HTSContinuingDisclosureServices
A Division of Hilltop Securities.

(See "Continuing Disclosure Information" herein.)

PRELIMINARY OFFICIAL STATEMENT
Dated August 25, 2026

Rating:
S&P: "A"
(See "OTHER INFORMATION – Rating" herein)

NEW ISSUE - Book-Entry-Only

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

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

$2,425,000*
CITY OF BRECKENRIDGE, TEXAS
(Stephens County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: September 1, 2026 — **Due: March 15, As shown on page 2**
(Interest accrues from Delivery Date)

PAYMENT TERMS. . . Interest on the $2,425,000* City of Breckenridge, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the date of initial delivery provided below (the "Delivery Date") to the underwriter identified below (the "Underwriter"), will be payable March 15 and September 15 of each year commencing March 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (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 Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance (defined below), and constitute direct obligations of the City of Breckenridge, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the surplus revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates anticipated to be adopted on the date of sale of the Certificates (the "Ordinance") (see "THE CERTIFICATES- Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, acquiring, equipping, constructing, and improving public safety facilities, vehicles and equipment; and (ii) paying legal, fiscal and engineering fees in connection with these projects and costs of issuance of the Certificates (see "THE CERTIFICATES – Purpose").

MUNICIPAL BOND INSURANCE. . . The City has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Certificates insured by a municipal bond insurance policy. In the event the Certificates are qualified for municipal bond insurance, the City may elect to purchase, at its sole expense, municipal bond insurance to insure the Certificates.. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

CUSIP PREFIX: 106547
MATURITY SCHEDULE & 9 DIGIT CUSIP See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on October 1, 2026.

RAYMOND JAMES

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* Preliminary, subject to change.

MATURITY SCHEDULE*

$2,425,000*
CITY OF BRECKENRIDGE, TEXAS
(Stephens County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Maturity (3/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]	Maturity (3/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP [1]
2027	$ 75,000				2037	$ 120,000			
2028	75,000				2038	125,000			
2029	80,000				2039	130,000			
2030	85,000				2040	140,000			
2031	90,000				2041	145,000			
2032	95,000				2042	155,000			
2033	100,000				2043	160,000			
2034	100,000				2044	170,000			
2035	105,000				2045	175,000			
2036	115,000				2046	185,000			

(Interest to accrue from Delivery Date)

Optional Redemption of the Certificates . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 15, 20__, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption”). In addition, in the event the Underwriter elects to aggregate two or more consecutive serial maturities as one or more “Term Certificates,” such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the Ordinance and will be described in the final Official Statement (see "THE CERTIFICATES - Mandatory Sinking Fund Redemption").

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research System Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP numbers are provided for convenience of reference only. None of the City, the Municipal Advisor, the Underwriter or their agents or counsel take any responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter.

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

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

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER INFORMATION - FORWARD-LOOKING STATEMENTS DISCLAIMER" HEREIN.

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

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

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

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APPENDICES

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Breckenridge, Texas (the "City") is a political subdivision and home rule municipal corporation of the State located in Stephens County. The City covers approximately 4.2 square miles (see "INTRODUCTION - Description of the City" and "Appendix A – General Information Regarding the City").

THE CERTIFICATES .... The City's $2,425,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") are expected to be issued as serial Certificates maturing on March 15 in the years 2027 through 2046 (see "THE CERTIFICATES - Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the date of initial delivery to the underwriter listed on the cover page hereof (the "Underwriter") and will be payable initially on March 15, 2027, and each September 15 and March 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates" and "THE CERTIFICATES – Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly, Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance anticipated to be adopted by the City Council of the City on the date of sale of the Certificates (the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance".)

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the surplus revenues (as provided in the Ordinance) of the City's Waterworks and Sewer System (see "THE CERTIFICATES - Security and Source of Payment").

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City has designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS" herein).

REDEMPTION PROVISIONS .... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 15, 20__, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption"). In addition, in the event the Underwriter elects to aggregate two or more consecutive serial maturities as one or more "Term Certificates," such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the Ordinance and will be described in the final Official Statement (see "THE CERTIFICATES - Mandatory Sinking Fund Redemption").

TAX MATTERS............................ In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

USE OF PROCEEDS....................... Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, acquiring, equipping, constructing, and improving public safety facilities, vehicles and equipment; and (ii) paying legal, fiscal and engineering fees in connection with these projects and costs of issuance of the Certificates (see "THE CERTIFICATES – Purpose").

MUNICIPAL BOND INSURANCE .... The City has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Certificates insured by a municipal bond insurance policy. In the event the Certificates are qualified for municipal bond insurance, the City may elect to purchase, at its sole expense, municipal bond insurance to insure the Certificates. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

RATING .... The Certificates and the presently outstanding tax supported debt of the City are rated "A" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard to credit enhancement (see "OTHER INFORMATION - Rating").

