hinojosa
Dallas, Texas

For additional information regarding the City, please contact:

Peter Phillis (Chief Financial Officer)
City of Allen
One Allen Civic Plaza
Allen, TX 75013
214-509-4626 – Phone

or

David G. Gordon
Estrada Hinojosa
600 N. Pearl Street, Suite 2100
South Tower
Dallas, TX 75201
214-658-1670 – Phone

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

CITY OF ALLEN, TEXAS
(Collin County)

$21,630,000*
GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS,
SERIES 2026

INTRODUCTION

This Official Statement, which includes the schedule and appendices hereto, provides certain information regarding the issuance of $21,630,000* City of Allen, Texas, General Obligation Improvement and Refunding Bonds, Series 2026 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined herein).

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City of Allen, Texas (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, Estrada Hinojosa, Dallas, Texas.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and municipal corporation of the State of Texas (the "State" or "Texas"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City adopted its Home Rule Charter in 1979 and amended it in 1995, 2001, 2007, 2015, 2019 and 2021. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members (the "City Council"). The 2020 Census population for the City was 104,627 while the estimated population for 2026 is 114,647. The City covers approximately 26 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) permanent public improvements and public purposes, to wit: (a) designing, constructing, repairing, improving and maintaining streets, thoroughfares, alleys, sidewalks, bridges and other public ways; and (b) constructing, improving, expanding, renovating and equipping Ford Park, including the installation and development of athletic fields and sport courts, (ii) refunding certain outstanding obligations of the City (the "Refunded Bonds"), as more particularly described in "SCHEDULE I – Schedule of Refunded Bonds," to achieve debt service savings, and (iii) paying the costs related to the issuance of the Bonds.

REFUNDED BONDS . . . The principal and interest due on the Refunded Bonds are to be paid on the scheduled redemption date of such Refunded Bonds, from funds to be deposited pursuant to an escrow agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania (the "Escrow Agent"). The Bond Ordinance (defined herein) provides that from a portion of proceeds of the sale of the Bonds received from the Underwriters, together with other lawfully available funds of the City, if any, the City will deposit with the Escrow Agent the amount which, together with the Governmental Obligations (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Governmental Obligations, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date as set forth in "Schedule I - Schedule of Refunded Bonds." Such amount will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct, noncallable obligations of the United States (the "Governmental Obligations"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Refunded Bonds and amounts therein will not be available to pay the Bonds.

Causey Public Finance, LLC, Denver, Colorado (the "Verification Agent"), will verify at the time of delivery of the Bonds to the Underwriters, the mathematical accuracy of the schedules provided by Estrada Hinojosa, the City's Financial Advisor, that demonstrate that the Governmental Obligations will mature and pay interest in such amounts which, together with uninvested funds in the Escrow Fund, will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of principal of and interest on the Refunded Bonds on their redemption date (see " OTHER INFORMATION - Verification of Mathematical Computations").

By the deposit of the Governmental Obligations and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the legal defeasance of the Refunded Bonds, pursuant to Chapter 1207, Texas Government Code, as amended, and the ordinances authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that, as a result of such defeasance, and in reliance upon the report of the Verification Agent, the Refunded Bonds will no longer be payable from ad valorem taxes, but will be payable solely from the principal of and interest on the Governmental Obligations and cash, if any, on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Bonds will be defeased and are not to be included in or considered to be indebtedness of the City for the purpose of a limitation of indebtedness or for any other purpose. See "APPENDIX C - Form of Bond Counsel's Opinion" herein.

*Preliminary, subject to change.

USE OF PROCEEDS . . . The proceeds from the sale of the Bonds together with the City contribution, if any, will be applied approximately as follows:

Sources of Funds:	
Par Amount	
[Net] Original Issue Premium	
Issuer Contribution	
Total Sources of Funds	$ -
Uses of Funds:	
Deposit to Project Fund	
Deposit to Escrow Fund	
Costs of Issuance	
Underwriters' Discount	
Total Uses of Funds	$ -

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated as of July 1, 2026, and mature on August 15 in each of the years and in the amounts shown on page ii hereof. The Bonds are subject to redemption prior to maturity as further described under the subcaption "Optional Redemption" below. Interest on the Bonds will accrue from the date of initial delivery to the underwriters listed on the cover page (the "Underwriters"), will be payable on February 15 and August 15 of each year commencing on February 15, 2027, until stated maturity or prior redemption, and will be computed on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity of the Bonds and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (defined below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE OF THE BONDS . . . The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapters 1207, 1331, and 1371, as amended, an election held within the City on November 7, 2023 and approved by a majority of voters and an ordinance adopted by the City Council of the City on May 12, 2026, authorizing the issuance of the Bonds (the "Bond Ordinance"). In the Bond Ordinance, the City Council delegated to certain officials of the City (each, a "Pricing Officer") the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The final terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance").

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the City is subject to a direct and continuing annual ad valorem tax levied by the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Bonds.

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 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation. Administratively, solely for purposes of its approval of the Bonds, the State Attorney General will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance of the Bonds and based on a 90% collection rate.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15,____, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC, while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If any Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (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 . . . If two or more consecutive serial maturities of the Bonds are grouped into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance and will be described in the final Official Statement.

Notice of Redemption . . . Not less than 30 days prior to a redemption date for the Bonds, 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 Bonds 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 BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied or sufficient funds are not received, such notice will be of no force and effect, the City will not redeem such Bonds, and the Paying Agent/Registrar will give notice, in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised or any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bond 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 Bond from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. 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 Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "THE BONDS - Book-Entry-Only-System" herein.

Defeasance . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, 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 the Paying Agent/Registrar or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by the City's financial advisor, the Paying Agent/Registrar, an independent public accounting firm or another qualified third party to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to make such payment. 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, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, 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 Bonds. The Pricing Officer may further restrict Government Securities in connection with the sale of the Bonds in the Pricing Certificate. In the event the Pricing Officer restricts such Government Securities, the final Official Statement will reflect the new Government Securities. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other the categories of eligible Government Securities for the 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.

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 Bonds. 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 for any other Government Security will be maintained at any particular rating category.

Upon making such deposit in the manner described, such Bonds shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and Government Securities deposited into escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt for any other purpose. Furthermore, all rights of the City to initiate proceedings to call the Bonds that have been defeased to their maturity date for redemption or take any other action amending the terms of the Bonds that have been defeased to their maturity date are extinguished; provided, however, that the right to call the Bonds that have been defeased to their maturity date for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, interest and redemption payments on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor, and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of the Bonds, 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 is rated "AA+" by S&P Global Ratings. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described herein, 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 or the Underwriters.

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the City, printed Bond certificates will be issued to the holders of the Bonds, and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania (The "Paying Agent/Registrar"). 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 Bonds are duly paid and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owners at their stated maturity or prior redemption, as applicable, upon presentation and surrender of such Bonds to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If a date for the payment of principal and/or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to the beneficial owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated payment/transfer 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 Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

Record Date for Interest Payment. . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business 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, 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 a Bond 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.

Amendments . . . The City may amend the Ordinance without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, as applicable, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, respectively, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

Bondholders' Remedies . . . The Ordinance does not establish specific events of default with respect to the Bonds. If the City defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds 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.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the State. The Texas Supreme 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 the alleged breach. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the covenants set forth in the Bonds or the Ordinance. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its Bonds. While the City has relied upon Chapter 1371 in connection with the issuance of Bonds, the City has not waived sovereign immunity. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, 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 holders of the Bonds 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 creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it.

The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes. See "2025 Regular and Special Legislative Sessions" for information on legislation affecting ad valorem taxation exemptions.

VALUATION OF TAXABLE PROPERTY. . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Collin Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. 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 future legislation, through December 31, 2026, an appraisal district may only increase 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 $5,320,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. Cities, counties and school districts that adopted an optional homestead exemption described in (1), above, for the 2022 tax year are prohibited from repealing or reducing the exemption through December 31, 2027. 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.

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.

City Application of Property Tax Code . . . The residence homestead exemption for persons 65 years of age or older is $50,000. The disabled are also granted an exemption on residence homesteads of $25,000.

See Table 1 for a listing of the amounts of the exemptions described above.

The City does not tax nonbusiness personal property; and the Collin County Tax Assessor collects taxes for the City.

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

The City does not tax freeport property.

The City does tax "goods-in-transit".

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does offer a homestead exemption of 5% ($5,000 minimum) of the value of the homestead.

The City has not established an ad valorem tax freeze on the residence homesteads of persons 65 years of age or older and the disabled.

Personal Property. . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit).

Freeport and Goods-in-Transit Exemptions. . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

Other Exempt Property. . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from 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 physically 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. The Texas Legislature amended Section 11.35 of the Property Tax Code to clarify the "damage" for purpose of the statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

Chapter 380 Agreements . . . Chapter 380 of the Texas Local Government Code authorizes the City to establish programs to promote state or local economic development and to stimulate commercial activity in the City. The City currently has Chapter 380 agreements with The Village at Allen L.P., Intelligent Epitaxy Technology, Inc., TCH Altera, Thakkar Development Group, The Farm Development Co., and NetScout Systems Texas, LLC.

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

Five TIRZ zones have been created within the City, three of which are currently active. All zones are expected to have combined property tax increments of approximately $3,032,720 and combined sales tax increments of $27,580 for Fiscal Year 2026 (as of April, 2026). All zones are still being developed.

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.

Tax Abatement Policy. . . The City has adopted a tax abatement policy to encourage economic development. For the 2026 Fiscal Year, the City has four abatements with four companies with a total aggregate taxable value exempt from taxation through the abatement agreements of $21,095,103 (including adjustments). The latest expiration date for any of the agreements is Fiscal Year 2028. The value of property subject to abatement is shown in Table 1 – Valuation, Exemptions and General Obligation Debt.

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" herein.

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 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 "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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

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

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

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

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

Public Hearing and Maintenance and Operations Tax Rate Limitations. . . The following terms as used in this section have the meanings provided below:

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

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

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

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

"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 greater of zero and the rate expressed in dollars per $100 of taxable value calculated by dividing (i) the cumulative difference of the foregone revenue amount, calculated using the difference between a city's voter-approved tax rate and its actual tax rate for each of the preceding three tax years, by (ii) the "current total value" as defined in Section 26.012 of the Property Tax Code, and which may be applied to the City's tax rate when calculating the voter-approval tax rate.

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

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

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

Furthermore, during the 89th Regular Session, the Legislature adopted Senate Bill 1851 (“SB 1851”), which will become effective in connection with the adoption of an ad valorem tax rate for tax year 2026 and thereafter. Under SB 1851, if the Texas Attorney General determines that a city has (a) not had its records and accounts audited and an annual financial statement prepared based on the audit or (b) failed to file its financial statements and auditor’s opinion on such financial statements with the city secretary or city clerk before the 180th day after the city’s fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city’s no-new-revenue tax rate for (i) the tax year that begins on or after the date of the Attorney General’s determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor’s opinion on such financial statement with the city secretary, as applicable.

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

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

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

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

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

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

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

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.

2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS . . . The regular session of the 89th Texas Legislature convened on January 14, 2025, and concluded on June 2, 2025 (the "89th Regular Session"). 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. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session (such special sessions together with the 89th Regular Session are herein referred to as the "2025 Legislative Session").

During the 2025 Legislative Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures for issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 2025 Legislative Session and cannot make any representations regarding the full impact of the legislation approved during the 2025 Legislative Session at this time. Further, the City can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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Table 1 - Valuation, Exemptions and General Obligation Debt

Tax Year 2025 Actual Market Value of Taxable Property (100% of Actual)	$	27,148,998,222
Less Exemptions		
Over 65 and/or Disabled Homestead		319,778,313
Disabled and Deceased Veterans		169,713,536
Productivity Value Loss		108,621,819
Freeport		141,476,935
Abatements		21,095,103
Homestead Exemption		553,713,161
Exempt Property		1,802,444,156
Pollution Control		424,401
Homestead Cap Adjustment		717,919,862
Leased Vehicles		87,013,053
Personal Property Vehicle		7,785
Solar		1,606,086
Tax Year 2025 Net Taxable Assessed Valuation	$	23,225,184,012
Tax-Supported Debt Payable from Ad Valorem Taxes (as of August 12, 2026)		180,645,000 [(1)]
Plus: The Bonds		21,630,000 [(2)]
Total Gross Tax-Supported Debt Payable from Ad Valorem Taxes	$	202,275,000
Interest and Sinking Fund (as of January 31, 2026)[(3)]	$	20,646,485
Ratio of Total Tax Supported Debt to Net Taxable Assessed Valuation (Tax Year 2025)		0.87%
2026 Population as Estimated by the City		114,647
Per Capita Net Taxable Assessed Valuation (Tax Year 2025)	$	202,580
Per Capita Total General Obligation Debt Payable from Ad Valorem Taxes	$	1,764

(1) Excludes the Refunded Bonds. Preliminary, subject to change.
(2) Preliminary, subject to change.
(3) Unaudited. The unaudited information has not been prepared or reviewed by the City's independent auditor. The unaudited information is derived from internal account balances of the City and is subject to revision upon completion of the City's annual audit.

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Table 2 - Taxable Assessed Valuations by Category

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
Real Estate:	Amount	% of Total	Amount	% of Total	Amount	% of Total
Single-Family Residence	$ 17,895,199,375	65.91%	$ 17,721,404,558	67.39%	$ 17,132,848,187	67.51%
Multi-Family Residence	1,744,319,148	6.42%	1,670,267,373	6.35%	1,721,012,481	6.78%
Vacant Lots	248,805,428	0.92%	241,537,200	0.92%	229,994,455	0.91%
Acreage	108,740,262	0.40%	140,837,215	0.54%	185,002,790	0.73%
Farm/ Ranch Improvements	13,159,336	0.05%	6,987,671	0.03%	2,637,909	0.01%
Commercial & Industrial	3,669,795,729	13.52%	3,356,197,745	12.76%	3,066,366,862	12.08%
Utilities (Real & Personal)	178,325,059	0.66%	167,791,897	0.64%	164,451,553	0.65%
Personal: Commercial	1,221,320,939	4.50%	925,655,533	3.52%	888,911,274	3.50%
Industrial	67,608,808	0.25%	75,055,581	0.29%	82,246,028	0.32%
Real, Inventory	100,417,162	0.37%	101,986,744	0.39%	115,480,379	0.46%
Special Inventory	4,889,909	0.02%	2,409,955	0.01%	3,328,208	0.01%
Exempt Property	1,896,417,067	6.99%	1,888,140,997	7.18%	1,784,348,586	7.03%
Less: Estimated ARB Reductions	-	0.00%	-	0.00%	-	0.00%
Total Appraised Valuation Before Exemptions	$ 27,148,998,222	100.00%	$ 26,298,272,469	100.00%	$ 25,376,628,712	100.00%
Less: Total Exemptions/Reductions	(3,923,814,210)		(4,792,313,106)		(5,453,793,721)	
Net Taxable Assessed Value	$ 23,225,184,012		$ 21,505,959,363		$ 19,922,834,991	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
Real Estate:	Amount	% of Total	Amount	% of Total
Single-Family Residence	$ 14,778,364,023	67.30%	$ 11,266,080,086	63.21%
Multi-Family Residence	1,387,652,880	6.32%	1,155,523,889	6.48%
Vacant Lots	208,491,764	0.95%	161,619,076	0.91%
Acreage	203,274,578	0.93%	209,897,383	1.18%
Farm/ Ranch Improvements	16,300,678	0.07%	2,076,258	0.01%
Commercial & Industrial	2,763,538,418	12.58%	2,489,091,977	13.97%
Utilities (Real & Personal)	141,802,702	0.65%	195,698,155	1.10%
Personal: Commercial	818,241,257	3.73%	853,764,425	4.79%
Industrial	151,617,752	0.69%	3,989,631	0.02%
Real, Inventory	114,106,234	0.52%	157,468,369	0.88%
Special Inventory	3,224,138	0.01%	2,641,885	0.01%
Exempt Property	1,372,969,947	6.25%	1,325,886,502	7.44%
Less: Estimated ARB Reductions		0.00%	-	0.00%
Total Appraised Valuation Before Exemptions	$ 21,959,584,371	100.00%	$ 17,823,737,636	100.00%
Less: Total Exemptions/Reductions	(3,725,617,131)		(2,036,419,680)	
Net Taxable Assessed Value	$ 18,233,967,240		$ 15,787,317,956	

NOTE: Valuations shown are from the Collin Central Appraisal District's Supplemental Certification Reports and the Property Tax Division of the State Comptroller’s Office, for the years shown, adopted by the City Council. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Tax Debt	Per Capita Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation
2017	94,576	$ 11,225,448,362	$ 118,692	$ 90,235,000	$ 954	0.80%
2018	101,429	12,399,194,007	122,245	87,420,000	862	0.71%
2019	102,632	13,636,538,512	132,868	83,815,000	817	0.61%
2020	109,591	14,524,049,246	132,530	93,215,000	851	0.64%
2021	108,207	14,902,240,727	137,720	108,905,000	1,006	0.73%
2022	109,039	15,787,317,956	144,786	119,955,000	1,100	0.76%
2023	110,821	18,233,967,240	164,535	123,315,000	1,113	0.68%
2024	111,963	19,922,834,991	177,941	189,715,000	1,694	0.95%
2025	113,855	21,505,959,363	188,889	191,120,000	1,679	0.89%
2026	114,647	23,225,184,012	202,580	188,490,000 [(2)]	1,644 [(2)]	0.81% [(2)]

(1) City estimate.
(2) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

	Taxing Purposes					
Fiscal Year	Local Maintenance	Debt Service	Total Tax Rate	Total Tax Levy	Current Collections	Total Collections
2017	$ 0.3963	$ 0.1237	$ 0.5200	$ 58,617,868	99.43%	99.95%
2018	0.3927	0.1173	0.5100	63,184,129	99.63%	99.94%
2019	0.3935	0.1045	0.4980	67,684,728	99.74%	99.95%
2020	0.3870	0.1020	0.4890	70,617,878	99.90%	99.88%
2021	0.3905	0.0945	0.4850	71,988,605	99.73%	99.92%
2022	0.3688	0.1012	0.4700	73,930,484	99.75%	99.91%
2023	0.3307	0.0905	0.4212	76,568,021	99.75%	99.90%
2024	0.3232	0.0974	0.4205	83,770,176	99.62%	99.88%
2025	0.3205	0.0970	0.4175	89,787,383	99.78%	99.80%
2026	0.3178	0.0976	0.4154	96,261,057	98.45% [(1)]	98.45% [(1)]

(1) Collections through April, 2026.

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TABLE 5 - TEN LARGEST TAXPAYERS

Taxpayers	Type of Business	2025/2026 Net Taxable Assessed Valuations	Percentage of Total Assessed Valuation
VAA Improvements	Mixed Use	$ 179,087,723	0.77%
C1 Dallas - Allen (Lot 1) LLC	Data Center	177,258,522	0.76%
Allen Premium Outlets LP	Retail	157,197,336	0.68%
Voltage Park Inc.	Data Center	137,851,895	0.59%
Hewlett Packard Financial Service Company	Finance	125,982,197	0.54%
La Villa Housing Finance Corporation	Real Estate	118,006,338	0.51%
Charter DW Watters Creek Village LLC	Mixed Use	112,529,315	0.48%
Cisco Systems Inc.	Data Center	110,000,000	0.47%
Allen Watterscape LLC	Mixed Use	88,533,221	0.38%
Creekside Acquisition LP	Apartments	83,676,571	0.36%
Totals		$ 1,290,123,118	5.55%

____

Source: Collin Central Appraisal District.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see, however, "THE BONDS - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY

Principal and Interest Requirements, 2026	$	22,375,422 [(1)]
$0.09683 Tax Rate at 99.50% Collection Produces	$	22,375,422
Average Principal and Interest Requirements, 2026-2046	$	13,827,681 [(1)]
$0.05984 Tax Rate at 99.50% Collection Produces	$	13,827,681
Maximum Principal and Interest Requirements, 2027	$	22,509,592 [(1)]
$0.09741 Tax Rate at 99.50% Collection Produces	$	22,509,592

____

[(1)] Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued Tax Debt since the date of such Report, and such entities may have programs requiring the issuance of substantial amounts of Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City as of July 30, 2026.

Taxing Body	Total Tax Debt 8/12/2026	Percent Overlapping	Amount Overlapping As Of 8/12/2026
City of Allen	$ 202,275,000 [1]	100.00%	$ 202,275,000 [1]
Allen Independent School District	661,129,039	84.77%	560,439,086
Collin County	910,405,000	8.43%	76,747,142
Collin County Community College District	438,250,000	8.43%	36,944,475
Lovejoy Independent School District	175,075,000	8.55%	14,968,913
McKinney Independent School District	338,220,000	0.17%	574,974
Plano Independent School District	1,291,905,000	0.86%	11,110,383
Total Direct and Overlapping Debt:			$ 903,059,972 [1]
Total Direct and Overlapping Tax Debt Percent of Assessed Valuation			3.89% [1]
Total Direct and Overlapping Tax Debt Per Capita			$ 7,877 [1]

[1] Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.
Source: Municipal Advisory Council of Texas.

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DEBT INFORMATION

TABLE 8 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 09/30	Outstanding General Obligation Debt (1)			The Bonds (2)			Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2026	$ 13,785,000	$ 8,590,422	$ 22,375,422	$ -	$ -	$ -	$ 22,375,422	
2027	11,720,000	7,854,163	19,574,163	1,905,000	1,030,429	2,935,429	22,509,592	
2028	9,475,000	7,328,513	16,803,513	3,190,000	986,250	4,176,250	20,979,763	
2029	10,450,000	6,884,113	17,334,113	1,670,000	826,750	2,496,750	19,830,863	
2030	10,915,000	6,392,163	17,307,163	975,000	743,250	1,718,250	19,025,413	31.60%
2031	10,720,000	5,870,413	16,590,413	1,495,000	694,500	2,189,500	18,779,913	
2032	11,195,000	5,381,313	16,576,313	1,570,000	619,750	2,189,750	18,766,063	
2033	10,370,000	4,870,263	15,240,263	1,650,000	541,250	2,191,250	17,431,513	
2034	10,675,000	4,392,513	15,067,513	975,000	458,750	1,433,750	16,501,263	
2035	10,015,000	3,910,200	13,925,200	515,000	410,000	925,000	14,850,200	60.78%
2036	9,190,000	3,447,350	12,637,350	540,000	384,250	924,250	13,561,600	
2037	7,190,000	3,014,300	10,204,300	570,000	357,250	927,250	11,131,550	
2038	7,535,000	2,669,350	10,204,350	595,000	328,750	923,750	11,128,100	
2039	7,895,000	2,307,750	10,202,750	625,000	299,000	924,000	11,126,750	
2040	8,270,000	1,936,100	10,206,100	660,000	267,750	927,750	11,133,850	82.02%
2041	8,655,000	1,546,650	10,201,650	690,000	234,750	924,750	11,126,400	
2042	7,290,000	1,138,900	8,428,900	725,000	200,250	925,250	9,354,150	
2043	7,650,000	782,650	8,432,650	760,000	164,000	924,000	9,356,650	
2044	7,125,000	408,750	7,533,750	800,000	126,000	926,000	8,459,750	
2045	1,050,000	52,500	1,102,500	840,000	86,000	926,000	2,028,500	99.57%
2046	-	-	-	880,000	44,000	924,000	924,000	100.00%
	$ 181,170,000	$ 78,778,372	$ 259,948,372	$ 21,630,000	$ 8,802,929	$ 30,432,929	$ 290,381,301	

(1) Excludes the Refunded Bonds. Preliminary, subject to change.
(2) Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/26		$ 22,375,422 (1)
Interest and Sinking Fund, Fiscal Year Ending 9/30/25	$ 3,883,953	
Budgeted Interest and Sinking Fund Tax Levy	22,045,659	
Estimated Investment Income Plus Delinquent Collections & Penalties	537,613	$ 26,467,225
Estimated Balance, Fiscal Year Ending 9/30/26		$ 4,091,803

(1) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Original Amount Authorized	Issued To Date	Being Issued (1)	Unissued Balance
Streets & Drainage	11/07/23	$ 47,000,000	$ 11,150,000	$ 5,630,000	$ 30,220,000
Parks and Recreation	11/07/23	17,000,000	9,850,000	7,150,000	-
Mobility Projects	11/07/23	8,000,000	-	-	8,000,000
		$ 72,000,000	$ 21,000,000	$ 12,780,000	$ 38,220,000

(1) Includes premium generated and counted against voted authorization. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City anticipates issuing approximately $10,000,000 of additional general obligation debt in summer 2027, subject to City Council discretion.

TABLE 11 - OTHER OBLIGATIONS

FINANCED PURCHASES . . . The City has acquired golf course equipment under various agreements accounted for as financing arrangements. As of September 30, 2025, the capitalized costs of business- type property under the financing arrangements were $73,292.

The terms of the financing arrangements range from 3 – 5 years and call for monthly and annual payments over the life of the agreements. The future minimum payments under the financing arrangements and the net present value of the future minimum payment at September 30, 2025, are as follows:

Fiscal Year Ending 9/30	Business-type Activities		
	Principal	Interest	Total
2026	$ 15,663	$ 383	$ 16,046
	$ 15,663	$ 383	$ 16,046

Capital Leases . . . The City is a lessee for noncancellable leases of buildings, copiers, and other equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (leased asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with lease payments of $20,000 or more.

The future principal and interest lease payments as of fiscal year-end are as follows:

Fiscal Year Ending	Governmental Activities			Business-type Activities		
9/30	Principal	Interest	Total	Principal	Interest	Total
2026	$ 475,488	$ 62,110	$ 537,598	$ 182,466	$ 29,882	$ 212,348
2027	385,505	38,538	424,043	191,802	20,547	212,349
2028	237,565	15,699	253,264	201,614	10,734	212,348
2029	-	-	-	104,643	1,532	106,175
Total	$ 1,098,558	$ 116,347	$ 1,214,905	$ 680,525	$ 62,695	$ 743,220

Pension Plan . . . The City provides pension benefits for all its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent, multiple-employer public employee retirement system. For information regarding the City's Pension Plan, please see "Note 7 – Retirement Plan" in the City's Comprehensive Financial Report attached hereto as Appendix B.

The City participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrs.com. All eligible employees of the city are required to participate in TMRS.

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 actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The City's contribution to TMRS for the year ended September 30, 2025 was $12,525,281, which was equal to the actuarially determined required contribution.

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.

Other Post-Employment Benefits . . . In addition to the pension benefits described above, and as required by state law, the City provides post-retirement health care benefits for all permanent full-time employees through a single employer defined benefit medical plan. To be eligible under the plan, a participant must either attain age sixty (60) and at least five (5) years of TMRS service or be any age with twenty (20) or more years of service. Retirees must make a one-time irrevocable decision to continue benefits at the time of retirement, after which their eligibility for this benefit ends. The retiree benefit consists of medical, dental and vision care until age 65.

Employees who retired on or before December 31, 2012, were "grandfathered" in and allowed to pay the same blended medical premium rates as COBRA participants, which are the total cost of premiums (no City subsidy) plus 2% administration fees. The retirees are also subject to the same rate increases as COBRA participants. Employees who retire on or after January 1, 2013, can elect health care coverage but will be required to pay the (higher) unblended rate. Current OPEB benefits are made on a pay-as-you-go basis from the Risk Management Fund.

OPEB Funding Policy . . . Due to the significant increase in retiree premium costs, the City elected to create a separate Other Postemployment Defined Benefit Medical Plan for retirees, effective January 1, 2013. The single employer defined benefit plan is created by City ordinance and appoints the City Manager as Plan Administrator for the program. The trust was established with Public Agency Retirement Services Company (PARS) and is used to accumulate resources to fund future benefits. However, it does not represent the activities of the plan. Related medical costs are incurred in and paid from the City's Risk Management Fund. The plan benefit provisions and obligations to contribute are established by City Council action and are actuarially determined.

Summary of Actuarial Assumptions and Other Inputs Used

	Actuarial Assumptions
Inflation	2.50%
Salary Increases	3.60% to 11.50%, including inflation
Discount Rate	4.08%, as of December 31, 2024
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with immediate convergence).
Mortality Rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Changes in Total OPEB Liability

Total OPEB Liability	$ 1,894,498
Changes for the year:	
Service Cost	112,969
Interest of Total OPEB Liability	72,842
Differences between expected and actual experience	(24,150)
Changes in assumptions or other inputs	(111,564)
Benefits payments	(37,656)
Net Changes	12,441
Total OPEB Liability - end of year	$ 1,906,939

The City's total OPEB liability of $1,904,939 was measured on December 31, 2024, and determined by an actuarial valuation as of that date. Accordingly, no roll-forward is required.

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FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2025	2024	2023	2022	2021
Ad Valorem Taxes	$ 66,300,467	$ 62,144,429	$ 58,160,407	$ 56,716,915	$ 56,379,891
Franchise Taxes	8,063,990	7,642,112	7,454,546	7,342,205	6,669,763
Sales Taxes	32,165,443	31,360,809	29,267,736	27,386,273	25,344,374
Licenses, Permits and Fees	3,959,078	3,846,034	3,520,343	2,810,280	3,805,840
Charges for Services	11,017,245	9,073,053	5,273,847	9,531,473	6,521,194
Fines	3,004,773	1,815,041	1,298,422	1,313,927	1,076,468
Gifts and Contributions	2,960,553	2,069,112	2,565,742	2,917,033	1,180,503
Intergovernmental	5,390,125	6,815,962	587,251	2,934,604	4,181,326
Interest Earned	2,716,437	2,744,347	4,124,625	(1,407,248)	86,598
Miscellaneous	190,270	165,782	2,929,119	2,841,103	2,323,395
Total Revenues	$ 135,768,381	$ 127,676,681	$ 115,182,038	$ 112,386,565	$ 107,569,352
Expenditures:					
Current:					
General Government	$ 28,595,817	$ 31,116,493	$ 23,891,282	$ 21,986,036	$ 20,744,905
Public Safety	67,907,556	62,652,800	56,106,863	51,483,662	49,836,540
Public Works	8,535,712	7,729,175	6,152,353	6,532,462	6,664,683
Culture and Recreation	27,322,867	25,457,095	21,411,786	28,059,988	23,950,848
Community Development	4,582,943	4,488,521	4,034,780	3,736,000	3,590,155
Capital Outlay	1,825,826	954,211	519,281	615,725	250,793
Debt Service:					
Principal	618,584	666,255	476,269	454,530	-
Interest and Fiscal Charges	31,421	23,207	40,814	37,744	-
Total Expenditures	$ 139,420,726	$ 133,087,757	$ 112,633,428	$ 112,906,147	$ 105,037,924
Excess (Deficiency) of Revenues Over Expenditures	$ (3,652,345)	$ (5,411,076)	$ 2,548,610	$ (519,582)	$ 2,531,428
Other Financing Sources (Uses):	7,618,822 (1)	7,231,642 (2)	1,219,579	1,535,213	(1,665,281)
Excess (Deficiency) of Revenues & Other Resources Over (Under) Expenditures and Other Uses	$ 3,966,477	$ 1,820,566	$ 3,768,189	$ 1,015,631	$ 866,147
Fund Balance - Beginning of Year	34,368,679	32,548,113	28,779,924	27,764,293	26,898,146
Fund Balance - September 30	$ 38,335,156	$ 34,368,679	$ 32,548,113	$ 28,779,924	$ 27,764,293

(1) The amount of $7,618,822 is partly due to a $9,701,532 transfer from the Water and Sewer Fund to the General Fund.
(2) The amount of $7,231,642 is partly due to a $7,066,045 transfer from the Water and Sewer Fund to the General Fund.

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City imposes and levies a 1% Local Sales and Use Tax within the City pursuant to the Municipal Sales and Use Tax Act, Texas Tax Code Chapter 321; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

State law provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes by the City is limited to no more than 2% (the State sales and use tax rate is 6¼%).

In addition to the one percent (1%) local sales and use tax referred to above, the City imposes an additional one-half percent (½%) sales and use tax for economic development that is collected solely for the benefit of the Allen Economic Development Corporation (the "EDC") and a one-half percent (½%) sales and use tax for economic development that is collected solely for the benefit of the Allen Community Development Corporation (the "CDC"). The sales and use tax collected for the benefit of the EDC and the CDC may be pledged to secure the payment of sales tax revenue bonds issued by the EDC or the CDC, respectively, but **such sales and use tax collections have not been pledged to the payment of the Bonds and may not be used for the payment of the Bonds**.

Fiscal Year Ended 9-30	Total Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (2)
2016	$ 18,422,653	33.99%	0.1810	$ 196
2017	19,308,374	33.01%	0.1720	204
2018	19,784,359	31.33%	0.1596	195
2019	20,950,935	30.95%	0.1536	204
2020	21,197,174	30.02%	0.1459	193
2021	24,446,389	33.96%	0.1640	226
2022	26,439,079	35.76%	0.1675	242
2023	28,783,061	37.48%	0.1579	259
2024	31,219,002	37.27%	0.1567	274
2025	31,033,105	34.56%	0.1443	271

(1) Figures refer to the City's 1% sales tax only and do not include the additional ½% for the EDC and ½% for the CDC.
(2) Based on City population estimates.

FINANCIAL POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the fiscal year ended September 30, 2002, the City implemented Governmental Accounting Standards Board Statement No. 34 ("GASB 34"). The City implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions in FY 2011.

Government-wide and Fund Financial Statements … The governmental-wide financial statement (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of intergovernmental revenues, which have a one-year period of availability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closer/post close costs, are recorded only when the liability has matured.

Property taxes, sales taxes, franchise fees and licenses, intergovernmental revenues, certain charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives the cash as the resulting receivables are deemed immaterial.

Fund Balances . . . It is the City's policy that the undesignated fund balance in the General Fund should be in an amount that is within a range of 60 to 90 days of the General Fund current year operating expenditures budget. The undesignated fund balance for the debt service fund shall be maintained in an amount that is within a range of 5% to 10% of the current year's debt service.

Use of Bond Proceeds . . . The City's policy is to use bond proceeds for capital expenditures only and not to fund normal City operations.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning each October 1. On or before August 10 of each year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted. The budget is legally enacted by the City Council through the passage of appropriation and tax levying ordinances prior to September 30.

During the fiscal year, budgetary control is maintained by the monthly review of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year if no disbursement from or encumbrance of the appropriation has been made.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas 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.

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

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

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

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

State law requires the City's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

TABLE 14 - CURRENT INVESTMENTS

As of May, 2026, the City's investable funds were invested in the following categories:

Fund and Investment Type	Primary Government	Percentage of Portfolio
Governmental Agencies	$ 66,024,890	17.23%
Local Government Investment Pool	317,142,193	82.77%
Total Investments	$ 383,167,083	100.00%

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 99.29% 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.

TAX MATTERS

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

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

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

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt Bonds such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt Bonds. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

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

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN BONDS . . . The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bond of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the City of the general type included in this Official Statement in Tables 1 through 5, 8, and 10 through 14 (the "Annual Financial Information"). The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix B and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Financial Information within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The City may provide the Financial Statements earlier, including at the time it provides its Annual Financial Information, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30th. The Annual Financial Information must be provided by the last day of March in each year, and the Financial Statements must be provided by September 30th of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . .The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into 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 trustee or the change of name of a trustee, 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 or operating data in accordance with its agreement described above under "Annual Reports".

For the purposes of the event identified in (12), the event 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 U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City; and the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines "Financial Obligation" as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

AVAILABILITY OF INFORMATION . . . In connection with its continuing disclosure agreement entered into with respect to the Bonds, the City will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

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

The City may amend its continuing disclosure agreement 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 Bonds 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 Bonds 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 Bonds. The City may also amend or repeal the provisions of its 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 Bonds in the primary offering of the Bonds.

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 last five years, the City has complied in all material respects with all of its continuing disclosure agreements pursuant to the Rule.

OTHER INFORMATION

RATINGS

The Bonds and certain of the presently outstanding ad valorem tax supported debt of the City are rated "Aaa" by Moody's Investors Service Inc. ("Moody's") and "AAA" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City Attorney that the resolution of these matters will not have a material adverse effect on the financial condition or operations of the City.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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 Bonds 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. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and 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 Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as APPENDIX C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Dallas, Texas, Counsel for the Underwriters. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions "PLAN OF FINANCING" (except under the subcaption "Use of Proceeds"), "THE BONDS" (except under the subcaptions "Book-Entry-Only System," "Bondholders' Remedies" and the last sentence under "Tax Rate Limitation"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings") and the subcaptions "Legal Matters" (except for the last two sentences of the first paragraph thereof), "Registration and Qualification of Bonds for Sale", and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION," and such firm is of the opinion that the information relating to the Bonds and the legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance.

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

CYBERSECURITY RISK MANAGEMENT

The City's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the City continually assesses and monitors its cybersecurity risks, the City has been (and may be in the future) subject to cyber attacks from time to time. In response to such assessments and monitoring, the City takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the City has not been the victim of any cyber-attack that has had a material adverse impact on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunication outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the City's operations and/or financial condition.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City 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 ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such statutes, documents and ordinances for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

Estrada Hinojosa is contracted as Financial Advisor to the City in connection with the issuance of the Bonds. The fee for services rendered by the Financial Advisor with respect to the sale of the Bonds is contingent upon the issuance and delivery of such Bonds. Estrada Hinojosa has relied on the opinions of Bond Counsel and has not verified and 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 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

The Financial Advisor 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.

Effective August 2, 2024, Texas State Bankshares, Inc., the registered bank holding company for Texas Regional Bank (collectively, "TRB"), completed its acquisition of Dallas-based investment banking group Estrada Hinojosa & Company, Inc. ("Estrada Hinojosa"). Estrada Hinojosa operates under TRB Capital Markets, LLC, a wholly-owned subsidiary of TRB, using the assumed name of "Estrada Hinojosa."

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, for a purchase price of $_____________, which reflects a [net] original issue (discount/premium) of $__________ and an underwriters' discount of $_____________. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Governmental Obligations, to pay, when due, principal and accrued interest on the Refunded Bonds on their redemption date. Such report will be relied upon by Bond Counsel in rendering its opinion with respect to defeasance of the Refunded Bonds. The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by Estrada Hinojosa on behalf of the City. The Verification Agent has restricted its procedures to recalculating the computations provided by Estrada Hinojosa on behalf of the City and has not evaluated or examined the assumptions or information used in the computations.

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 City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. 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

In the Bond Ordinance, the City Council authorized the Pricing Officer to approve in the Pricing Certificate, for and on behalf of the City, (i) the form and content of this Official Statement, and any addenda, supplement, or amendment thereto, and (ii) the Underwriters' use of this Official Statement in connection with the public offering and sale of the Bonds.

SCHEDULE I
SCHEDULE OF REFUNDED BONDS*

Bond		Maturity Date	Interest Rate	Par Amount	Redemption Date	Call Price
General Obligation Bonds, Series 2013						
	Serials	8/15/2028	3.000%	$ 300,000	10/2/2026	100.00
		8/15/2029	3.000%	310,000	10/2/2026	100.00
				$ 610,000		
General Obligation Bonds, Series 2014						
	Serials	8/15/2028	3.100%	$ 615,000	10/2/2026	100.00
General Obligation Refunding and Improvement Bonds, Series 2015						
	Serials	8/15/2028	3.000%	$ 505,000	10/2/2026	100.00
		8/15/2029	3.000%	450,000	10/2/2026	100.00
		8/15/2031	3.125%	475,000	10/2/2026	100.00
		8/15/2032	3.250%	490,000	10/2/2026	100.00
		8/15/2033	3.250%	510,000	10/2/2026	100.00
		8/15/2034	3.250%	525,000		
				$ 2,955,000		
General Obligation Refunding Bonds, Series 2016						
	Serials	8/15/2027	4.000%	$ 900,000	10/2/2026	100.00
		8/15/2028	4.000%	940,000	10/2/2026	100.00
				$ 1,840,000		
General Obligation Bonds, Series 2018						
	Serials	8/15/2027	5.000%	$ 550,000	10/2/2026	100.00
		8/15/2028	5.000%	575,000	10/2/2026	100.00
		8/15/2029	5.000%	605,000	10/2/2026	100.00
		8/15/2030	5.000%	635,000	10/2/2026	100.00
		8/15/2031	5.000%	665,000	10/2/2026	100.00
		8/15/2032	4.000%	700,000	10/2/2026	100.00
		8/15/2033	4.000%	725,000	10/2/2026	100.00
				$ 4,455,000		
				$ 10,475,000		

______
* Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY AND SURROUNDING AREA

General

The City of Allen (the "City" or "Allen") is in Collin County, which is the 3rd fastest-growing county in the nation. Collin County's population was estimated to be 1,195,359in 2026 and is expected to reach 2.4 million by 2050. Located 25 miles north of downtown Dallas on US 75, Allen encompasses approximately 27 square miles. The George Bush Tollway and Sam Rayburn Tollway (Hwy 121) provide direct access into the Metroplex and access to Love Field (27 miles) and Dallas Ft Worth International Airport (31 miles). The City sits in a prime location for restaurants, shopping centers and other retail venues. The quality of the City's community attracts well-educated residents with a high level of spending power and disposable income. Allen's population reached 114,647 residents in 2026, more than doubling from just over 45,000 in the year 2000 and is projected to reach approximately 140,000 at build-out.

Incorporated in 1953, Allen is a home rule charter city. The Charter can be amended only by a vote of the people and provides for seven non-partisan Council members, including the Mayor, to be elected at-large to staggered terms of three years. The Council is responsible for enacting ordinances, resolutions, and regulations governing the City as well as adopting the annual budget which serves as the foundation for financial planning and control. The City Council appoints the City Manager, who has full responsibility for carrying out Council policies and administering city operations. The Council also appoints the Municipal Judge and various advisory boards.