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

PAYMENT RECORD...................... The City has never defaulted on its Revenue Bonds and has not defaulted on its General Obligation Bonds since 1941 when all bonds were refunded at par with a reduction in interest rate.

*Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year[(3)]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita	% of Total Tax Collections
2022	5,349	$ 200,655,886	$ 37,513	$ 14,029,000	6.99%	$ 2,623	96.78%
2023	5,177	257,613,426	49,761	22,201,000	8.62%	4,288	98.98%
2024	5,190	283,363,231	54,598	20,132,000	7.10%	3,879	97.37%
2025	5,195	299,341,187	57,621	19,495,000	6.51%	3,753	98.56%
2026	5,201	309,061,547	59,423	22,980,000 [(4)]	7.44% [(4)]	4,418 [(4)]	96.24% [(5)]

(1) Source: the City.
(2) As reported by the Stephens County Appraisal District on the City's annual State property tax reports. Such values are subject to change during the ensuing year.
(3) Includes self-supporting debt. The City's policy is to pay its self-supporting general obligation debt from other revenues and is subject to change in the future at the City's discretion, although the City has no current plans to do so. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.
(4) Includes the Certificates. Preliminary, subject to change.
(5) Partial collections as of July 31, 2026.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Beginning Balance	$ 1,956,335	$ 1,564,075	$ 1,095,404	$ 599,700	$ 242,111
Total Revenue	4,581,809	4,408,974	4,167,737	3,770,679	3,791,095
Total Expenditures	4,904,424	4,547,734	4,185,780	3,802,014	3,950,796
Net Transfers and Adjustments	606,022	531,020	486,714	527,039	517,290
Ending Balance	$ 2,239,742	$ 1,956,335	$ 1,564,075	$ 1,095,404	$ 599,700

For additional information regarding the City, please contact:

Cynthia Northrop MPA, CPM		Erick Macha
City Manager		Managing Director
City of Breckenridge	or	Hilltop Securities Inc.
105 North Rose Avenue		717 North Harwood, Suite 3400
Breckenridge, Texas 76424		Dallas, Texas 75201
(254) 559-8287		(214) 953-4033

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Position	Length of Service	Term Expires	Occupation
Kord Trammel Mayor	2 Months	May 2028	TDCJ
Paul Huntington Jr. Mayor Pro Tem/Place 4	1.5 Years	May 2027	Veteran / Stephens County Chaplain
Blake Hamilton Commissioner Place 1	4 Years	May 2028	Breck Minerals, LP
Justin Rose Commissioner Place 2	2 Months	May 2028	Stephens County SO
Junior Fernandez Commissioner Place 3	1.5 Years	May 2027	Business Owner – Plumbing Co.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the City	Total Length of Governmental Service
Cynthia Northrop MPA, CPM	City Manager	4 Years	20 Years
Jessica Sutter	City Secretary	4 Years	4 Years
Diane Latham	Finance Director	38 Years	38 Years

CONSULTANTS AND ADVISORS

Auditors(1) .... George, Morgan & Sneed, P.C.
Weatherford, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Municipal Advisor .... Hilltop Securities Inc.
Dallas, Texas

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(1) The City has engaged MWH Group, Wichita Falls, Texas, as its independent auditor firm. Such firm will conduct the City's audit of its annual financial report for fiscal year ending September 30, 2026.

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$2,425,000*
CITY OF BRECKENRIDGE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $2,425,000* City of Breckenridge, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Breckenridge, 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 Municipal Advisor, Hilltop Securities Inc., Dallas, Texas.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1919, and first adopted its Home Rule Charter in 1954. The City operates under a Council/Manager form of government with a City Commission comprised of the Mayor and four Commissioners. The term of office is two years and the terms for the Mayor and two of the Commissioners terms expiring in an even-numbered year and the terms of the other two Commissioners expiring in an odd-numbered year. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2020 U. S. Census population for the City was 5,187 while the estimated 2026 population is 5,201. The City covers approximately 4.20 square miles (see "Appendix A – General Information Regarding the City").

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated September 1, 2026 (the "Dated Date"), and mature on March 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery to the Underwriter, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 15 and September 15 of each year, commencing March 15, 2027 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly, Subchapter C of Chapter 271, Texas Local Government Code, as amended, and by an ordinance anticipated to be adopted by the City Council of the City on the date of sale of the Certificates (the "Ordinance").

PURPOSE...Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, acquiring, equipping, constructing, and improving public safety facilities, vehicles and equipment; and (ii) paying legal, fiscal and engineering fees in connection with these projects and costs of the Certificates.