City service departments provide a full range of services including police and fire protection, emergency ambulance service, municipal courts, building code enforcement, library, parks and recreation, tourism, water and sewer services, sanitation/solid waste services, traffic engineering, and construction and maintenance of streets and infrastructure. The City currently has a staff of 978.67 full time equivalent employees.

Population

Year	City of Allen	Collin County
1990	18,309	264,036
2000	48,308	491,675
2010	85,322	782,341
2011	86,633	791,470
2012	88,103	834,674
2013	89,705	854,778
2014	91,157	881,788
2015	92,958	908,798
2016	94,170	908,798
2017	94,576	914,127
2018	101,429	969,603
2019	102,632	981,148
2020	109,591	1,005,146
2021	108,207	1,095,580
2022	109,039	1,125,999
2023	110,821	1,149,101
2024	111,963	1,158,696
2025	113,855	1,195,359
2026	114,647	1,195,359 (1)

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(1) Estimate.
Sources: United States Bureau of the Census, the North Central Texas Council of Governments, and the City of Allen.

ECONOMIC CONDITIONS AND OUTLOOK

Regional Economy

The Dallas-Fort Worth area has a diversified economy, a low unemployment rate, a growing labor force, low cost of living, affordable real estate, and a superior business climate. The City of Allen's unemployment rate as of September 2025 was 3.9%, and the Collin County unemployment rate was 3.6% -- both of which were below the national rate of 4.4%. Allen has increasingly become a home for highly educated, high-income professionals, yet maintains a welcoming spirit for people and families from all stations of life. The median household income in Allen was $137,627 in 2025, and over 57.5% of the City's residents have earned a bachelor's degree or higher.

Allen's Position in the Region

Along with being situated in an ideal location just 12 miles north of Dallas on US 75, Allen's appealing demographics have spurred along record-breaking growth. The estimated 2026 population of 114,647 is expanding at a moderate growth rate. Allen is a community that offers exceptional housing, award-winning schools, steady job growth, and a dynamic business climate, all of which are strong factors in the success of the City's economy.

Allen is a vibrant city with award winning amenities. The pro-business environment and superior quality of life come together to empower Allen's residents and businesses to achieve higher levels of success. This unique combination has received national recognition, including best city to move to in Texas by Consumer Affairs, and Wallet Hub ranking Allen as the one of the best real estate markets in America (2022, 2024, 2025).

Long Range Financial Planning

The City's responsiveness to emerging economic challenges and its long-term planning have been key factors in its fiscal health. The City has a five-year financial plan and a seven-year capital improvement plan where departments reevaluate project priorities, review funding sources, and identify new projects as needed. Using this plan allows the City to plan the timing of projects associated with debt issuance and the effects on the tax rate. The ratings on the City's outstanding General Obligation debt was reaffirmed at AAA by Standard and Poor's and Aaa by Moody's. The outstanding Water and Sewer Revenue Bonds are rated 'AAA' from Standard and Poor's and Aaa from Moody's. S&P's recent rating report supporting the 'AAA' rating stated the following credit factors:

- Very strong economy
- Very strong management with strong financial policies and practices
- Very strong budgetary flexibility and strong budgetary performance
- Very strong liquidity
- Adequate debt and contingent liability position
- Strong institutional framework score.

The City held a Bond Election in November of 2023 for $156.5 Million. There were five propositions on the ballot and but for one proposition, all were approved by the voters. The four propositions that passed are for public improvements. Of this amount authorized by the voters, the City has previously issued $104 Million for street improvements, a park and a new Police Headquarters.

Fiscal Year 2025 Highlights

During fiscal year 2025, the City accomplished many initiatives to enhance livability, to improve personal experience, to invest in the future, and to celebrate the City's successes. From quality neighborhoods to park development, to community safety, and to environmental initiatives, it's no surprise that people move here to experience the quality of life the citizens of Allen enjoy.

The City continues to meet the growing diversity of residents by adding a variety of housing types: single-family homes, townhomes, and multifamily units. Single-family and townhome revenue activity represent the predominant revenue sources. Permit activity for commercial and mixed-use development showed the greatest revenue across all development types, due largely to the development activity in the Watters Creek District and The Farm, a mixed-use development.

The City has an overall crime rate of 10 per 1,000 residents. Compared to other communities of similar population size, the City has a crime rate that is one of the lowest in the nation. According to Homesnacks list of Safest Cities in America for 2024, Allen ranks 5th, among lists of the safest cities with a population exceeding 100,000 residents. Regarding violent crimes, Neighborhood Scout's research shows that Allen's violent crime rate is 1 per 1,000 inhabitants, which is well below the national average for all communities of all population sizes. Allen is frequently cited as having the lowest property crime rate among Texas' 50 largest cities.

The Fire Department is committed to advancing emergency services and care for its citizens and visitors. Recent accomplishments include updating medical treatment protocols to reflect the latest in-patient care and expanding professional development programs for staff. The department has enhanced its training capabilities with the launch of the ARIES simulation platform, offering state-of-the-art virtual environments for high-stress incident training. Community education efforts have grown through programs like Drive to Thrive, which promotes safety and risk reduction. Construction of Fire Station #6 has been completed, increasing response capabilities in the community. Additionally, interoperability with neighboring departments has strengthened through joint training and resource sharing, enhancing regional response coordination.

The City's public works activities continued to support community needs in 2025. In Water and Sewer Operations, the City completed fielding its Advanced Meter Infrastructure (AMI) system to 35,000 customers. This system provides the capability for data-driven water use analysis and the proactive detection of water leaks for all customers. The water system also installed two Residual Control Systems at elevated water towers. These systems optimize chloramine disinfectant levels to prolong water life and avoid over 200 million gallons of water line flushing annually. The City's oldest pump station was also completely refurbished with new controls, pumps, and an additional auxiliary generator. The engineering department also began a project to replace the water lines and concomitantly replace the asphalt road in two old subdivisions. Water and sewer system maintenance and capital improvements are optimally funded. This is accomplished while the City's fees for customers continues to be among the lowest few of thirteen local comparison cities. Road maintenance and replacement was funded and proceeded in accordance with the road condition assessment study. The City continued to support citizen focused solid waste and drainage services. The Solid Waste and Drainage enterprise funds operate at costs to citizens that are the lowest of the five similar comparison cities that are proximate to Allen.

Environmentally focused public activities continued to be a priority for the community and residents of the City. Environmental education opportunities were provided to homeschoolers, our local public and private schools, scouts, and youth camps. Various Keep Allen Beautiful (KAB) Board youth contests and award ceremonies were conducted before the Allen City Council at Regular City Council meetings. Our franchised waste services provider, Community Waste Disposal, continued to support all residential and commercial waste and recycling activities including the major KAB events like Great American Clean Up, the City's "Allen USA" Independence Day Celebration, and Allen Recycles Day. KAB and the City continue to be recognized by Keep Texas Beautiful as a Gold Star Affiliate and Sustained Excellence Award Winner. KAB has won the Keep Texas Beautiful Governor's Community Achievement award a total of three times. This state level award recognizes the City for sponsoring the best in public environmental education activities among Texas cities with a population like Allen's.

The Allen Public Library continues to provide a vibrant, welcoming environment for Allen citizens with an emphasis on exemplary customer service and support for lifelong learning, literacy, access to information, and bringing the community closer together. Physical books and videos remain popular among patrons of all ages. The library's annual circulation has exceeded one million for ten consecutive years and was recognized by the Texas Municipal Library Directors Association for the eleventh consecutive year for Achievement of Library Excellence.

In 2025, Allen Parks and Recreation made significant progress in achieving its mission of creating meaningful LIFE experiences. A major milestone was the grand opening of the Stephen G. Terrell Recreation Center, a 149,000-square-foot facility offering diverse fitness and leisure amenities for all ages. In its first year of operations, the center exceeded expectations by surpassing both membership and revenue goals, reflecting the community's enthusiasm for this state-of-the-art addition.

The department also advanced several key parks and trail projects. A highlight was the launch of "Reimagining Ford Park," a master planning process focused on redeveloping one of Allen's oldest and most-used parks. Community engagement was a vital component, with residents contributing ideas through public events and surveys. Another significant accomplishment was the June 2024 opening of The Bark Yard, a highly anticipated dog park that features unique and interactive Public Art installations. Additionally, the department secured further grant funding for the Rowlett Creek Trail expansion, a project with a total budget of $8 million and a construction start date planned for late 2026. There were many other accomplishments achieved during the year as well.

The Allen Economic Development Corporation (AEDC) worked to bring a variety of companies and related development to Allen. There were many successes this past year with the development along the City's northern boundary with the establishment of a new tax increment reinvestment zone for a large mixed-use development and several land transactions that will further economic development opportunities.

One of the City's major draws, The Credit Union of Texas Event Center. The Center hosts a wide variety of activities including shows, concerts, exhibitions, contests, athletic competitions, cultural events, trade shows, as well as civic ceremonies and activities. The Event Center is also the home to professional sports; the Allen American Hockey Club (ECHL), and the Dallas Sidekicks Soccer Club (MASL).

Relevant Financial Policies

The City's financial policies and practices set forth the basic framework for the fiscal management of the City. The policies and procedures were developed within the parameters established by applicable provisions of the Texas Local Government Code, the City of Allen charter, and internal management laws, and are reviewed on a periodic basis. The Investment Policy is also approved annually by the Council. All other policies (accounting, budgeting, procurement, capital improvements, asset management, and risk management) are internal policies approved by the Finance department and City Manager. On a quarterly basis, the Finance Department prepares financial and investment reports that are presented to the City Council.

Budget Controls

By August 10 of each year the City Manager shall prepare and submit the budget for the ensuing year to the City Council. The budget is to include revenues and expenditure associated with the plan. City Council is required to have a public hearing on the budget or annual service plan. After the hearing City Council is to discuss, deliberate, amend the proposed budget as appropriate and shall at least by the second City Council meeting in September prior to the beginning of the next fiscal year, adopt by favorable majority. There are extended technical provisions that could require a super majority vote for the passage of the budget. Annual budgets are legally adopted for the General Fund, Debt Service Fund, Hotel Occupancy Tax Fund, Asset Forfeiture Fund, Special Revenue Fund, Grants Fund, and Tax Increment Financing Fund on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary integration is not employed for proprietary funds. However, the City adopts an annual budget for those funds for managerial control purposes.

Internal Control

Management of the City, through its Finance Department, is responsible for the implementation, maintenance, and monitoring of a set of comprehensive internal controls. The goal of the City's system of internal control is to limit opportunity for theft, fraud, or abuse by ensuring adequate separation of duties and systematic monitoring with a positive control environment set at the top of the organization. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

AWARDS AND ACKNOWLEDGEMENTS

Awards -- The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Allen for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. Fiscal year 2024 was the twenty-seventh consecutive year for which the City has achieved this prestigious award. To be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2025. This is the twenty-sixth consecutive year the City has received the award. To qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy document, financial plan, operations guide, and communications device.

MAJOR EMPLOYERS

Because of the City's proximity to the Dallas metropolitan area, the accelerated economic growth in recent years has provided the City with a well-diversified economy, including electronics, manufacturing, printing and publishing, and retail establishments.

Employer	2025 Number of Employees	Percentage of Total City Employment
Allen Independent School District	2,586	4.89%
City of Allen	995	1.88%
Experian Information Solutions	817	1.54%
Jack Henry & Associates	694	1.31%
Credit Union of Texas	580	1.10%
Andrew's Distributing	437	0.83%
Texas Health Presbyterian Hospital	435	0.82%
Motorola Solutions	375	0.71%
Netscout	323	0.61%
Amphenol Fiber Systems International	257	0.49%
Total	7,499	14.17%

Source: City of Allen.

RESIDENTIAL AND COMMERCIAL BUILDING CONSTRUCTION

Fiscal Year Ended 9-30	Residential Number of Permits	Residential Dollar Amount of Permits	Commercial Number of Permits	Commercial Dollar Amount of Permits	Total Number of Permits	Total Dollar Amount of Permits
2016	446	$ 167,008,177	577	$ 196,049,333	1,023	$ 363,057,510
2017	461	223,078,350	472	319,401,514	933	542,479,864
2018	462	154,396,750	475	307,051,134	937	461,447,884
2019	448	125,125,992	19	498,902,695	467	624,028,687
2020	515	148,308,364	395	99,361,104	910	247,669,468
2021	607	164,430,879	161	79,102,796	768	243,533,675
2022	354	91,157,460	24	41,617,456	378	132,774,916
2023	151	36,690,669	180	423,367,083	331	460,057,752
2024	103	31,823,231	157	542,060,362	260	573,883,593
2025	303	73,518,852	189	580,425,593	492	653,944,445

Source: City of Allen.

COLLIN COUNTY, TEXAS

Collin County (the "County") is located in north central Texas immediately north of and adjacent to Dallas County, in the Dallas-Fort Worth CMSA. The County, created in 1846 from Fannin County, contains approximately 886 square miles. The area lies wholly within the rich "black land belt" of Texas. Its economy is based on manufacturing, finance, technology and agriculture, with grain sorghums, cotton, wheat, hay and livestock as the principal sources of agricultural income. Many residents commute to jobs in Dallas, Garland, and Richardson.

The County's population increased 183.3% from 264,036 for the 1990 Census, to 782,341 in the 2010 Census. Collin County is the richest county in Texas, and one of the wealthiest counties in the country. Rapid population growth in the cities of Allen, McKinney, Frisco, and Plano during the past several years has caused accelerated industrial growth throughout the County, resulting in a sound, balanced economy.

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas and Collin County's Website.

LABOR FORCE STATISTICS

	City of Allen January 2026	City of Allen January 2025	City of Allen January 2024	Collin County January 2026	Collin County January 2025	Collin County January 2024
Civilian Labor Force	62,290	62,043	60,663	15,838,900	15,769,642	15,375,400
Total Employment	59,711	59,582	58,239	15,126,189	15,109,463	14,739,537
Total Unemployment	2,579	2,461	2,424	712,711	660,179	635,863
Percentage Unemployment	4.14%	3.97%	4.00%	4.50%	4.19%	4.14%

Source: Texas Labor Market Information

ESTIMATED TOTAL RETAIL TRADE SALES STATISTICS

Year	Collin County	DFW CMSA[1]
2016	$ 18,290,512,354	$ 121,388,108,523
2017	18,252,671,474	121,553,287,811
2018	19,881,561,633	127,510,771,420
2019	20,570,363,417	130,461,055,048
2020	20,508,698,868	124,440,949,332
2021	28,207,235,897	159,942,854,101
2022	26,203,726,711	167,279,720,682
2023	26,836,054,659	167,257,614,577
2024	28,447,352,901	169,805,540,677
2025 [2]	20,087,400,714	125,624,847,543

(1) The Dallas-Fort Worth Consolidated Metropolitan Statistical Area (CMSA) includes the counties of Collin, Dallas, Delta, Denton, Ellis, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise.

(2) Based on Sales Tax Collections Through the 3rd Quarter of 2025.

Source: Texas State Comptroller.

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APPENDIX B

EXCERPTS FROM THE

CITY OF ALLEN, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Report is provided as of respective dates and for the periods specified herein and is subject to change without notice, and the filing of this Report does not, under any circumstances, imply that there has been no change in the affairs of the City since the specified dates as of which such information is provided.

2300 North Field Street, Suite 1000
Dallas, Texas 75201
972-490-1970

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Allen, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1D to the basic financial statements, during the year ended September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Beginning net position has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and budgetary comparison schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P

Dallas, Texas
March 2, 2026

CITY OF ALLEN

Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources (net position) at September 30, 2025, by $785,972,869. Of this amount, $173,138,731 (22%) represented the unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by $71,402,809. Out of this, $65,975,047 is from governmental activities and $5,427,762 is from business-type activities. The City also restated beginning net position, reducing it by a total of ($2,714,747) due to the implementation of GASB Statement 101, Compensated Absences. This standard increased the liability for compensated absences because the liability now includes accrued compensated absences that will be used as time off in addition to the previously included liability for amounts that could be paid in cash to employees upon separation.

On a government-wide basis, the City's total assets increased by $79,962,248 or 8% and total liabilities increased by $2,860,622 or 1%.

As of September 30, 2025, the City's governmental funds reported combined ending fund balances of $199,641,884, a decrease of $2,304,876 or 1% in comparison to the previous year. As of September 30, 2025, $37,952,039 or 19% of the fund balance, is available for spending at the government's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all the City's assets, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information that shows how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event that gives rise to the change occurs, regardless of the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

In the government-wide financial statements, on pages 33 through 35, the City is divided into three kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including the police, fire, library, community development, parks and recreation, municipal court, and general administration. Property and sales taxes, charges for services, franchise fees, and state and federal grants finance most of these activities.

Business-type activities - The City's water, sewer, solid waste, drainage, golf course, and Allen event center operations are reported here. These are functions intended to recover all or a significant portion of their costs through user fees and charges.

Component units - The City includes two separate legal entities in this report: the Allen Economic Development Corporation (AEDC) and the Allen Community Development Corporation (ACDC). Although legally separate, these component units are important because the City is financially accountable for them.

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

Governmental Funds. These funds are used to account for most of the City's activities, which are essentially the same functions as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as resources available for future spending at fiscal year-end. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. When compared with similar information in the broader government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation is provided, which details the relationships or differences between governmental activities and governmental funds; reconciliation follows the fund financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, General Capital Projects Fund, and General Obligation Bond Fund, all of which are major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 36 through 43 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, solid waste collection and disposal services, drainage operations, golf course and event center operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for vehicle, machinery, and equipment replacements, costs associated with workers compensation, liability and property insurance and employee medical and dental insurance programs, and costs associated with the maintenance of City facilities. These services have been included within governmental activities and business-type activities in the government-wide financial statements as they provide benefit to both functions of the primary government.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, event center operations and other enterprise fund services are grouped into a single aggregated presentation in the proprietary fund statements as they do not meet the requirements to be classified as major funds. Individual nonmajor enterprise fund data is provided in the form of combining statements in another section of this report. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is also provided in the form of combining schedules elsewhere in this report. The basic proprietary fund financial statements are located on pages 44 through 47 of this report.

Notes to the Financial Statements. Additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements is provided in the notes to the financial statements located on pages 51 through 84 of this report.

Required Supplementary Information. Required supplementary information includes budgetary comparison schedules that have been provided for the general fund to demonstrate compliance with the budget. Required supplementary information also includes schedules of changes in net liabilities and related ratios and on contributions to the City's pension and other postemployment benefits (OPEB). The City participates in Texas Municipal Retirement System (TMRS) for its pension plan and provides its employees with post-retirement healthcare benefits (OPEB). The City also has a separate defined benefit retiree healthcare plan that is no longer adding new beneficiaries and will eventually terminate. The required supplementary information is found on pages 89 through 99 of this report.

The combining and budgetary schedules referred to earlier include information for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and the discretely presented component units, and are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time, net position may serve as a useful indicator of the financial position of a government. The assets and deferred outflows of the City of Allen exceed the liabilities and deferred inflows by $785,972,869 at September 30, 2025.

By far the largest portion of the City's net position, $584,414,009 or 74%, reflects its net investment in capital assets (i.e. land, buildings, infrastructure, vehicles, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net position, $28,420,129 or 4%, represents resources that are subject to external restrictions on how those resources can be used. The remaining balance of $173,138,731 (22%) is available to be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The net position for governmental activities and business-type activities are summarized as follows:

Table 1
Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 257,078,715	$ 252,210,622	$ 103,598,501	$ 99,098,303	$ 360,677,216	$ 351,308,925
Capital assets	574,063,042	506,322,303	157,267,922	154,414,704	731,330,964	660,737,007
Total assets	831,141,757	758,532,925	260,866,423	253,513,007	1,092,008,180	1,012,045,932
Deferred outflows of resources	16,510,238	20,441,056	2,537,102	3,035,514	19,047,340	23,476,570
Long-term liabilities	259,978,968	260,251,908	32,703,970	34,891,921	292,682,938	295,143,829
Other liabilities	18,190,149	15,824,078	8,625,316	5,669,874	26,815,465	21,493,952
Total liabilities	278,169,117	276,075,986	41,329,286	40,561,795	319,498,403	316,637,781
Deferred inflows of resources	4,939,313	1,393,046	644,935	206,868	5,584,248	1,599,914
Net position:						
Net investment in capital assets	456,007,649	404,047,053	128,406,360	125,811,570	584,414,009	529,858,623
Restricted	25,918,296	26,737,949	2,501,833	2,336,548	28,420,129	29,074,497
Unrestricted	82,617,620	70,719,947	90,521,111	87,631,740	173,138,731	158,351,687
Total net position	$ 564,543,565	$ 501,504,949	$ 221,429,304	$ 215,779,858	$ 785,972,869	$ 717,284,807

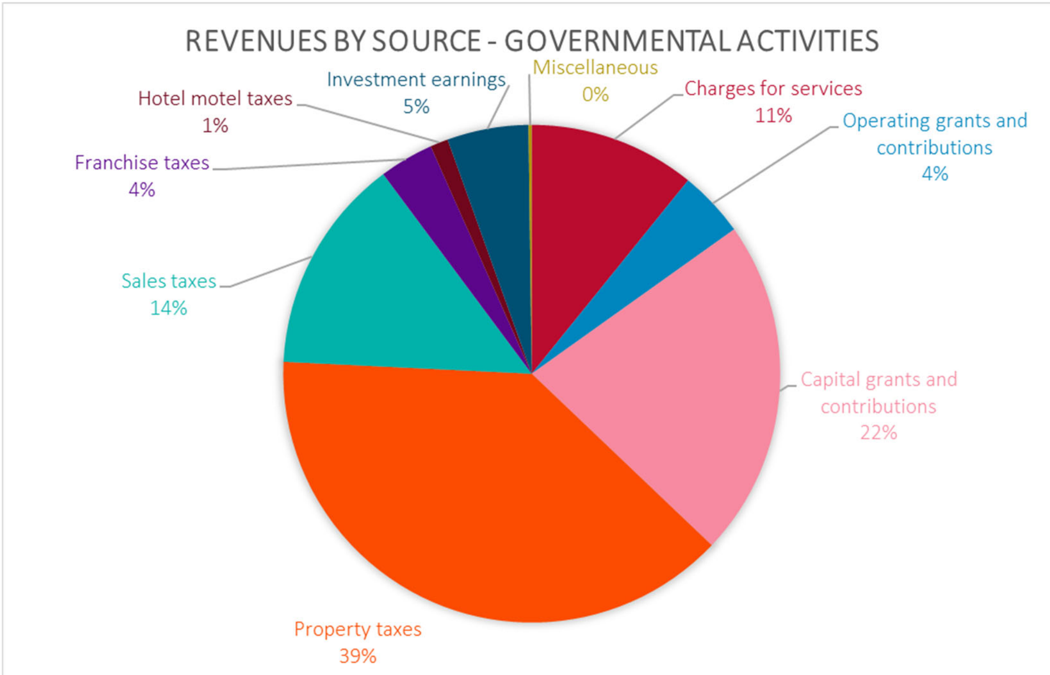
As of September 30, 2025, the City had an overall increase in net position of $71,402,809 for the primary government, which represents an increase of $65,975,047 for governmental activities and an increase of $5,427,762 for business-type activities. Beginning net position was restated by ($2,936,431) for governmental activities and $221,684 for business-type activities as a result of a change in accounting principle for the implementation of GASB 101, *Compensated Absences*. Details are in Table 2 as listed below.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	$ 24,994,617	$ 17,899,679	$ 98,447,160	$ 101,385,132	$ 123,441,777	$ 119,284,811
Operating grants and contributions	9,956,238	10,617,394	717,436	-	10,673,674	10,617,394
Capital grants and contributions	50,629,518	15,764,984	5,809,167	7,014,220	56,438,685	22,779,204
General revenues					-	-
Property taxes	89,170,582	83,821,874	-	-	89,170,582	83,821,874
Sales taxes	32,389,161	31,547,688	-	-	32,389,161	31,547,688
Franchise taxes	8,134,411	7,735,536	-	-	8,134,411	7,735,536
Hotel motel taxes	2,696,118	2,481,874	-	-	2,696,118	2,481,874
Investment earnings (loss)	12,197,343	11,035,616	2,302,787	2,853,701	14,500,130	13,889,317
Miscellaneous	481,107	162,288	2,172,660	2,600,635	2,653,767	2,762,923
Total revenues	230,649,095	181,066,933	109,449,210	113,853,688	340,098,305	294,920,621
Expenses						
General government	35,270,238	36,583,521	-	-	35,270,238	36,583,521
Public safety	73,885,692	67,135,182	-	-	73,885,692	67,135,182
Public works	28,256,296	29,858,727	-	-	28,256,296	29,858,727
Culture and recreation	33,752,858	31,337,978	-	-	33,752,858	31,337,978
Community development	6,672,806	6,470,480	-	-	6,672,806	6,470,480
Interest on long-term debt	6,966,930	4,022,874	-	-	6,966,930	4,022,874
Water and sewer	-	-	58,329,250	57,160,608	58,329,250	57,160,608
Solid waste services	-	-	8,003,251	7,725,311	8,003,251	7,725,311
Drainage	-	-	1,964,894	1,808,497	1,964,894	1,808,497
Golf course	-	-	4,351,713	4,579,932	4,351,713	4,579,932
Allen event center	-	-	11,241,568	10,127,154	11,241,568	10,127,154
Total expenses	184,804,820	175,408,762	83,890,676	81,401,502	268,695,496	256,810,264
Change in net position before transfers	45,844,275	5,658,171	25,558,534	32,452,186	71,402,809	38,110,357
Transfers	20,130,772	7,677,314	(20,130,772)	(7,677,314)	-	-
Change in net position	65,975,047	13,335,485	5,427,762	24,774,872	71,402,809	38,110,357
Net position, beginning of year	501,504,949	488,169,464	215,779,858	191,004,986	717,284,807	679,174,450
Change in accounting principle - GASB 101	(2,936,431)	-	221,684	-	(2,714,747)	-
Net position, beginning of year - restated	498,568,518	488,169,464	216,001,542	191,004,986	714,570,060	679,174,450
Net position, end of year	$ 564,543,565	$ 501,504,949	$ 221,429,304	$ 215,779,858	$ 785,972,869	$ 717,284,807

Governmental Activities

Revenues – The following chart visually illustrates the City's revenue by sources for governmental activities:



Revenues for the City's governmental activities totaled $230,649,095, an increase of $49,582,162 (27%) from prior year. Major components of revenue increases and decreases are explained as follows:

- Property taxes increased by $5,348,708 (6%), due to an increase in assessed value and new property additions. This is in line with the estimate published in the adopted budget for the year.
- Sales taxes increased by $841,473 (3%), as a result of expected economic conditions, as the City of Allen is largely dependent upon retail sales.
- Franchise taxes increased by $398,875 (5%), due to new growth in the City.
- Hotel motel taxes increased by $214,244 (9%), as a result of increased tourism.
- Charges for services increased by $7,094,938 (40%) primarily due to increased use of the Steven G. Terrell Recreation Center. The City has also seen a significant increase in fines revenues during the fiscal year.
- Operating grants and contributions decreased by $661,156 (6%), with major factors including the completion of a large project in FY24 that was partially funded by the county and the conclusion of ARPA funding by December 2025. These were large sources of operating grants in FY24 that either didn't happen in FY25 or concluded early in the year.
- Capital grants and contributions increased by $34,864,534 (221%) due in large part to the large piece of land purchased by the EDC for an economic development agreement that was transferred to the City during the fiscal year to facilitate the lease of the land to the lessor.
- Investment earnings increased by $1,161,727 (11%) over prior year, as a result of higher interest rates and an increase in fair market values of investments during fiscal 2024.
- Miscellaneous revenues increased by $318,819 (196%) from prior year, with the largest source being a rebate from the City's purchasing card administrator.

Expenses for governmental activities totaled $184,804,820, an increase of $9,396,058 (5%) from fiscal year 2024. Components of increases and decreases are explained as follows:

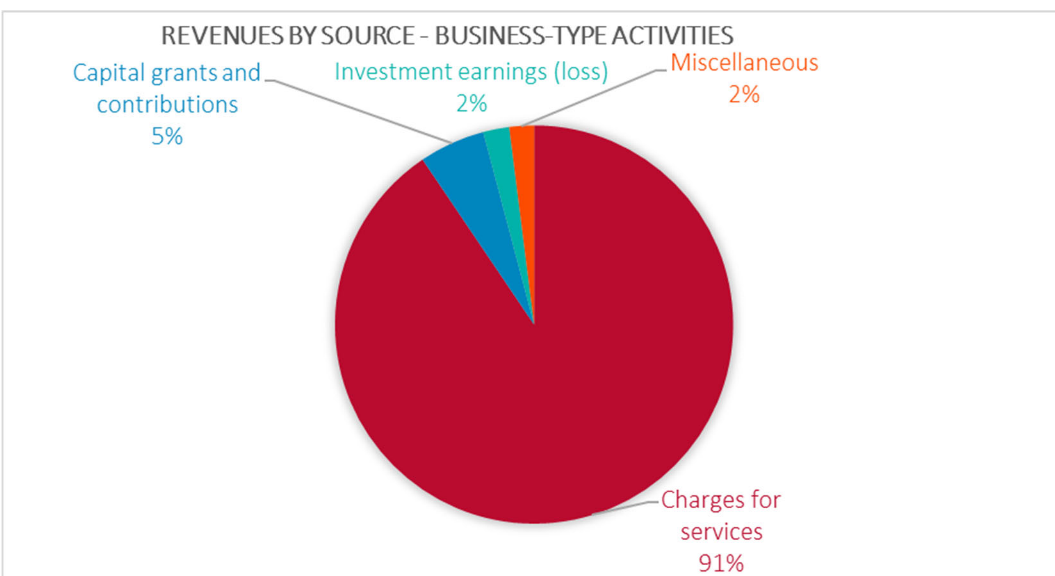
- Expenses for General Government decreased by $1,313,283 (4%), due primarily to the City's strategic goal of contributing more reserve funding to its Facility Maintenance internal service fund in the prior year.
- Expenses for Public Safety increased by $6,750,510 (10%), due primarily to the scheduled salaries market adjustment for both Fire and Police departments and increases in health insurance costs.
- Expenses for Public Works decreased by $1,602,431 (5%), because the City is winding down on its bond program dedicated to streets projects.
- Expenses for Culture and Recreation increased by $2,414,880 (8%), due to increased community membership to the Stephen G Terrell Recreation Center.
- Expenses for Community Development increased $202,326 (3%) due mostly to an increase in neighborhood reinvestment projects.
- Expenses for interest on long-term debt increased by $2,944,056 (73%), due to the first year of interest being due on the Series 2024 bond issuance. With the total bond being $84.4 million, the first interest payment was $3.8 million.

Business-type Activities

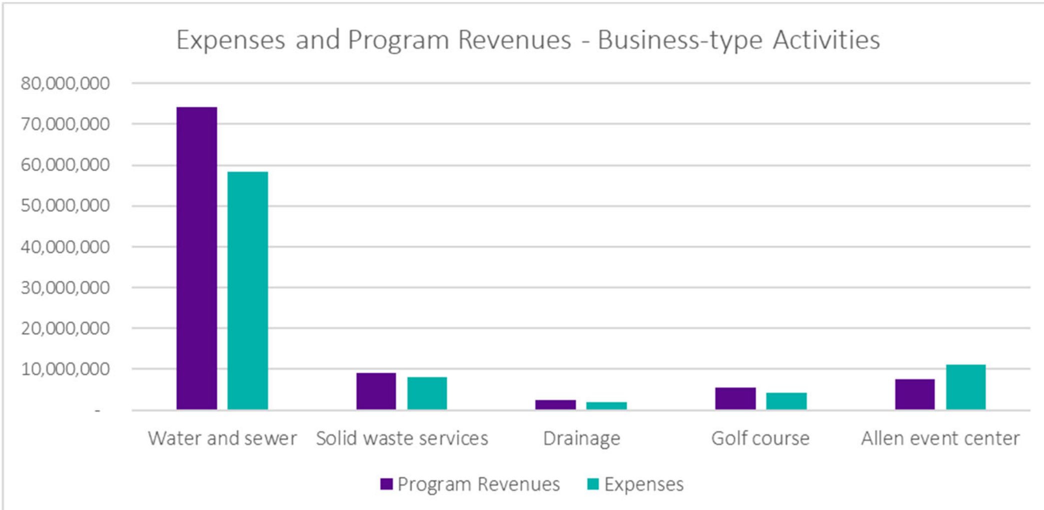
Revenues from business-type activities totaled $109,449,210, a decrease of $4,404,478, or 4%. Major components of the net decrease are as follows:

- Charges for services for business-type activities decreased by $2,937,972 (3%), due to the business-type activities no longer recognizing a portion of internal service activities.
- Capital grants and contributions decreased by $1,205,053 (17%) from fiscal 2024 due to a large amount of capital contributions in the prior fiscal year.
- Miscellaneous revenues decreased by $427,975 (16%) due to prior year revenue from interlocal agreements.

The following chart visually illustrates the City's revenue by sources for business-type activities:



Expenses for business-type activities increased by $2,489,174, or 3%. The increase was due to an increase in cost of services and supplies. The following chart illustrates the relationship between expenses and program revenues for business-type activities:



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The focus of the City of Allen's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the governmental funds reported a combined ending fund balance of $199,641,884, a decrease of $2,304,876 (1%) in comparison with the prior fiscal year. Approximately 19%, or $37,952,039, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balances are classified as non-spendable, restricted, or assigned to indicate that they are not available for new spending allocation. The non-spendable portion totals $63,381 for both prepaid items and inventories. The restricted portion includes: $3,883,953 restricted for debt service, $102,486,553 restricted for capital expenditures, $2,860,442 restricted for tourism, $13,876,715 restricted for tax increment financing agreements, and $6,271,845 restricted for other purposes detailed in the basic financial statements and notes to the financial statements. In addition, $31,396,748 was assigned to capital expenditures and $850,208 to neighborhood reinvestment.

General Fund. The General Fund is the chief operating fund of the City. As of the end of the current fiscal year, the total unassigned fund balance was $37,952,039, while the total fund balance was $38,335,156. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27% or 3 months of total General Fund expenditures.

The original budget included a planned balanced budget with no change in fund balance. However, the General Fund balance increased by $3,966,477 or 12% during the current fiscal year. This was the result of actual revenues significantly exceeding budgeted revenues, especially in investment earnings, licenses, charges for services, and fines and forfeitures. Favorable investment activity in local government investment pools contributed to investment earning $1.7 million over budgeted amounts. The General fund had expenditures in excess of appropriations in the public safety function due to higher than expected personnel costs.

Debt Service Fund. The Debt Service Fund balance of $3,883,953, all of which is restricted for the payment of debt, represents a decrease from the prior year of $504,842 (12%). The decrease was primarily related to the paying down of debt and an increase in interest costs in the current year.

Capital Projects Fund. The General Capital Projects Fund provides information on cash financed capital projects and had an ending fund balance of $32,246,956 at September 30, 2025, an increase of $3,826,597 (13%). The increase was caused by transfers from other funds in order to fund future capital projects.

General Obligation Bond Fund. The General Obligation Bond Fund had an ending fund balance of $102,486,553, which represents a decrease of $10,144,321 (9%) from the prior year. The decrease was due to a large amount of capital expenditures in the current year. The fund had expenditures of $29,406,389 for the purchase and construction of capital assets.

Proprietary Funds

The City's proprietary funds provide information like the presentation in the government-wide financial statements, but in more detail. As of September 30, 2025, the unrestricted net position for all enterprise funds were $90,521,111, an increase of $2,889,371 (3%) from prior year.

Water and Sewer Fund. The Water and Sewer Fund had an ending net position of $212,632,840, which represents an increase in net position of $14,646,587 (7%). This change was as a result of an increase in water and sewer rates.

Allen Event Center Fund. The Allen Event Center Fund had an ending deficit net position of ($1,268,617), which represents a decrease of $765,315 (152%). The main reason for this change was an increase in facility maintenance costs during the fiscal year. The fund also had a negative adjustment to beginning net position due to the implementation of GASB 101 related to compensated absences.

GENERAL FUND BUDGETARY HIGHLIGHTS

During April and May each year, all accounts are evaluated to determine whether they are in line with the original budgets. Accounts that are under or over budget are revised in a mid-year adjustment to meet year-end final estimates. New projects are not added to the year-end estimate; only the cost of maintaining the current base operation is revised as needed. As is customary, during fiscal year ended September 30, 2025, the City Council amended the budget for the General Fund one time.

Adjustments made during fiscal year 2025 increased the original revenue budget by $3,796,265 and increased the expenditure budget by $4,133,199. Due to actual revenues over the revised budget by $2,543,128, and expenditures being less than the revised budget by $2,771,019, the City was able to increase the unassigned General Fund balance by $3,966,477, after net transfers and other financing sources and uses. The unassigned fund balance of $37,952,039 is equal to 25%, or 92 days of next year's operating budget.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, was $731,330,964 (net of accumulated depreciation). Investment in capital assets includes land and improvements, buildings, vehicles, machinery and equipment, park land and facilities, and roads and bridges. About 78% of the capital assets are governmental and 22% represent business-type activities. There was an increase of 11% in the investment in capital assets for the current fiscal year.

Table 3
Capital Assets at Year-end, Net of Accumulated Depreciation/Amortization

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 222,476,684	$ 176,321,479	$ 4,091,626	$ 4,091,626	$ 226,568,310	$ 180,413,105
Construction in progress	51,394,131	79,372,216	26,919,046	18,605,322	78,313,177	97,977,538
Buildings	120,711,790	66,400,594	-	-	120,711,790	66,400,594
Towers, tanks, and pump stations	-	-	81,007,134	82,673,061	81,007,134	82,673,061
Intangibles	-	-	7,194,892	7,461,370	7,194,892	7,461,370
Other improvements	159,038,788	169,289,376	35,273,946	36,637,498	194,312,734	205,926,874
Furniture and fixtures	300,875	81,371	-	-	300,875	81,371
Vehicles	12,705,390	8,936,269	624,678	2,312,889	13,330,068	11,249,158
Machinery and equipment	7,435,384	5,920,998	2,156,600	2,632,938	9,591,984	8,553,936
Total	$ 574,063,042	$ 506,322,303	$ 157,267,922	$ 154,414,704	$ 731,330,964	$ 660,737,007

The major governmental-type capital improvement projects and developer contributions during the current fiscal year included the following:

Library Expansion – Phase II	$13,289,857
Police Department Headquarters	13,762,236
Chelsea Blvd NB Extension	2,602,361
Land purchase transferred from EDC to City	43,017,580
Developer contributions and right-of-way	7,611,938

Completed CIP Projects (not equal to current year expenditures)	
Stephen G. Terrell Recreation Center	$45,473,463
Fire Station #6	13,252,430
Allen Media Productions Center	1,884,614

Business-type capital improvement projects and developer contributions during the current fiscal year include the following:

Developer Contributed Water Mains and Sewer Lines	$ 3,037,136
Heritage/Allen Heights Sewer System Main Replacement	3,374,682
Timbercreek & Allenwood Watermain Replacement	3,655,321
Advanced Meter Infrastructure	603,247

Additional information on the City's capital assets can be found in Note 3-C of this report.

DEBT ADMINISTRATION

As shown in Table 4, the City's total outstanding long-term liabilities of the primary government at September 30, 2025, was $292,682,938. This includes gross bonded debt of $235,801,232 and other long-term debt of $56,881,706. Gross bonded debt includes general obligation bonds, certificates of obligation, revenue bonds, sales tax revenue bonds, tax notes, and premiums and discounts on gross bonded debt. Other long-term debt includes accrued compensated absences, net pension liability, total OPEB liability, leases, and financing arrangements. Outstanding debts associated with the component units totaled $20,855,792. Out of which, $20,710,000 are secured by future sales tax revenue; and $145,792 are premiums and discounts from bond issuances.

Table 4
Outstanding Debt at Year-end
Bonds and Other Long-Term Liabilities

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2025	2024	2025	2024	2025	2024	2025	2024
Gross bonded debt								
General obligation bonds	$ 172,240,000	$ 169,025,000	$ -	$ -	$ 172,240,000	$ 169,025,000	$ -	$ -
Certificates of obligation	18,300,000	19,550,000	-	-	18,300,000	19,550,000	-	-
Revenue bonds payable	-	-	22,760,000	24,180,000	22,760,000	24,180,000	-	-
Premiums and discounts	19,226,225	20,988,725	2,695,007	2,890,723	21,921,232	23,879,448	145,792	218,687
Sales tax revenue bonds	-	-	-	-	-	-	20,710,000	24,225,000
Tax notes	580,000	1,140,000	-	-	580,000	1,140,000	-	-
Total gross bonded debt	210,346,225	210,703,725	25,455,007	27,070,723	235,801,232	237,774,448	20,855,792	24,443,687
Other long-term debt								
Compensated absences	13,599,808	9,428,600	1,184,456	1,286,610	14,784,264	10,715,210	-	-
Net pension liability	33,281,442	37,675,672	5,114,315	5,594,881	38,395,757	43,270,553	-	-
Total OPEB liability	1,652,935	1,649,539	254,004	244,959	1,906,939	1,894,498	-	-
Leases	1,098,558	794,372	680,525	662,774	1,779,083	1,457,146	-	-
Financing arrangements	-	-	15,663	31,974	15,663	31,974	-	-
Total other long-term debt	49,632,743	49,548,183	7,248,963	7,821,198	56,881,706	57,369,381	-	-
Total	$ 259,978,968	$ 260,251,908	$ 32,703,970	$ 34,891,921	$ 292,682,938	$ 295,143,829	$ 20,855,792	$ 24,443,687

During fiscal year 2025, the City issued General Obligation Improvement and Refunding Bonds in the amount of $17,295,000.

The revenue bond debt for both component units relates to debt issued to support public infrastructure improvements, land acquisition, and construction of the Allen Event Center. Total debt of the Component Units decreased by 15%.

The underlying credit ratings from both Moody's Investors Service and Standard and Poor's for the City's and Component Unit Bond types are shown below in Table 5. Additional information on the City's long-term debt can be found in Note 5 to the basic financial statements.

Table 5
Bond Ratings

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	Aaa	AAA
Certificates of Obligation	Aaa	AAA
Water & Sewer Revenue Bonds	n/a	AAA
CDC Sales Tax Revenue Bonds	Aaa	
EDC Sales Tax Revenue Bonds	Aaa	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Allen, Texas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2026 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2026 continues to be maintaining quality service while observing prudent spending practices. Highlights of the 2026 budget include:

- Balanced budget, with total revenues equal to total expenditures
- Property tax rate reduced to $0.4154 per $100 assessed value
- Total City budget $348.8 million
- General Fund budget $149.9 million
- Sustained funding for equipment and facilities improvements
- Additional 16.96 full-time equivalent (FTE) positions

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, please contact the Finance Department at 305 Century Parkway, Allen, Texas, 75013, or call (214) 509-4626.

Basic Financial Statements

CITY OF ALLEN

City of Allen, Texas
Statement of Net Position
As of September 30, 2025

	Primary Government				
	Governmental Activities	Business-Type Activities	Total	Allen Economic Development Corporation	Allen Community Development Corporation
ASSETS					
Cash and cash equivalents	$ 204,087,707	$ 49,357,718	$ 253,445,425	$ 10,681,757	$ 8,206,353
Investments	41,597,293	25,722,143	67,319,436	4,240,266	2,398,545
Receivables (net of allowance for uncollectibles)	10,683,440	20,313,072	30,996,512	2,787,584	2,765,825
Intergovernmental receivable	480,604	661,073	1,141,677	-	-
Prepaid items	175,539	19,769	195,308	5,000	65,000
Inventories	54,132	150,483	204,615	-	-
Restricted cash and cash equivalents	-	7,374,243	7,374,243	-	-
Land held for sale	-	-	-	40,160,439	-
Capital assets:					
Non-depreciable assets	273,870,815	31,010,672	304,881,487	-	11,347,793
Depreciable assets (net of accumulated depreciation/amortization)	300,192,227	126,257,250	426,449,477	677,761	43,081,649
TOTAL ASSETS	831,141,757	260,866,423	1,092,008,180	58,552,807	67,865,165
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - pension	16,280,135	2,501,744	18,781,879	-	-
Deferred outflows of resources - OPEB	230,103	35,358	265,461	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,510,238	2,537,102	19,047,340	-	-
LIABILITIES					
Accounts payable	9,268,569	3,228,917	12,497,486	350,247	604,748
Accrued liabilities	5,720,739	734,572	6,455,311	41,804	8,169
Accrued interest payable	1,020,682	295,210	1,315,892	15,142	34,543
Customer deposits	50	1,089,957	1,090,007	-	-
Unearned revenue	718,895	2,183,501	2,902,396	-	-
Retainage payable	1,461,214	1,093,159	2,554,373	-	213,621
Non-current liabilities:					
Due within one year:					
Bonds, tax notes, leases, financing compensated absences	17,648,642	1,745,976	19,394,618	1,645,000	1,980,000
Total OPEB liability	34,880	5,358	40,238	-	-
Due in more than one year:					
Bonds, tax notes, leases, financing compensated absences	207,395,949	25,589,675	232,985,624	4,170,792	13,060,000
Net pension liability	33,281,442	5,114,315	38,395,757	-	-
Total OPEB liability	1,618,055	248,646	1,866,701	-	-
TOTAL LIABILITIES	278,169,117	41,329,286	319,498,403	6,222,985	15,901,081
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - pension	3,587,549	552,292	4,139,841	-	-
Deferred inflows of resources - OPEB	602,876	92,643	695,519	-	-
Deferred gain on refunding	748,888	-	748,888	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,939,313	644,935	5,584,248	-	-
NET POSITION					
Net investment in capital assets	456,007,649	128,406,360	584,414,009	677,761	38,838,171
Restricted for:					
Debt service	2,909,294	2,501,833	5,411,127	2,262,462	2,376,975
Tourism	2,860,442	-	2,860,442	-	-
State and federal grants	483,907	-	483,907	-	-
Park acquisition and development	2,232,051	-	2,232,051	-	-
Tax increment financing	13,876,715	-	13,876,715	-	-
Other purposes	3,555,887	-	3,555,887	-	-
Unrestricted	82,617,620	90,521,111	173,138,731	49,389,599	10,748,938
TOTAL NET POSITION	$ 564,543,565	$ 221,429,304	$ 785,972,869	$ 52,329,822	$ 51,964,084

The notes to the financial statements are an integral part of this statement.

City of Allen, Texas
Statement of Activities
For the Year Ended September 30, 2025

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	$ 35,270,238	$ 6,178,834	$ 2,815,877	$ -
Public safety	73,885,692	3,189,697	3,747,637	-
Public works	28,256,296	3,470,821	2,190,384	4,474,313
Culture and recreation	33,752,858	8,568,812	234,977	-
Community development	6,672,806	3,586,453	967,363	46,155,205
Interest	6,966,930	-	-	-
Total governmental activities	184,804,820	24,994,617	9,956,238	50,629,518
Business-type activities:				
Water and sewer	58,329,250	74,095,681	-	5,809,167
Solid waste	8,003,251	8,980,407	-	-
Drainage	1,964,894	2,387,112	-	-
Golf course	4,351,713	5,407,762	-	-
Allen event center	11,241,568	7,576,198	717,436	-
Total business-type activities	83,890,676	98,447,160	717,436	5,809,167
TOTAL PRIMARY GOVERNMENT	$ 268,695,496	$ 123,441,777	$ 10,673,674	$ 56,438,685
COMPONENT UNITS				
Allen Economic Development Corporation	$ 52,038,838	$ -	$ -	$ 23,799,265
Allen Community Development Corporation	32,069,035	-	-	-
TOTAL COMPONENT UNITS	$ 84,107,873	$ -	$ -	$ 23,799,265

General revenues:
- Property taxes
- Sales taxes
- Franchise taxes
- Hotel occupancy taxes
- Unrestricted investment earnings
- Gain on sale of capital assets
- Miscellaneous

Transfers

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION - 9/30/2024

RESTATEMENT - change in accounting principle (GASB 101)

NET POSITION - 9/30/2024 as restated

NET POSITION - 9/30/2025

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Allen Economic Development Corporation	Allen Community Development Corporation
$ (26,275,527)	$ -	$ (26,275,527)	$ -	$ -
(66,948,358)	-	(66,948,358)	-	-
(18,120,778)	-	(18,120,778)	-	-
(24,949,069)	-	(24,949,069)	-	-
44,036,215	-	44,036,215	-	-
(6,966,930)	-	(6,966,930)	-	-
(99,224,447)	-	(99,224,447)	-	-
-	21,575,598	21,575,598	-	-
-	977,156	977,156	-	-
-	422,218	422,218	-	-
-	1,056,049	1,056,049	-	-
-	(2,947,934)	(2,947,934)	-	-
-	21,083,087	21,083,087	-	-
$ (99,224,447)	$ 21,083,087	$ (78,141,360)	$ -	$ -
$ -	$ -	$ -	$ (28,239,573)	$ -
-	-	-	-	(32,069,035)
$ -	$ -	$ -	$ (28,239,573)	$ (32,069,035)
89,170,582	-	89,170,582	-	-
32,389,161	-	32,389,161	15,936,483	15,936,483
8,134,411	-	8,134,411	-	-
2,696,118	-	2,696,118	-	-
12,197,343	2,302,787	14,500,130	704,702	770,272
208,205	93,967	302,172	8,284,884	-
272,902	2,078,693	2,351,595	662,073	-
20,130,772	(20,130,772)	-	-	-
165,199,494	(15,655,325)	149,544,169	25,588,142	16,706,755
65,975,047	5,427,762	71,402,809	(2,651,431)	(15,362,280)
501,504,949	215,779,858	717,284,807	54,981,253	67,326,364
(2,936,431)	221,684	(2,714,747)	-	-
498,568,518	216,001,542	714,570,060	54,981,253	67,326,364
$ 564,543,565	$ 221,429,304	$ 785,972,869	$ 52,329,822	$ 51,964,084

The notes to the financial statements are an integral part of this statement.

City of Allen, Texas
Balance Sheet - Governmental Funds
September 30, 2025

	General	Debt Service	General Capital Projects
ASSETS			
Cash and cash equivalents	$ 17,344,230	$ 3,883,953	$ 24,734,519
Investments	20,927,607	-	8,938,867
Receivables, net of allowances for uncollectibles			
Ad valorem taxes	152,131	46,023	-
Sales taxes	5,579,535	-	-
Franchise and right-of-way fees	1,841,488	-	-
Municipal court	889,010	-	-
Accounts receivable	1,137,791	-	-
Accrued interest	133,520	-	57,031
Due from other governments	245,393	-	-
Inventories	54,132	-	-
Prepaid items	9,249	-	-
TOTAL ASSETS	$ 48,314,086	$ 3,929,976	$ 33,730,417
LIABILITIES			
Accounts payable	2,636,497	-	1,273,292
Accrued liabilities	5,378,240	-	183,430
Retainage payable	-	-	26,739
Deposits payable	50	-	-
Unearned revenue	509,434	-	-
TOTAL LIABILITIES	8,524,221	-	1,483,461
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - ad valorem taxes	152,131	46,023	-
Unavailable Revenue - ambulance	386,852	-	-
Unavailable Revenue - police alarms	26,716	-	-
Unavailable Revenue - municipal court	889,010	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,454,709	46,023	-
FUND BALANCES			
Nonspendable			
Prepaid items	9,249	-	-
Inventories	54,132	-	-
Restricted			
Debt service	-	3,883,953	-
Capital expenditures	-	-	-
Tourism	-	-	-
State and federal grants	245,393	-	-
Park acquisition and development	-	-	-
Tax increment financing agreement	-	-	-
Other purposes	74,343	-	-
Assigned			
Capital expenditures	-	-	31,396,748
Neighborhood reinvestment	-	-	850,208
Unassigned	37,952,039	-	-
TOTAL FUND BALANCES	38,335,156	3,883,953	32,246,956
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 48,314,086	$ 3,929,976	$ 33,730,417

The notes to the financial statements are an integral part of this statement.

General Obligation Bond	Other Governmental Funds	Total Governmental Funds
$ 106,485,732	$ 19,305,795	$ 171,754,229
551,074	3,463,738	33,881,286
-	-	198,154
-	-	5,579,535
-	18,063	1,859,551
-	-	889,010
-	204,589	1,342,380
3,516	22,099	216,166
-	235,211	480,604
-	-	54,132
-	-	9,249
$ 107,040,322	$ 23,249,495	$ 216,264,296
3,157,926	212,629	7,280,344
-	138,139	5,699,809
1,395,843	-	1,422,582
-	-	50
-	209,461	718,895
4,553,769	560,229	15,121,680
-	-	198,154
-	-	386,852
-	-	26,716
-	-	889,010
-	-	1,500,732
-	-	9,249
-	-	54,132
-	-	3,883,953
102,486,553	-	102,486,553
-	2,860,442	2,860,442
-	238,514	483,907
-	2,232,051	2,232,051
-	13,876,715	13,876,715
-	3,481,544	3,555,887
-	-	31,396,748
-	-	850,208
-	-	37,952,039
102,486,553	22,689,266	199,641,884
$ 107,040,322	$ 23,249,495	$ 216,264,296

The notes to the financial statements are an integral part of this statement.

CITY OF ALLEN

City of Allen, Texas
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2025

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	$	199,641,884
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. This is not including capital assets held by internal service funds.		
Total capital assets		1,019,782,245
Accumulated depreciation		(461,638,293)
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.		
Deferred outflows of resources - pension		16,280,135
Deferred inflows of resources - pension		(3,587,549)
Deferred outflows of resources - OPEB		230,103
Deferred inflows of resources - OPEB		(602,876)
Internal service funds are used by management to charge the cost of fleet management and risk management to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		54,685,722
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds:		
General obligation bonds payable		(172,240,000)
Certificates of obligation payable		(18,300,000)
Tax notes payable		(580,000)
Leases payable		(1,098,558)
Accrued interest payable on long-term debt		(1,020,682)
Compensated absences		(13,599,808)
Net pension liability		(33,281,442)
Total OPEB liability		(1,652,935)
Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Deferred amount on refundings		(748,888)
Premiums on general obligation bonds		(19,226,225)
Revenues earned but not available within sixty days of the fiscal year-end are not recognized as revenue in the funds.		1,500,732
Net position of governmental activities	$	564,543,565

The notes to the financial statements are an integral part of this statement.

City of Allen, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2025

	General	Debt Service	General Capital Projects
REVENUES			
Taxes			
Ad valorem taxes	$ 66,300,467	$ 20,037,062	$ -
Sales taxes	32,165,443	-	-
Franchise and right-of-way fees	8,063,990	-	-
Hotel occupancy taxes	-	-	-
Licenses, permits and fees	3,959,078	-	-
Charges for services	11,017,245	-	2,852,236
Fines and forfeitures	3,004,773	-	-
Intergovernmental	2,960,553	-	2,394,446
Investment earnings	5,390,125	534,186	982,485
Gifts and contributions	2,716,437	-	110,960
Miscellaneous	190,270	-	85,000
TOTAL REVENUES	135,768,381	20,571,248	6,425,127
EXPENDITURES			
Current			
General government	28,595,817	-	611,027
Public safety	67,907,556	-	368,925
Public works	8,535,712	-	1,392,838
Culture and recreation	27,322,867	-	-
Community development	4,582,943	-	1,324,192
Capital outlay	1,825,826	-	4,316,068
Debt Service			
Principal retirement	618,584	12,750,000	-
Interest and fiscal charges	31,421	8,314,839	-
Issuance costs	-	43,042	-
TOTAL EXPENDITURES	139,420,726	21,107,881	8,013,050
Excess (deficiency) of revenues over (under) expenditures	(3,652,345)	(536,633)	(1,587,923)
OTHER FINANCING SOURCES (USES)			
Transfers in	12,061,851	-	5,703,989
Transfers out	(5,820,718)	-	(289,469)
Issuance of general obligation bonds	-	-	-
Issuance of refunding bonds	-	3,055,000	-
Premium on bonds issued	-	133,761	-
Payment to escrow agent	-	(3,156,970)	-
Leases	922,770	-	-
Insurance recoveries	421,894	-	-
Proceeds from sale of capital assets	33,025	-	-
TOTAL OTHER FINANCING SOURCES (USES)	7,618,822	31,791	5,414,520
NET CHANGE IN FUND BALANCES	3,966,477	(504,842)	3,826,597
FUND BALANCES - 9/30/2024	34,368,679	4,388,795	28,420,359
FUND BALANCES - 9/30/2025	$ 38,335,156	$ 3,883,953	$ 32,246,956

The notes to the financial statements are an integral part of this statement.

General Obligation Bond	Other Governmental Funds	Total Governmental Funds
$ -	$ 2,947,161	$ 89,284,690
-	223,718	32,389,161
-	70,421	8,134,411
-	2,696,118	2,696,118
-	904,698	4,863,776
-	-	13,869,481
-	513,666	3,518,439
-	1,375,302	6,730,301
4,744,094	546,453	12,197,343
-	154,349	2,981,746
-	-	275,270
4,744,094	9,431,886	176,940,736
11,605	5,008,665	34,227,114
-	352,936	68,629,417
2,150,304	-	12,078,854
-	2,212,138	29,535,005
-	622,719	6,529,854
27,244,480	324,767	33,711,141
-	-	13,368,584
-	-	8,346,260
354,125	-	397,167
29,760,514	8,521,225	206,823,396
(25,016,420)	910,661	(29,882,660)
-	15,329	17,781,169
(336,836)	(384,000)	(6,831,023)
14,240,000	-	14,240,000
-	-	3,055,000
968,935	-	1,102,696
-	-	(3,156,970)
-	-	922,770
-	-	421,894
-	9,223	42,248
14,872,099	(359,448)	27,577,784
(10,144,321)	551,213	(2,304,876)
112,630,874	22,138,053	201,946,760
$ 102,486,553	$ 22,689,266	$ 199,641,884

The notes to the financial statements are an integral part of this statement.

CITY OF ALLEN

City of Allen, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	$	(2,304,876)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays expense in the current period.		11,065,641
The net effect of various miscellaneous transactions involving capitals assets (i.e. sales, trade-ins, and donations) increases (decreases) net position.		
Contributed capital assets		50,629,518
Gain (loss) on sale of assets		(255,937)
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Issuance of bonds and payment to escrow agent		(14,138,030)
Premium on bonds issued		(1,102,696)
Bond and lease principal paid		13,368,584
Amortization of bond premiums and refunding		2,865,196
Deferred loss/gain on refunding charges		(765,858)
Issuance of leases		(922,770)
Internal service funds are used by management to charge the cost of certain activities such as insurance, asset replacement, and facility maintenance, to individual funds. The net operating and non-operating income and transfers of the internal service funds is reported with governmental activities.		11,471,928
Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported in the governmental funds.		
Accrued interest on long-term debt		(322,841)
Changes in compensated absences		(1,234,777)
Changes in pension liabilities and related deferred outflows and inflows of resources		(2,298,986)
Changes in OPEB liabilities and related deferred outflows and inflows of resources		(38,377)
Changes in unavailable revenue		(40,672)
Change in net position of governmental activities	$	65,975,047

The notes to the financial statements are an integral part of this statement.

City of Allen, Texas
Statement of Net Position - Proprietary Funds
September 30, 2025

	Business-type Activities Enterprise Funds				Governmental Activities
	Water and Sewer	Allen Event Center Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 40,115,837	$ 1,674,975	$ 7,566,906	$ 49,357,718	$ 32,333,478
Investments	24,999,759	-	722,384	25,722,143	7,716,007
Receivables, net of allowances for uncollectibles:					
Accounts	17,716,358	264,429	2,168,175	20,148,962	549,415
Accrued Interest	159,501	-	4,609	164,110	49,229
Due from other governments	-	661,073	-	661,073	-
Inventories	-	105,935	44,548	150,483	-
Prepaid items	19,769	-	-	19,769	166,290
Restricted cash and cash equivalents	7,374,243	-	-	7,374,243	-
TOTAL CURRENT ASSETS	90,385,467	2,706,412	10,506,622	103,598,501	40,814,419
NONCURRENT ASSETS					
CAPITAL ASSETS					
Land	4,091,626	-	-	4,091,626	-
Construction in Progress	26,919,046	-	-	26,919,046	3,063,626
Towers, tanks and pump stations	199,262,191	-	-	199,262,191	-
Other improvements	43,846,000	-	1,230,546	45,076,546	68,257
Intangible assets	7,994,325	-	-	7,994,325	-
Machinery and equipment	2,649,503	12,019	3,051,597	5,713,119	7,518,121
Vehicles	1,080,042	-	541,520	1,621,562	28,556,940
Less: accumulated depreciation/amortization	(130,885,251)	(1,202)	(2,524,040)	(133,410,493)	(23,287,854)
TOTAL NONCURRENT ASSETS	154,957,482	10,817	2,299,623	157,267,922	15,919,090
TOTAL ASSETS	245,342,949	2,717,229	12,806,245	260,866,423	56,733,509
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - pension	1,264,020	636,705	601,019	2,501,744	-
Deferred outflows of resources - OPEB	17,866	8,999	8,493	35,358	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,281,886	645,704	609,512	2,537,102	-
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	2,128,743	616,953	483,221	3,228,917	930,449
Accrued liabilities	263,669	170,495	300,408	734,572	20,930
Retainage payable	1,093,159	-	-	1,093,159	38,632
Financing arrangements - current	-	-	15,663	15,663	-
Leases - current	-	-	182,466	182,466	-
Compensated absences - current	168,501	105,919	73,427	347,847	-
Total OPEB liability - current	2,708	1,364	1,286	5,358	-
Unearned revenue	153,992	1,931,719	97,790	2,183,501	-
Incurred but not reported claims	-	-	-	-	1,057,776
Payable from restricted assets:					
Revenue bonds payable - current	1,200,000	-	-	1,200,000	-
Accrued interest payable	295,210	-	-	295,210	-
Customer deposits payable	1,089,957	-	-	1,089,957	-
TOTAL CURRENT LIABILITIES	6,395,939	2,826,450	1,154,261	10,376,650	2,047,787
NONCURRENT LIABILITIES					
Revenue bonds payable	24,255,007	-	-	24,255,007	-
Leases	-	-	498,059	498,059	-
Net pension liability	2,584,034	1,301,616	1,228,665	5,114,315	-
Total OPEB liability	125,629	63,281	59,736	248,646	-
Compensated absences	305,966	275,419	255,224	836,609	-
TOTAL NONCURRENT LIABILITIES	27,270,636	1,640,316	2,041,684	30,952,636	-
TOTAL LIABILITIES	33,666,575	4,466,766	3,195,945	41,329,286	2,047,787
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - pension	278,612	141,206	132,474	552,292	-
Deferred inflows of resources - OPEB	46,808	23,578	22,257	92,643	-
TOTAL DEFERRED INFLOWS OF RESOURCES	325,420	164,784	154,731	644,935	-
NET POSITION					
Net investment in capital assets	126,818,146	10,817	1,577,397	128,406,360	15,611,089
Restricted for debt service	2,501,833	-	-	2,501,833	-
Unrestricted	83,312,861	(1,279,434)	8,487,684	90,521,111	39,074,633
TOTAL NET POSITION	$ 212,632,840	$ (1,268,617)	$ 10,065,081	$ 221,429,304	$ 54,685,722

The notes to the financial statements are an integral part of this statement.

City of Allen, Texas
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the year ended September 30, 2025

	Business-type Activities Enterprise Funds				Governmental Activities
	Water and Sewer	Allen Event Center Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Charges for services:					
Water sales	$ 42,151,542	$ -	$ -	$ 42,151,542	$ -
Sewer charges	31,062,924	-	-	31,062,924	-
Connection fees	105,943	-	-	105,943	-
Garbage collections	-	-	8,980,407	8,980,407	-
Service charges	775,272	7,576,198	5,486,340	13,837,810	21,760,836
Drainage fees	-	-	2,308,534	2,308,534	-
Insurance recoveries	3,858	-	16,566	20,424	2,122,980
Intergovernmental revenues	-	717,436	-	717,436	-
Miscellaneous	537,466	1,409,865	110,938	2,058,269	15
TOTAL OPERATING REVENUES	74,637,005	9,703,499	16,902,785	101,243,289	23,883,831
OPERATING EXPENSES					
Personnel services	8,002,821	3,463,945	3,921,826	15,388,592	613,603
Contractual services	40,779,787	7,061,903	8,978,664	56,820,354	18,216,740
Maintenance	1,611,588	523,568	514,550	2,649,706	578,439
Supplies	625,121	190,950	446,210	1,262,281	135,136
Depreciation and amortization	6,584,048	1,202	420,091	7,005,341	3,547,704
TOTAL OPERATING EXPENSES	57,603,365	11,241,568	14,281,341	83,126,274	23,091,622
OPERATING INCOME (LOSS)	17,033,640	(1,538,069)	2,621,444	18,117,015	792,209
NON-OPERATING REVENUES (EXPENSES)					
Investment earnings	2,097,056	2,561	203,170	2,302,787	1,137,839
Interest expense	(725,885)	-	(38,517)	(764,402)	-
Gain on disposal of capital assets	66,122	20,193	7,652	93,967	361,254
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,437,293	22,754	172,305	1,632,352	1,499,093
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	18,470,933	(1,515,315)	2,793,749	19,749,367	2,291,302
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Development fees	2,772,031	-	-	2,772,031	-
Capital contributions	3,037,136	-	-	3,037,136	-
Transfers in	68,019	750,000	1,400	819,419	-
Transfers out	(9,701,532)	-	(2,068,033)	(11,769,565)	-
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	(3,824,346)	750,000	(2,066,633)	(5,140,979)	-
CHANGE IN NET POSITION	14,646,587	(765,315)	727,116	14,608,388	2,291,302
NET POSITION - 9/30/2024	197,791,974	-	8,807,258		52,394,420
Change in accounting principle - GASB 101	194,279	-	27,405		-
Change in reporting entity - nonmajor to major	-	(503,302)	503,302		
NET POSITION - 9/30/2024, as restated	197,986,253	(503,302)	9,337,965		52,394,420
NET POSITION - 9/30/2025	$ 212,632,840	$ (1,268,617)	$ 10,065,081		$ 54,685,722
Adjustment for the net effect of the elimination of internal service activities attributed to business-type activities				(9,180,626)	
Changes in net position of business-type activities				$ 5,427,762	

The notes to the financial statements are an integral part of this statement.

CITY OF ALLEN

City of Allen, Texas
Statement of Cash Flows - Proprietary Funds
For the year ended September 30, 2025

	Business-type Activities Enterprise Funds				
	Water and Sewer	Allen Event Center Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 77,056,492	$ 10,035,713	$ 16,533,278	$ 103,625,483	$ 2,115,695
Cash received from transactions with other funds	-	-	-	-	21,305,739
Cash paid to employees for salaries and benefits	(7,642,692)	(3,108,688)	(3,758,436)	(14,509,816)	(605,063)
Cash paid for goods and services	(41,340,597)	(7,759,028)	(10,009,353)	(59,108,978)	(885,588)
Cash paid for claims	-	-	-	-	(17,607,170)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	28,073,203	(832,003)	2,765,489	30,006,689	4,323,613
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	68,019	750,000	1,400	819,419	-
Transfers out to other funds	(9,701,532)	-	(2,068,033)	(11,769,565)	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	(9,633,513)	750,000	(2,066,633)	(10,950,146)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Contributions from developers	2,772,031	-	-	2,772,031	-
Acquisition and construction of capital assets	(8,788,664)	(12,019)	(615,689)	(9,416,372)	(7,063,980)
Proceeds from sale of capital assets	66,122	20,193	7,652	93,967	361,254
Principal paid on capital debt	(1,645,000)	-	(188,852)	(1,833,852)	-
Interest and fees paid on capital debt	(708,751)	-	(38,517)	(747,268)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(8,304,262)	8,174	(835,406)	(9,131,494)	(6,702,726)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	2,003,443	2,561	203,771	2,209,775	1,125,247
Proceeds from sale of investments	10,727,275	-	631,335	11,358,610	1,804,147
Purchase of investments	(19,000,000)	-	-	(19,000,000)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(6,269,282)	2,561	835,106	(5,431,615)	2,929,394
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,866,146	(71,268)	698,556	4,493,434	550,281
CASH AND CASH EQUIVALENTS - BEGINNING	43,623,934	1,746,243	6,868,350	52,238,527	31,783,197
CASH AND CASH EQUIVALENTS - ENDING	$ 47,490,080	$ 1,674,975	$ 7,566,906	$ 56,731,961	$ 32,333,478
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Net operating income (loss)	$ 17,033,640	$ (1,538,069)	$ 2,621,444	$ 18,117,015	$ 792,209
Adjustments to reconcile income to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	6,584,048	1,202	420,091	7,005,341	3,547,704
(Increase) decrease in accounts receivable	2,419,816	22,149	(385,238)	2,056,727	(462,397)
(Increase) decrease in intergovernmental receivables	-	(661,073)	-	(661,073)	-
(Increase) decrease in prepaid items	(19,769)	-	-	(19,769)	56,021
(Increase) decrease in inventories	-	(36,076)	(12,457)	(48,533)	-
(Increase) decrease in pension related deferred outflows	298,504	4,922	179,088	482,514	-
(Increase) decrease in OPEB related deferred outflows	8,972	2,021	4,905	15,898	-
Increase (decrease) in accounts payable	1,348,117	53,469	(57,472)	1,344,114	369,798
Increase (decrease) in retainage payable	347,551	-	-	347,551	16,765
Increase (decrease) in accrued liabilities	94,548	93,362	106,378	294,288	8,540
Increase (decrease) in unearned revenue	-	971,138	15,731	986,869	-
Increase (decrease) in deposits payable	(329)	-	-	(329)	-
Increase (decrease) in incurred but not reported claims	-	-	-	-	(5,027)
Increase (decrease) in net pension liability	(345,382)	98,695	(233,879)	(480,566)	-
Increase (decrease) in total OPEB liability	79	11,978	(3,012)	9,045	-
Increase (decrease) in compensated absences	86,302	23,972	9,256	119,530	-
Increase (decrease) in pension related deferred inflows	223,401	118,535	104,909	446,845	-
Increase (decrease) in OPEB related deferred inflows	(6,295)	1,772	(4,255)	(8,778)	-
Total adjustments	11,039,563	706,066	144,045	11,889,674	3,531,404
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 28,073,203	$ (832,003)	$ 2,765,489	$ 30,006,689	$ 4,323,613
NON-CASH INVESTING ACTIVITIES					
Initiation of capital asset lease	-	-	190,292	190,292	-
NON-CASH FINANCING ACTIVITIES					
Contributions of capital assets from developers	3,037,136	-	-	3,037,136	-
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION					
Cash and cash equivalents - current	$ 40,115,837	$ 1,674,975	$ 7,566,906	$ 49,357,718	$ 32,333,478
Restricted cash and cash equivalents	7,374,243	-	-	7,374,243	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 47,490,080	$ 1,674,975	$ 7,566,906	$ 56,731,961	$ 32,333,478

The notes to the financial statements are an integral part of this statement.

CITY OF ALLEN

Notes to the Financial Statements

CITY OF ALLEN

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Allen ("the City") was incorporated in 1953, under the provisions of Chapter 11, Title 28, Texas Revised Civil Statutes of 1925. In 1979, the City adopted a charter making it a home rule city operating under a Council-Manager form of government. Allen City Council, which consists of the mayor and six councilmembers, is elected citywide by Allen voters and not by district. The mayor and councilmembers serve three-year, staggered terms of office. The City provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of its inhabitants.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units.* The more significant accounting policies of the City are described below.

B. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the City include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it can impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government can impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. The following entities were found to be component units of the City and are included in the basic financial statements:

> Allen Economic Development Corporation (AEDC)- The AEDC is responsible for aiding, promoting and furthering economic development within the City.

Allen Community Development Corporation (ACDC)- The ACDC is responsible for supporting the improvements in community parks and recreation, streets and sidewalks, public safety and the community library.

The members of both the AEDC's and ACDC's Boards of Directors are appointed by the City Council. Both the AEDC and ACDC are fiscally dependent upon the City as the City Council approves their budgets and must approve any debt issuance. However, the component units do not qualify for blending because the component services directly benefit the community rather than the City itself. The AEDC and ACDC are discretely presented as governmental fund types and do not issue separate financial statements.

C. Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government and its component units. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

D. Adoption of New Accounting Standards

GASB Statement No. 101*, Compensated Absences* (GASB 101), provides guidance meant to better meet the information needs of financial statement users by updating the recognition and measurement of compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

E. Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund. The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

General Capital Projects Fund. The General Capital Projects Fund is used to account for resources used for the acquisition and/or construction of capital facilities by the City, except those financed by proprietary funds and not accounted for by another capital projects fund.

General Obligation Bond Capital Projects Fund. The General Obligation Bond Fund is used to account for financing, acquisitions, and construction of improvements to City facilities and infrastructure not accounted for by other bond funds.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods relating to a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City reports the following major proprietary funds:

Enterprise Funds

Water and Sewer Fund. The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities for the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the fund.

Allen Event Center. The Allen Event Center Fund is used to account for the maintenance and operation of the Credit Union of Texas Event Center owned and operated by the City. The Event Center is a multi-purpose indoor arena built by the City in 2009 and renamed to the Credit Union of Texas Event Center in 2021.

Additionally, the City reports the following Internal Service Funds:

Internal Service Funds

Replacement Fund. The Replacement Fund is an internal service fund that accounts for the costs associated with the acquisition and replacement of vehicles, machinery, and equipment through the rental of such items to other departments.

Risk Management Fund. The Risk Management Fund accounts for the costs associated with workers compensation, liability and property insurance and medical and dental programs established for City employees and their covered dependents.

Facility Maintenance Fund. The Facility Maintenance Fund accumulates resources to address large repairs and aging facility infrastructure. The accumulation of resources will help address major building repairs and prevent building deterioration.

F. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues as available if they are collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The revenues susceptible to accrual are property and sales taxes, franchise taxes and interest income. Other receipts (special assessments) become measurable and available when cash is received by the City and are recognized as revenue at that time.

G. Budgetary Information

Budgetary basis of accounting
Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, and several nonmajor governmental funds. The general capital projects and general obligation bond funds are appropriated on a project-length basis. Other funds do not have appropriated budgets since other means control the use of the resources (e.g. availability and restriction requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is adopted at the fund level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

H. Cash, Cash Equivalents, and Investments

State statutes and policy as established by the City Council authorize the City to invest in certificates of deposit, direct obligations of the U.S. Treasury, investment pools consisting of such U.S. Treasury obligations, repurchase agreements, commercial paper and mutual funds. Substantially all operating cash and cash equivalents are maintained in pooled cash and time deposit accounts. Interest income relating to pooled deposits is allocated to the individual funds based on each fund's pro rata share of total pooled deposits.

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents, as they are available for withdrawal on demand. Investments are recorded at amortized cost when original maturity at the time of purchase is less than one year or at market if greater than one year.

I. Property Taxes

The City's property tax is levied each October 1st on the assessed value listed as of the prior January 1st for all real and certain personal property located within the City. Appraised values are established by Collin County Central Appraisal District at 100% of estimated market value and certified by the Appraisal Review Board. The assessed value upon which the 2024 levy was based is $21,505,959,363. Taxes are due on October 1st and are delinquent after the following January 31st. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. For the year ended September 30, 2025, the combined tax rate to finance general government services, including the payment of principal and interest on long-term debt, was $0.4175 per $100 of assessed valuation.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district based on 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective maintenance and operations tax rate, increased by 7.45% excluding other contractual obligations, adjusted for new improvements, plus the calculated debt tax rate is less than the proposed city tax rate, then qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than the rollback tax rate.

J. Transactions Between Funds and Between Funds and Component Units

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except transactions between the component units and the primary government are recorded as transfers. Transactions between the component units and the primary government are accounted for as external transactions (revenues and expenses). During the fiscal year ended September 30, 2025, the General Fund contributed $201,028 to AEDC to service debt benefiting the City. The ACDC contributed $3,585,843 to the City during the fiscal year: $1,886,900 to the General Fund to service debt related to the Terrell Recreation Center, $492,983 to the General Fund for general and administrative costs, $160,000 in sponsorship of the Allen USA Celebration, $95,960 to the General Capital Projects fund to fund neighborhood reinvestment projects, and $950,000 in operational support funds to the Allen Event Center. The AEDC contributed $114,745 to the General Fund during the year for general and administrative costs. There were also several operational support transactions recorded in order to provide funding for the EDC to purchase 108 acres of land near Highway 121 and Stacy Rd in Allen for use in future economic development agreements. The CDC provided $20,000,000 in operational support for this purchase. The EDC also purchased 7 acres of land near Highway 75 for future economic development agreements to which the Tax Increment Financing Zone #2 (Central Business District) contributed $3,799,265. These revenues were reflected as operating grants and contributions for the primary government in the government-wide statement of activities.

K. Inventories and Prepaid Items

Inventories are valued at cost using the first-in, first-out method for fuel. The inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories for the Golf Course Pro Shop and Event Center food and beverage are valued at cost using the first-in-first out method. The inventories of enterprise funds are recorded as expenditures when purchased and adjusted with an inventory count at yearend.

Payments made to vendors for services that will provide benefit in subsequent fiscal periods are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are reported as non-spendable fund balance in the governmental funds in the fund financial statements to signify that a portion of fund balance is not available for other subsequent expenditures. The consumption method is used in the fund financial statements.

L. Special Assessments

The City has the authority to make special assessments to property owners as part of the financing of capital improvements. Such assessments are recorded in the capital projects fund as receivables when assessed and are recognized as revenue when both the measurable and available criteria have been met (generally when collected).

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. The costs of normal repairs and maintenance that do not add value to assets or materially extend asset lives are not capitalized. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment. Assets capitalized have an original cost of $5,000 or more and over one year of useful life. Financed purchase assets are City owned assets and follow the depreciation of regular capital assets. Capital assets and right-to-use assets of the City are depreciated and amortized using the straight-line method over the following estimated useful lives:

Buildings	10 - 40 Years
Right-to-use buildings	10 - 40 Years
Towers, tanks, and pump stations	5 - 40 Years
Infrastructure	3 - 50 Years
Machinery and equipment	3 - 15 Years
Vehicles	2 - 15 Years
Furniture and fixtures	5 - 10 Years
Other improvements	2 - 30 Years
Right-to-use equipment	Lease Term

The City has established the Replacement Fund to account for the replacement of the City-owned vehicles, machinery, and equipment. Charges for use in the form of user payments are made by City departments to the Replacement Fund to provide for future acquisitions and replacements.

N. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. The City's policy permits employees to accumulate earned but unused vacation benefits and sick leave, which are eligible for payment at the employee's current pay rate upon separation from employment. The amount accumulated and the amount eligible for payment upon separation are subject to limits based on type of employee and years of service with the City.

O. Leases- Lessee

The City is a lessee for a noncancellable lease of equipment and vehicles. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities with an initial individual value of $20,000 or more.

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

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

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

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long term debt on the statement of net position.

P. 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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company.

Q. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. These are deferred and recognized over the estimated average remaining lives of all members as of the measurement date. The City has the following items that qualify for reporting in this category:

- Contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference between projected and actual investment earnings related to pension and OPEB plans.
- Difference between expected and actual pension and OPEB experience – This difference is deferred and amortized over a closed period.
- Changes in actuarial assumptions – these are deferred and recognized over the remaining lives of all members as of the measurement date.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. In the statement of net position, the City reports the difference in expected and actual pension and OPEB experience, the changes in actuarial assumptions. These are deferred and recognized over the estimated average remaining lives of all members as of the measurement date. In the balance sheet for the governmental funds, the City reports unavailable revenue for revenue not received within 60 days of year end.

S. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows and outflows. 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 legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

T. Fund Balance

Fund balance classifications are non-spendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund.

The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The City classifies governmental fund balances as follows:

Non-spendable -- includes fund balance amounts that cannot be spent because they are either not in spendable form, or for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long-term receivables.

Restricted -- includes fund balance amounts that are either constrained for specific purposes imposed by external providers, such as creditors, or restricted due to constitutional provisions or enabling legislation. This classification includes retirement of long-term debt, construction programs, and other federal and state grants.

Committed -- includes fund balance amounts that are constrained for specific purposes imposed internally by the City through formal action of the highest level of decision-making authority. Committed fund balance is reported pursuant to resolutions passed by the City Council.

Assigned -- includes fund balance amounts that are self-imposed by the City to be used for a particular purpose. Fund balance can be assigned by the City Manager or the Chief Financial Officer. This classification includes internally assigned amounts for capital projects, projected budget deficit for subsequent years and other legal uses.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Minimum General Fund Unassigned Fund Balance - It is the goal of the City to achieve and maintain an unassigned General Fund balance that is within a range of 60 to 90 days of annual expenditures. If unassigned General Fund balance falls below the goal or has a deficiency, the City will establish a timeframe and work plan to replenish the fund balance. The work plan may include tax increases, fee increases, reduction of services, and/or reduction of expenditures (i.e. hiring freeze, salary freeze, or reduction of travel/training).

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

At September 30, 2025, the Allen Event Center fund, has a deficit net position balance of $1,268,617. The reason for the deficit in this case is that the City reclassified the Allen Event Center fund as a proprietary fund in fiscal year ended September 30, 2023, which caused the fund to have to recognize a portion of net pension and total OPEB liabilities based on the number of employees paid from the fund. The fund is partially supported by the City and the Allen Community Development Corporation and while cash transactions were covered by transfers from the City and CDC, these non-cash transactions were not considered. The City expects this to be corrected in subsequent years as the fund builds net position to cover these long-term accruals.

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits, Investments and Investment Policies

Deposits. State statutes require all deposits to be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies with market values not less than the principal amount of the deposits. Pursuant to the Texas Public Funds Investment Act (PFIA) and the City's investment policy, all deposits of the City that exceed the federal depository insurance coverage level must be collateralized with irrevocable letters of credit and/or by governmental obligations pledged to the City with market values of at least 103% of the deposit balances plus accrued interest.

The City's demand deposits and certificates of deposit were fully insured or collateralized at September 30, 2025, with collateral required by state statutes. At year's end, the carrying amount of the City's pooled deposits was $5,737,743, and the bank balance was $5,625,637. Of the bank balance, federal depository insurance covered $250,000 at each depository bank, and the remainder was covered by collateral held by the pledging financial institution's agent in the City's name. The City's petty cash balance at September 30, 2025, was $27,909. The carrying amount of deposits for ACDC and AEDC, discretely presented component units, were $1,088,250 and $4,479,725, respectively, with no corresponding bank balances as they are pooled with the City's deposits.

Investments. State statutes authorize the City to invest in U.S. Government obligations, obligations of Texas and its agencies and fully collateralized repurchase agreements. The City, AEDC and ACDC invest in TexPool and TexasCLASS, which are investment funds authorized by the Texas Legislature and administered by the Texas State Treasury. The Texas Treasury Safekeeping Trust Company is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code. The purpose of TexPool and TexasCLASS is to allow for the pooling of public funds to provide a higher yield on the pooled investment than would be possible with the investment of the individual public entity's funds. TexPool and Texas CLASS investments are subject to the same investment policies maintained by the State Treasury for all state funds. The Legislature has authorized only certain investment instruments for public funds, including repurchase agreements, U.S. Treasury bills and bonds, securities of other U.S. Government agencies, commercial paper and other safe instruments.

The *PFIA* (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. In compliance with PFIA, the City has adopted an investment policy and is authorized to invest in obligations of, or guaranteed by, governmental entities, certificates of deposit, Texas Public Funds Investment Pools, collateralized repurchase agreements, commercial paper, banker's acceptances, no-load money market mutual funds and guaranteed investment contracts. The table below identifies the investment types that are authorized for the City under Government Code Chapter 2256. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Investment in One Issuer
Certificates of Deposit	5 years	35%
Repurchase Agreements	5 years	35%
U. S. Treasure Obligations	5 years	None
Municipal Investment Pool	5 years	None
Commercial Bank Savings Account	5 years	None
Money Market Mutual Fund	5 years	35%
U. S. Government Securities (non-callable)	5 years	None
U. S. Government Securities (callable)	5 years	None
U. S. Government Sponsored Corp. Instruments: non-calla	5 years	None
U. S. Government Sponsored Corp. Instruments: callable	5 years	None
Commercial Paper	5 years	35%
Bankers' Acceptance	5 years	35%
Guaranteed Investment Contracts	5 years	35%
State or Local Governmental Obligations	5 years	35%

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value by establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is based on the lowest priority level input that is significant to the entire measurement.

The City's investments are measured as presented in the table below. The City's investment balances, weighted average maturity, and credit risk of such investments are as follows:

Investment Type	Primary Government	AEDC	ACDC	Total September 30, 2025	Significant Other Observable Inputs (Level 2)	% of Total Government-wide Investments	Weighted Avg Maturity (Days)	Credit Rating
Investments Measured at Amortized Cost:								
TexPool	$ 6,208,624	$ 1,845,142	$ 2,411,534	$ 10,465,300	$ -	3.01%	0.03	AAAm
Investments Measured at NAV:								
Texas CLASS	254,413,470	4,356,884	4,706,576	263,476,930	-	75.73%	0.76	AAAm
Investments Subject to Fair Value:								
U.S. Agencies	67,319,437	4,240,266	2,398,545	73,958,248	73,958,248	21.26%	95.76	AA+
Total	$ 327,941,531	$ 10,442,292	$ 9,516,655	$ 347,900,478	$ 73,958,248			

Investment pools, money markets, certificates of deposits (Level 1), and domestic equities are measured at amortized cost, net asset value, or cost; are valued using prices quoted in active markets for those securities; and are not required to be reported by levels in the table.

Investments in U.S. Agencies securities, certificates of deposits (Level 2), commercial paper, and municipal bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique in accordance with pricing sources by the custodian bank. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of $1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium, or national or state emergency that affects the pools' liquidity.

TexPool is an external investment pool measured at amortized cost. The Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

Texas CLASS (Texas Cooperative Liquid Assets Security System) is an external investment pool measured at its net asset value. Texas CLASS' strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to the investment pool. Texas CLASS has a redemption notice period of one day and may redeem daily. Authority over the investment pool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. Texas CLASS was organized in March 1996 under a trust agreement executed by and among Texas local governmental entities in accordance with the Public Funds Investment Act, and the Texas Government Code and remains in full compliance with Government Code Chapter 2256. The fund is administered by Public Trust Advisors, LLC and is rated AAAm by Standard & Poor's Rating Services.

Investments in the Other Postemployment Benefit Trust Program (the "Trust") are held by a bank trust department separate from the City's cash and investments. The City has contracted with Public Agency Retirement Services (PARS) to manage the investment portfolio of the Trust Fund. The investments are subject to the policies and guidelines established by the committee members of the Trust.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods of time are more likely to be subject to increased variability in their fair values due to changes in the market interest rates. The City manages its exposure to market price changes by avoiding over-concentration of assets in a specific maturity sector, limitation of average maturity of operating funds investments to less than eighteen months, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities, U.S. Agency Obligations or Securities and authorized investment pools.

Credit Risk. The City's Investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This type of risk is typically expressed in terms of the credit ratings issued by a nationally recognized statistical rating organization. The City reduces the risk of issuer default by limiting investments to those instruments allowed by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The City's investments in U.S. Agency securities (FFCB, FHLB, FHLMC, and FNMA) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

The City's investments in municipal bonds are rated AA- by Standard and Poor's and Aa3 by Moody's Investors Service. Investments in TexPool, TexSTAR, Texas CLASS, and money market accounts carried a credit rating of AAAm by Standard & Poor's as of September 30, 2025.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy controls concentration of credit risk by limiting the amount of investment with a single issuer to no more than 35% of the total portfolio except for State approved investment pools and U.S. Government Securities and Agency Obligations. As of September 30, 2025, apart from funds invested in TexPool or Texas CLASS, the City did not have any investments with a single issuer exceeding 5% or more of the City's investments.

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy minimizes custodial credit risk by requiring pledged securities to be in the name of the City.

The Public Funds Investment Act requires financial institutions to secure deposits made by state or local governmental bodies by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities of the collateral must always remain at least equivalent to the bank balance less the FDIC insurance.

As of September 30, 2025, the City's deposits with financial institutions above the federal depository limits were fully collateralized.

B. Receivables

Receivables at September 30, 2025, for both governmental and proprietary funds, including the applicable allowances for uncollectible accounts, consist of the following:

Governmental Funds

	General	Debt Service	General Capital Projects	General Obligation Bond	Nonmajor Governmental Funds	Total Governmental Funds
Ad valorem taxes	$ 604,450	$ 173,529	$ -	$ -	$ -	$ 777,979
Sales taxes	5,579,535	-	-	-	-	5,579,535
Franchise and right-of-way fees	1,841,488	-	-	-	18,063	1,859,551
Municipal court	1,779,166	-	-	-	-	1,779,166
PD alarms	110,929	-	-	-	-	110,929
EMS receivable	2,240,962	-	-	-	-	2,240,962
Accounts receivable	826,522	-	-	-	204,589	1,031,111
Accrued interest	133,520	-	57,031	3,516	22,099	216,166
Gross receivables	13,116,572	173,529	57,031	3,516	244,751	13,595,399
Less: allowance for uncollectibles	(3,383,097)	(127,506)	-	-	-	(3,510,603)
Total net receivables	$ 9,733,475	$ 46,023	$ 57,031	$ 3,516	$ 244,751	$ 10,084,796

Proprietary Funds

	Water and Sewer	Allen Event Center	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Accounts receivable	$ 18,132,092	$ 296,368	$ 2,248,182	$ 20,676,642	$ 550,556
Due from other governments	-	661,073	-	661,073	-
Accrued interest	159,501	-	4,609	164,110	49,229
Gross receivables	18,291,593	957,441	2,252,791	21,501,825	599,785
Less: allowance for uncollectibles	(415,734)	(31,939)	(80,007)	(527,680)	(1,141)
Total net receivables	$ 17,875,859	$ 925,502	$ 2,172,784	$ 20,974,145	$ 598,644

The Water and Sewer Fund, Solid Waste Fund, and Drainage Fund accounts receivable include unbilled charges for services rendered through September 30, 2025.

C. Capital Assets

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

Governmental Activities

	Balance September 30, 2024	Additions	Deletions/ Transfers	Balance September 30, 2025
Governmental Activities				
Governmental Funds				
Capital assets, not being depreciated/amortized				
Land	$ 176,321,479	$ 3,137,625	$ 43,017,580	$ 222,476,684
Construction in progress	79,372,216	35,289,020	(63,267,105)	51,394,131
Total capital assets, not being depreciated/amortized	255,693,695	38,426,645	(20,249,525)	273,870,815
Capital assets, being depreciated/amortized				
Buildings	108,548,675	-	57,597,040	166,145,715
Buildings - right-to-use	4,600,000	-	-	4,600,000
Improvements other than buildings	548,478,488	4,547,957	2,535,768	555,562,213
Furniture and fixtures	4,608,135	277,767	-	4,885,902
Vehicles	23,563,154	2,970,937	5,338,952	31,873,043
Machinery and equipment	16,432,686	1,251,473	2,228,971	19,913,130
Machinery and equipment - right-to-use	1,449,553	922,770	(233,952)	2,138,371
Total capital assets, being depreciated/amortized	707,680,691	9,970,904	67,466,779	785,118,374
Less accumulated depreciation/amortization for:				
Buildings	(46,671,414)	(3,470,418)	337,907	(49,803,925)
Buildings - right-to-use	(76,667)	(153,333)	-	(230,000)
Improvements other than buildings	(379,189,112)	(17,334,313)	-	(396,523,425)
Furniture and fixtures	(4,526,764)	(58,263)	-	(4,585,027)
Vehicles	(14,626,885)	(3,388,159)	(1,152,609)	(19,167,653)
Machinery and equipment	(11,283,872)	(1,234,637)	(1,091,176)	(13,609,685)
Machinery and equipment - right-to-use	(677,369)	(563,015)	233,952	(1,006,432)
Total accumulated depreciation/amortization	(457,052,083)	(26,202,138)	(1,671,926)	(484,926,147)
Total governmental funds capital assets, being depreciated/amortized, net	250,628,608	(16,231,234)	65,794,853	300,192,227
Total governmental funds capital assets, net	$ 506,322,303	$ 22,195,411	$ 45,545,328	$ 574,063,042

Business-Type Activities

	Balance September 30, 2024	Additions	Deletions/ Transfers	Balance September 30, 2025
Business-type Activities				
Enterprise Funds				
Capital assets, not being depreciated/amortized				
Land	$ 4,091,626	$ -	$ -	$ 4,091,626
Construction in progress	18,605,322	8,313,724	-	26,919,046
Total capital assets, not being depreciated/amortized	22,696,948	8,313,724	-	31,010,672
Capital assets, being depreciated/amortized				
Towers, tanks, and pump stations	196,225,055	3,037,136	-	199,262,191
Other improvements	45,076,546	-	-	45,076,546
Intangible asset	7,994,325	-	-	7,994,325
Vehicles	1,351,890	269,672	-	1,621,562
Machinery and equipment	3,871,887	832,207	(61,912)	4,642,182
Machinery and equipment - right-to-use	880,644	190,293	-	1,070,937
Total capital assets, being depreciated/amortized	255,400,347	4,329,308	(61,912)	259,667,743
Less accumulated depreciation/amortization for:				
Towers, tanks, and pump stations	(113,551,994)	(4,703,063)	-	(118,255,057)
Other improvements	(8,439,048)	(1,363,552)	-	(9,802,600)
Intangible asset	(532,955)	(266,478)	-	(799,433)
Vehicles	(811,079)	(186,573)	768	(996,884)
Machinery and equipment	(2,891,338)	(293,413)	61,912	(3,122,839)
Machinery and equipment - right-to-use	(304,418)	(192,262)	63,000	(433,680)
Total accumulated depreciation/amortization	(126,530,832)	(7,005,341)	125,680	(133,410,493)
Total enterprise funds capital assets, being depreciated/amortized, net	128,869,515	(2,676,033)	63,768	126,257,250
Total enterprise funds capital assets, net	$ 151,566,463	$ 5,637,691	$ 63,768	$ 157,267,922

Component Unit Activities

	Balance September 30, 2024	Additions	Deletions/ Transfers	Balance September 30, 2025
Component Unit Activities				
Allen Economic Development Corporation				
Capital assets, being depreciated				
Buildings	$ 1,004,091	$ -	$ -	$ 1,004,091
Total capital assets, being depreciated	1,004,091	-	-	1,004,091
Less accumulated depreciation for:				
Buildings	(276,125)	(50,205)	-	(326,330)
Total accumulated depreciation	(276,125)	(50,205)	-	(326,330)
Total AEDC capital assets, being depreciated, net	727,966	(50,205)	-	677,761
Total AEDC capital assets, net	$ 727,966	$ (50,205)	$ -	$ 677,761

Land previously recorded to capital assets for the Allen Economic Development Corporation was reclassified as land held-for-sale as the corporation intends to use the land in future economic development agreements.

	Balance September 30, 2024	Additions	Deletions/ Transfers	Balance September 30, 2025
Allen Community Development Corporation				
Capital assets, not being depreciated				
Land	$ 2,239,201	$ -	$ -	$ 2,239,201
Construction in progress	13,632,313	2,619,742	(7,143,463)	9,108,592
Total capital assets, not being depreciated	15,871,514	2,619,742	(7,143,463)	11,347,793
Capital assets, being depreciated				
Buildings	36,202,922	-	6,998,011	43,200,933
Improvements other than buildings	39,567,360	129,831	145,452	39,842,643
Furniture and fixtures	113,211	-	-	113,211
Vehicles	670,893	-	-	670,893
Machinery and equipment	4,645,975	291,947	(31,819)	4,906,103
Total capital assets, being depreciated	81,200,361	421,778	7,111,644	88,733,783
Less accumulated depreciation for:				
Buildings	(13,393,531)	(996,119)	-	(14,389,650)
Improvements other than buildings	(25,532,918)	(1,382,042)	-	(26,914,960)
Furniture and fixtures	(28,743)	(20,095)	-	(48,838)
Vehicles	(647,679)	(15,476)	-	(663,155)
Machinery and equipment	(3,291,493)	(375,857)	31,819	(3,635,531)
Total accumulated depreciation	(42,894,364)	(2,789,589)	31,819	(45,652,134)
Total ACDC capital assets, being depreciated, net	38,305,997	(2,367,811)	7,143,463	43,081,649
Total ACDC capital assets, net	$ 54,177,511	$ 251,931	$ -	$ 54,429,442

Depreciation/amortization expense was charged as direct expense to programs of the primary government and component units as follows:

Governmental activities:	
General government	1,245,553
Public safety	3,950,838
Public works	16,798,820
Culture and recreation	4,130,507
Community development	76,420
Total governmental activities depreciation and amortization expense	26,202,138
Business-type activities:	
Water and sewer	6,584,048
Solid waste	19,110
Drainage	158,856
Golf course	242,125
Event Center	1,202
Total business-type activities depreciation and amortization expense	7,005,341
Component unit activities	
Allen Economic Development Corporation	50,205
Allen Community Development Corporation	2,789,589
Total component unit activities depreciation expense	2,839,794

Outstanding commitments at September 30, 2025, under authorized construction contracts totaled $15,465,880. These outstanding commitments for capital projects will be funded from unspent bond proceeds and additional general obligation bonds.

D. Water and Sewer Contracts

In 1972, the City entered a forty-year contract with the North Texas Municipal Water District (District) for the purchase of water. Under the terms of this contract, the City is obligated to make a minimum annual payment (adjusted annually) in return for a minimum volume of gallons of water per year. During 1998, the City was annexed into the North Texas Municipal Water District, which guaranteed the City a minimum volume of water. For the year ended September 30, 2025, the cost of water purchased under this contract was $24,608,692.

In 1978, the City entered a contract with the District for the transportation, treatment and disposal of sanitary sewage and other waste. The contract will continue in force at least until all bonds issued by the District pursuant to the contract have been paid in full and will remain in force thereafter throughout the useful life of the District's sanitary sewer system. The contract requires the City to pay varying amounts based on the costs associated with sewage transported and/or treated and disposed. The cost includes the City's proportionate share of the District's operating and maintenance expenses and related debt service costs. During fiscal year 2025, the cost for transportation, treatment and disposal of sewage and other wastes was $12,258,102.

E. Long-term Liabilities

At September 30, 2025, bonds payable consisted of the following individual issues:

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at 9/30/2025
Governmental Activities				
General Obligation Bonds				
General Obligation Bonds, Series 2006	1,595,000	4.0% - 4.2%	8/15/2026	115,000
General Obligation Bonds, Series 2013	5,065,000	2.0% - 3.5%	8/15/2029	1,185,000
General Obligation Bonds, Series 2014	10,595,000	2.0% - 4.0%	8/15/2028	1,790,000
General Obligation Refunding & Improvement Bonds, Series 2015	32,245,000	2.0% - 5.0%	8/15/2034	3,835,000
General Obligation Refunding Bonds, Series 2016	6,910,000	2.0% - 4.0%	8/15/2028	2,710,000
General Obligation Bonds, Series 2017	11,845,000	2.25% - 5.0%	8/15/2032	5,930,000
General Obligation Bonds, Series 2018	8,355,000	2.0% - 5.0%	8/15/2033	4,975,000
General Obligation Refunding & Improvement Bonds, Series 2019	8,630,000	2.5% - 4.0%	8/15/2034	4,515,000
General Obligation Refunding & Improvement Bonds, Series 2020	23,385,000	2.0% - 4.0%	8/15/2035	13,305,000
General Obligation Refunding & Improvement Bonds, Series 2021	10,595,000	3.0% - 5.0%	8/15/2036	4,010,000
General Obligation Bonds, Series 2022	23,000,000	4.0% - 5.0%	8/15/2041	19,995,000
General Obligation Bonds, Series 2023	14,525,000	4.0% - 5.0%	8/15/2043	10,900,000
General Obligation Improvement & Refunding Bonds, Series 2024	84,455,000	5.0%	8/15/2044	81,680,000
General Obligation Bonds, Series 2025	17,295,000	5.0%	8/15/2045	17,295,000
Governmental Bonds Total	258,495,000			172,240,000
Certificates of Obligation Bonds				
Combination Tax & Revenue Certificates of Obligation, Series 2021	22,945,000	4.0% - 5.0%	8/15/2036	18,300,000
Tax Notes				
Tax Notes, Series 2020	3,175,000	4.00%	8/15/2026	580,000
Total Governmental Activities				191,120,000
Business-type Activities				
Waterworks & Sewer System Revenue Bonds, Series 2018	9,330,000	2.0% - 5.0%	6/1/2038	6,875,000
Waterworks & Sewer System Revenue Bonds, Series 2019	3,845,000	2.0% - 4.0%	6/1/2039	2,910,000
Waterworks & Sewer System Revenue Bonds, Series 2020	4,880,000	2.0% - 5.0%	6/1/2040	3,950,000
Waterworks & Sewer System Revenue Bonds, Series 2021	10,675,000	2.0% - 5.0%	6/1/2036	9,025,000
Business-type Activities Total	28,730,000			22,760,000

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at 9/30/2025
Allen Economic Development Corporation Bonds				
Sales Tax Revenue Refunding Bonds, Series 2017A	11,810,000	2.0% - 5.0%	9/1/2027	2,605,000
Sales Tax Revenue Bonds, Series 2020	2,110,000	0.75% - 2.0%	9/1/2030	1,090,000
Sales Tax Revenue Bonds, Series 2021	2,295,000	0.65% - 2.45%	9/1/2036	1,975,000
AEDC Bonds Total	16,215,000			5,670,000
Allen Community Development Corporation Bonds				
Sales Tax Revenue Refunding Bonds, Series 2016	31,235,000	0.750% - 2.353%	9/1/2032	15,040,000

The following is a summary of long-term liabilities transactions, including current portion, of the City for the year ended September 30, 2025:

	Balance Beginning of Year	Increases	Decreases	Balance Ending of Year	Due within One Year
Governmental Activities					
General obligation bonds	$ 169,025,000	$ 17,295,000	$ (14,080,000)	$ 172,240,000	$ 11,895,000
Certificates of obligation	19,550,000	-	(1,250,000)	18,300,000	1,310,000
Tax notes	1,140,000	-	(560,000)	580,000	580,000
Leases	794,372	922,770	(618,584)	1,098,558	475,488
Premiums (discounts)	20,988,725	1,102,696	(2,865,196)	19,226,225	-
Compensated absences	12,365,031	1,234,777	-	13,599,808	3,388,154
Total Governmental Activities	$ 223,863,128	$ 20,555,243	$ (19,373,780)	$ 225,044,591	$ 17,648,642
Business Type Activities					
Water and sewer revenue bonds	$ 24,180,000	$ -	$ (1,420,000)	$ 22,760,000	$ 1,200,000
Financing arrangements	31,974	-	(16,311)	15,663	15,663
Leases	662,774	190,292	(172,541)	680,525	182,466
Premiums (discounts)	2,890,723	-	(195,716)	2,695,007	-
Compensated absences	1,054,926	129,530	-	1,184,456	347,847
Total Business Type Activities	$ 28,820,397	$ 319,822	$ (1,804,568)	$ 27,335,651	$ 1,745,976
Component Units					
Allen Economic Development Corporation					
Sales tax revenue bonds	$ 7,250,000	$ -	$ (1,580,000)	$ 5,670,000	$ 1,645,000
Premiums (discounts)	218,687	-	(72,895)	145,792	-
Total Allen Economic Development Corporation	$ 7,468,687	$ -	$ (1,652,895)	$ 5,815,792	$ 1,645,000
Allen Community Development Corporation					
Sales tax revenue bonds	$ 16,975,000	$ -	$ (1,935,000)	$ 15,040,000	$ 1,980,000
Total Allen Community Development Corporation	$ 16,975,000	$ -	$ (1,935,000)	$ 15,040,000	$ 1,980,000

Annual Requirements to Retire Debt Obligations. The City intends to retire all its general long-term liabilities, plus accrued interest, from ad valorem taxes and other current revenues. The proprietary fund type long-term debt, plus accrued interest, will be repaid from operating revenues of the Water and Sewer Fund. The annual aggregate maturities for each bond type for the years subsequent to September 30, 2025, are as follows:

Governmental Activities

General Obligation Bonds

Fiscal Year Ending September 30,	Principal	Interest	Total
2026	$ 11,895,000	$ 7,960,701	$ 19,855,701
2027	11,800,000	7,510,871	19,310,871
2028	10,965,000	6,990,221	17,955,221
2029	10,305,000	6,508,506	16,813,506
2030	9,960,000	6,039,006	15,999,006
2031-2035	47,500,000	23,177,169	70,677,169
2036-2040	38,045,000	13,293,450	51,338,450
2041-2045	31,770,000	3,929,450	35,699,450
	$ 172,240,000	$ 75,409,374	$ 247,649,374

Certificates of Obligation

Fiscal Year Ending September 30,	Principal	Interest	Total
2026	$ 1,310,000	$ 804,250	$ 2,114,250
2027	1,370,000	738,750	2,108,750
2028	1,445,000	670,250	2,115,250
2029	1,510,000	598,000	2,108,000
2030	1,590,000	522,500	2,112,500
2031-2035	9,040,000	1,520,200	10,560,200
2036	2,035,000	81,400	2,116,400
	$ 18,300,000	$ 4,935,350	$ 23,235,350

Tax Notes

Fiscal Year Ending September 30,	Principal	Interest	Total
2026	$ 580,000	$ 23,200	$ 603,200
	$ 580,000	$ 23,200	$ 603,200

Business Type Activities

Waterworks and Sewer System Revenue Bonds

Fiscal Year Ending September 30,	Principal	Interest	Total
2026	$ 1,200,000	$ 892,950	$ 2,092,950
2027	1,230,000	862,950	2,092,950
2028	1,260,000	823,900	2,083,900
2029	1,305,000	780,200	2,085,200
2030	1,370,000	716,750	2,086,750
2031-2035	7,830,000	2,604,550	10,434,550
2036-2040	7,850,000	920,450	8,770,450
2041	715,000	21,450	736,450
	$ 22,760,000	$ 7,623,200	$ 30,383,200

Component Unit Activities

Sales Tax Revenue Bonds - Allen EDC

Fiscal Year Ending September 30,	Principal	Interest	Total
2026	$ 1,645,000	$ 189,015	$ 1,834,015
2027	1,715,000	120,468	1,835,468
2028	390,000	47,778	437,778
2029	390,000	41,098	431,098
2030	400,000	33,688	433,688
2031-2035	930,000	89,973	1,019,973
2036	200,000	4,900	204,900
	$ 5,670,000	$ 526,920	$ 6,196,920

Sales Tax Revenue Bonds - Allen CDC

Fiscal Year Ending September 30,	Principal	Interest	Total
2026	$ 1,980,000	$ 431,190	$ 2,411,190
2027	2,030,000	382,423	2,412,423
2028	2,080,000	329,176	2,409,176
2029	2,145,000	270,874	2,415,874
2030	2,205,000	209,248	2,414,248
2031-2032	4,600,000	217,783	4,817,783
	$ 15,040,000	$ 1,840,694	$ 16,880,694

Bond Issuances. On August 15, 2025, the City issued City of Allen, Texas General Obligation Improvement and Refunding Bonds, Series 2025, in the amount of $17,295,000 for streets improvements, parks and recreation projects and the refunding of a portion of General Obligation Bonds, Series 2015. Bond proceeds totaled $18,397,696 and includes a premium of $1,102,696. Expenses incurred to deliver the Series 2024 bonds, including issuance costs, underwriter's discount, and agents' fees amounted to $240,726. The Series 2025 bonds incur an average cost over the life of the debt at a rate of 5.00% and mature annually, with semi-annual interest payments. Bond proceeds related to the partial refunding of existing bonds in the amount of $3,156,970 was deposited into an escrow account to cover issuance costs and the refunding of $3,140,000 of principal payments to the above-mentioned bond issuance. Due to this refunding, the City received $71,423 in debt service savings, coming to a present value savings of $65,195.

A schedule of authorized but unissued direct General Obligation Bonds as of September 30, 2025, is as follows:

Purpose	Date of Authorization	Original Amount Authorized	Issued in Prior Fiscal Years	Issued in Current Year	Unissued Balance
Service Center Facilities	5/12/2007	$ 14,500,000	$ 12,500,000	$ -	$ 2,000,000
Streets	11/7/2023	47,000,000	6,000,000	5,150,000	35,850,000
Parks and Recreation	11/7/2023	17,000,000	-	9,850,000	7,150,000
Mobility Projects	11/7/2023	8,000,000	-	-	8,000,000
Police Facilities	11/7/2023	83,000,000	83,000,000	-	-
		$ 169,500,000	$ 101,500,000	$ 15,000,000	$ 53,000,000

The amount issued in current year includes premium generated in the bond sale and is counted against the amount authorized.

Waterworks and Sewer System Revenue Bonds. Waterworks and Sewer System Revenue Bonds are used to finance the acquisition of major capital improvements for the City's water and sewer system and related facilities. Water and Sewer Revenue Bonds and Refunding Bonds are payable solely from and, equally secured by, a first lien on and pledge of the net revenue of the City's combined waterworks and sanitary sewer systems.

The City is required by the applicable revenue bond indentures to pledge the net revenues of the Water and Sewer Enterprise Fund for the retirement of its outstanding revenue bonds, including interest thereon, and is required to maintain debt service funds and bond reserve funds for all such bonds outstanding.

Funds aggregating $2,501,833 at September 30, 2025, are restricted within the Water and Sewer Enterprise Fund for servicing of the debt. The respective bond indentures require the City to make equal monthly payments to the restricted accounts to accumulate the annual principal and interest requirements as they become due.

The ordinances authorizing the Revenue Bonds stipulate that the City will deposit, in addition to principal and interest requirements, certain amounts in a reserve fund. Amounts in the reserve fund are to be used to pay principal and interest on outstanding bonds whenever enough funds are not available in the bond interest and redemption fund. The bond indentures require that the City accumulate reserves to an amount equal to the average annual principal and interest requirements of all outstanding bonds secured by the net revenues of the system. Such reserves are funded up to the required level in equal monthly installments over a maximum five-year period, as defined in the indentures. Amounts in the reserve fund at September 30, 2025, of $3,997,043 are adequate to meet the reserve requirements.

As of September 30, 2025, restricted assets, which include amounts in the Water and Sewer Revenue Bond Debt Service and the Revenue Bond Reserve Fund, were as follows:

Revenue bond reserve fund	$	1,903,839
Revenue bond debt service fund		2,093,204
	$	3,997,043

Net position reserved for Water and Sewer revenue bond retirement is detailed as follows:		
Restricted assets, revenue bond debt service and reserve funds	$	3,997,043
Accrued interest, payable from restricted assets		(295,210)
Current maturities of revenue bonds, payable from restricted assets		(1,200,000)
Reserved for water and sewer revenue bonds principal and interest	$	2,501,833

The City complies with the various requirements of the bond ordinances.

Financing Arrangements. The City has acquired golf course equipment under various agreements accounted for as financed purchases. As of September 30, 2025, the capitalized costs of business-type property under financed purchase arrangements were $73,292.

The terms of the financed arrangements range from 3- 5 years and call for monthly and annual payments over the life of the agreements. The future minimum payments under financed purchase arrangements and the net present value of the future minimum payments at September 30, 2025, are as follows:

Fiscal Year Ending	Business-type Activities		
September 30,	Principal	Interest	Total
2026	$ 15,663	$ 383	$ 16,046
Total	$ 15,663	$ 383	$ 16,046

Leases – Lessee. The City is a lessee for noncancellable leases of vehicles, copiers, and other equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (leased asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with total lease payments of $20,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

The future principal and interest lease payments as of fiscal year-end are as follows:

Fiscal Year Ending	Governmental Activities			Business-type Activities		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2026	$ 475,488	$ 62,110	$ 537,598	$ 182,466	$ 29,882	$ 212,348
2027	385,505	38,538	424,043	191,802	20,547	212,349
2028	237,565	15,699	253,264	201,614	10,734	212,348
2029	-	-	-	104,643	1,532	106,175
Total	$ 1,098,558	$ 116,347	$ 1,214,905	$ 680,525	$ 62,695	$ 743,220

F. Fund Balance Classifications

As previously stated in the summary of significant accounting policies, fund balance classifications are non-spendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. A number of restrictions are grouped as "other purposes" in the basic financial statements, therefore, more specific restriction descriptions are provided below.

	General	Debt Service	General Capital Projects	General Obligation Bond	Other Governmental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable						
Prepaid items	$ 9,249	$ -	$ -	$ -	$ -	$ 9,249
Inventories	54,132	-	-	-	-	54,132
Restricted						
Debt service	-	3,883,953	-	-	-	3,883,953
Capital expenditures	-	-	-	102,486,553	-	102,486,553
Tourism	-	-	-	-	2,860,442	2,860,442
Asset forfeiture	-	-	-	-	240,405	240,405
State and federal grants	245,393	-	-	-	238,514	483,907
Park acquisition and development	-	-	-	-	2,232,051	2,232,051
Tax increment financing agreement	-	-	-	-	13,876,715	13,876,715
Court technology and security	-	-	-	-	339,761	339,761
Juvenile case manager	-	-	-	-	80,053	80,053
PEG fees	-	-	-	-	201,926	201,926
Radio system	-	-	-	-	483,714	483,714
Tree mitigation	-	-	-	-	1,917,139	1,917,139
Public safety and library enhancements	-	-	-	-	218,546	218,546
Cemetery trust	74,343	-	-	-	-	74,343
Assigned						
Capital expenditures	-	-	31,396,748	-	-	31,396,748
Neighborhood reinvestment	-	-	850,208	-	-	850,208
Unassigned	37,952,039	-	-	-	-	37,952,039
TOTAL FUND BALANCES	$ 38,335,156	$ 3,883,953	$ 32,246,956	$ 102,486,553	$ 22,689,266	$ 199,641,884

G. Interfund Transfers

Individual fund operating transfers for fiscal year ended September 30, 2025, were as follows:

	Transfers In:						
Transfers Out:	General Fund	General Capital Projects Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Event Center	Nonmajor Enterprise Funds	Total
General Fund	$ -	$ 5,403,989	$ 15,329	$ -	$ 400,000	$ 1,400	$ 5,820,718
General Obligation Bond Fund	336,836	-	-	-	-	-	336,836
General Capital Projects Fund	289,469	-	-	-	-	-	289,469
Nonmajor Governmental Funds	34,000	-	-	-	350,000	-	384,000
Water and Sewer Fund	9,701,532	-	-	-	-	-	9,701,532
Nonmajor Enterprise Funds	1,700,014	300,000	-	68,019	-	-	2,068,033
Total	$ 12,061,851	$ 5,703,989	$ 15,329	$ 68,019	$ 750,000	$ 1,400	$ 18,600,588

Transfers are used to move unrestricted funds to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs and to support cash financing of capital projects. The City also assesses ending fund balance and working capital for yearend transfers into funds used for the capital improvement program.

H. Retirement Plan

TMRS Pension Plan

Plan Description. The City participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tmrs.com*.

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

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

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

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employees)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase to retirees	70% of CPI Repeating

Employees Covered by Benefit Terms. At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	406
Inactive employees entitled to, but not yet receiving benefits	598
Active employees	830
	1,834

Contributions. Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees of the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 16.08% and 15.19% in calendar years 2025 and 2024, respectively. The City's contribution to TMRS for the year ended September 30, 2025 was $12,525,281, which was equal to the actuarially determined required contribution.

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

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%

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 MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 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.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected future real rates of return for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by respective target asset allocation percentage. The target allocation and best estimates of expected return for each major asset class in fiscal year 2025 are summarized in the following table:

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

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

Changes in the Net Pension Liability. Changes in the net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	$ 327,910,968	$ 284,640,415	$ 43,270,553
Changes for the year:			
Service cost	13,985,552	-	13,985,552
Interest	22,234,583	-	22,234,583
Difference between expected and actual experience	5,691,268	-	5,691,268
Change in assumptions	-	-	-
Contributions - employer	-	12,068,562	(12,068,562)
Contributions - employee	-	5,271,883	(5,271,883)
Net investment income	-	29,639,869	(29,639,869)
Benefit payments, including refunds of employee contributions	(11,005,036)	(11,005,036)	-
Administrative expense	-	(189,678)	189,678
Other charges	-	(4,437)	4,437
Net changes	30,906,367	35,781,163	(4,874,796)
Balance at 12/31/2024	$ 358,817,335	$ 320,421,578	$ 38,395,757

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 93,563,764	$ 38,395,757	$ (6,560,303)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2025, the City recognized pension expense in the amount of $15,699,263. At September 30, 2025, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,076,439	$ -
Changes in actuarial assumptions	-	474,927
Difference between projected and actual investment earnings	-	3,664,914
Contributions subsequent to the measurement date	9,705,440	-
Total	$ 18,781,879	$ 4,139,841

$9,705,440 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement year ending December 31	
2025	$ 4,040,602
2026	5,747,208
2027	(2,877,480)
2028	(1,973,732)
Total	4,936,598

I. Postemployment Benefits Other than Pensions

Supplemental Death Benefits Plan - TMRS

Plan Description. Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e., no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Benefits Provided. 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). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of $7,500.

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The City's contribution to the TMRS SDBF for retirees for the fiscal year ended September 30, 2025, was $39,461, which was equal to the actuarially determined contribution (ADC).

Summary of Actuarial Assumptions and Other Inputs Used

Summary of Actuarial Assumptions and Other Inputs Used	
Inflation	2.50%
Salary Increases	3.60% to 11.50%, including inflation
Discount Rate	4.08%, as of December 31, 2024
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with immediate convergence).
Mortality Rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Note: The actuarial assumptions used in the December 31, 2023, valuation was based on the results of an actuarial experience study for the period December 31, 2014, to December 31, 2022.

Employees Covered by Benefit Terms. At December 31, 2024, the actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	284
Inactive employees entitled to, but not yet receiving benefits	150
Active employees	830
	1,264

Changes in Total OPEB Liability. Changes in total OPEB liability are as follows:

Total OPEB Liability - beginning of year	$	1,894,498
Changes for the year:		
Service cost		112,969
Interest on Total OPEB Liability		72,842
Difference between expected and actual experienc		(24,150)
Change in assumptions or other inputs		(111,564)
Benefit payments, including		(37,656)
Net changes		12,441
Total OPEB Liability - end of year	$	1,906,939

The City's total OPEB liability of $1,906,939 was measured at December 31, 2024, and determined by an actuarial valuation as of that date. Accordingly, no roll-forward is required.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's total OPEB liability	$ 2,301,280	$ 1,906,939	$ 1,600,290

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2025, the City recognized OPEB expense of $95,403. OPEB expense recognized is as follows:

Components of OPEB Expense:		
Service cost	$	112,969
Interest on Total OPEB Liability		72,842
Difference between expected and actual experience		(30,138)
Change in assumptions or other inputs		(60,270)
Total OPEB Expense		95,403

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,212	$ 78,134
Changes in actuarial assumptions or other inputs	234,070	617,385
Contributions subsequent to the measurement date	30,179	-
Total	265,461	695,519

Deferred outflows of resources in the amount of $30,179 related to OPEB that resulted from contributions made subsequent to the measurement date but before September 30, 2026, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than in the current fiscal period.

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

Year ending September 30,	Net deferred outflows/ (inflows) of resources
2026	$ (91,304)
2027	(109,655)
2028	(144,462)
2029	(96,149)
2030	(18,667)
Total	(460,237)

J. Risk Management

Health and Dental Insurance. The City provides health and dental insurance benefits to City employees under a modified self-insurance plan. Under the plan, the City and the employee pay a portion of a predetermined monthly premium, which is based on the estimated claims cost for the plan and the extent of medical coverage selected by the employee. To cover annual costs, premium payments are reported as operating revenues of the Risk Management Fund and operating expenditures/expenses of the participating funds.

A commercial insurance carrier is utilized to adjudicate and pay medical claims on behalf of the City. The City's medical claims liability is limited by a stop loss insurance policy that covers individuals' medical claims in excess of $125,000 per plan year. Aggregate stop loss coverage of $2,000,000 per plan year provides protection to limit claim liability for the plan as a whole. The liabilities for insurance claims reported are based on GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

These liabilities include an estimate for incurred but not reported claims. The estimated amount at September 30, 2025, was $1,057,776. Changes in the Risk Management liability during the past five fiscal years were as follows:

Year Ending September 30,	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2021	$ 1,053,311	$ 9,400,218	$ 9,386,807	$ 1,066,722
2022	1,066,722	9,789,575	9,721,444	1,134,853
2023	1,134,853	10,807,931	10,927,276	1,015,508
2024	1,015,508	12,106,056	12,058,761	1,062,803
2025	1,062,803	10,858,625	10,863,652	1,057,776

Workers Compensation & Property and Liability Insurance. The City participates in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for workers' compensation claims, liability (general, automobile, law enforcement, and errors/omissions), and property insurance. The cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience. As claims arise they are submitted to and paid by TMLIRP. To cover annual costs, premium payments are reported as operating revenues of the Risk Management Fund and operating expenditures/expenses of the participating funds.

The City has a workers' compensation deductible of $25,000 per occurrence, with an annual aggregate deductible of $330,000. During fiscal 2025, the City contributed $1,359,223 to the Risk Management Fund for workers' compensation.

The City has various levels of insurance deductibles for property, liability, and automobile insurance with the maximum deductible set at $10,000. All insured claims are paid by TMLIRP, less the appropriate deductible. During fiscal 2025, the City contributed $1,553,337 for property and general liability.

K. Tax Abatements and Economic Incentives

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. These programs abate or rebate property and sales taxes and include incentive payments and rebates of fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code, Chapter 311 (Tax Increment Financing Act), and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact, or community impact of the project requesting assistance. Recipients of assistance generally commit to building or remodeling real property and related infrastructure, demolishing and redeveloping outdated properties, expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions that may require repayment or termination if recipients do not meet the required provisions of the economic incentives. The following are the three categories of economic development agreements City has contracted:

General Economic Development. The City, Allen Economic Development Corporation, and Allen Community Development Corporation enter into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes or sales tax received, may result in fee reductions or rebates, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs or other expenses. During fiscal year 2025, the City rebated $5,947,853 in taxes. Additionally, for fiscal year 2025, the Allen Economic Development Corporation rebated taxes in the amount of $70,170 and made incentive payments of $4,926,101, while the Allen Community Development Corporation rebated taxes in the amount of $70,171, and made a grant payment of $425,000.

Significant Economic Development Projects. During the fiscal year, the Allen Economic Development Corporation purchased a large parcel of land for approximately $43 million for the purpose of an economic development agreement with a large resort. The Allen Community Development Corporation contributed $20 million to the purchase while the Allen Economic Development Corporation funded the remaining balance. After the purchase, the EDC transferred ownership of the land to the City. The economic development agreement intends to recuperate the cost of the land in a lease where the land is owned by the City and leased to the resort operator. Due to events in the State legislative session, the original agreement has been put on hold until 2027. To date, the City collected $150,000 in rent that has been held in unearned revenue, as there is a possibility under the agreement for it to be refunded.

Tax Abatements. Tax Abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer pays taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were $88,112 for the fiscal year ended September 30, 2025.

Tax Increment Financing. The City has adopted two Tax Increment Financing (TIF) zones under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements that earmark TIF revenues for payment to developers and represent obligations over the life of the TIF or until all terms of the agreements have been met. Additionally, the City may enter into general economic development agreements, under Chapter 380 of the Texas Local Government Code, which are funded with TIF resources. The City made $847,623 in payments for TIF obligations during fiscal year 2025.

L. Commitments and Contingent Liabilities

Litigation. The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Economic Development Grant. The City has several economic development agreements whereby the City has agreed to pay a grant(s) to a developer and/or business in return for the design, construction, operating, and/or managing of the business within the City of Allen. All grants are performance based and do not constitute liabilities on the City's financial records.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

[CLOSING DATE]

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IN REGARD to the authorization and issuance of the "City of Allen, Texas, General Obligation Improvement and Refunding Bonds, Series 2026," dated July 1, 2026, in the principal amount of $[_________] (the "Bonds"), we have examined into their issuance by the City of Allen, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds, and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on August 15 in each of the years specified in a pricing certificate executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (jointly, the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, an Escrow Agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"), a special report of Causey Public Finance, LLC (the "Verification Agent"), and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City; and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The Escrow Agreement has been duly authorized, executed and delivered and, assuming the due authorization, execution or acceptance, and delivery thereof by the Escrow Agent, is a binding and enforceable agreement in accordance with its terms and the outstanding obligations

being refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the special report of the Verification Agent as to the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

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

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

Financial Advisory Services
Provided By

ESTRADA HINOJOSA

A DIVISION OF TRB CAPITAL MARKETS