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* Preliminary, subject to change.

Security and Source of Payment . . . The principal of and interest on the Certificates are payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) together with the Previously Issued Obligations (identified and defined in the Ordinance) are additionally payable from a pledge of the surplus revenues of the City's Waterworks and Sewer System, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that may be pledged to the payment of Prior Lien Obligations (as described and defined in the Ordinance) hereafter issued by the City. Currently, the City does not have any outstanding Prior Lien Obligations.

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, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all tax-supported debt service, as calculated at the time of issuance.

Optional Redemption . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 15, 20__, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption . . . In the event any of the Certificates are structured as "term" Certificates at the option of the Underwriter, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

Notice of Redemption...Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates 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 AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Certificates, 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 Certificates 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 or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

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

Defeasance . . . The Ordinance provides for the defeasance of the Certificates when payment of the principal of and premium, if any, on Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm or other 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 to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. The Ordinance provides that "Government Securities" means (1) direct, noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (2) 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 purchase or acquisition by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (3) 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 purchase or acquisition by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (4) any other then authorized securities or obligations under applicable law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for 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.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to take any action amending the terms of the Certificates that have been defeased to maturity are extinguished; provided, however, that the right to call the Certificates that have been defeased to maturity 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 Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will 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 for defeasance purposes or for any other Government Security will be maintained at any particular rating category.

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

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

Global Ratings rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The 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.

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

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

Principal and interest payments on the Certificates will be made to 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 dates in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Municipal Advisor or the Underwriter.

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

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

Interest on the Certificates will 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 (hereinafter defined), and such interest will 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 Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation and surrender to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "THE CERTIFICATES - Book-Entry-Only System," above.

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate called for redemption in part.

Record Date for Interest Payment. . . The record date ("Record Date") for determining the party to whom the interest payable on the Certificates on any interest payment date means the close of business on the last calendar day of the month preceding each such date, regardless of whether such day is a business day.

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

Certificateholders' Remedies. . . The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, interest or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the obligations set forth in the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Certificates do not provide for the appointment of a trustee to represent the interest of the holders of the Certificates 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. 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. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. 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. 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 Certificates may not be able to bring such a suit against the City for breach of the obligations set forth in the Certificates or the Ordinance. 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 Certificates. 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 Certificates 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 13 administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

USE OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources of Funds:	
Par Amount	
Reoffering Premium	
Total Sources	$ -
Uses of Funds:	
Project Fund	
Deposit to Debt Service Fund	
Costs of Issuance and Underwriter's Discount	
Total Uses	$ -

BOND INSURANCE

The City has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. In the event the Certificates are qualified for municipal bond insurance, and the City desires to purchase such insurance, the cost will be paid by the City. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the City. It will be the responsibility of the City to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Certificates. If the City obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Certificates (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

BOND INSURANCE RISK FACTORS

GENERAL. . . If the City chooses to purchase a Policy, the following risk factors related to municipal bond insurance policies generally apply.

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the certificate owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment may exist. The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Certificateholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and a pledge of the surplus revenues (as provided in the Ordinance) of the City's Waterworks and Sewer System (see "THE CERTIFICATES - Security and Source of Payment"). In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Certificates, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates.

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Financial Advisor or the Underwriter have made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers. . . Moody's Investor Services, Inc., Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. and Fitch Ratings (the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

TAX INFORMATION

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.

2025 Legislative Session . . . The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (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.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of 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. At this time, the City cannot make any representations as to the full impact of such legislation. Further, the City can make no representations or predictions regarding any legislation that may be considered during any additional special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

Through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,320,000 (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.

An appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,320,000 (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. Unless extended by the State Legislature, the foregoing prohibition expires on December 31, 2026.

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 "TAX INFORMATION – City and Taxpayer Remedies").

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

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption described in (1), above, that was granted in tax year 2022 through December 31, 2027.

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

Personal Property . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Legislation enacted during the 89th Regular Session (as defined herein) and approved by voters at a Statewide election held on November 4, 2025, effective January 1, 2026, provides a person with an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for 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 (hereinafter defined) to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. 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, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

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

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

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION –City Application of Tax Code" and "Table 1 – Valuation, Exemptions and General Obligation Debt."

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 was set at $62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX INFORMATION – 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.

Except with respect to taxpayers who are 65 years of age or older, 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 be applied 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, including the Certificates.

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 for 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 or city clerk, as applicable. If a city were limited to levying an ad valorem tax rate that is not in excess of its no-new-revenue tax rate, such a limitation would impact the total amount of ad valorem tax revenue available to the City to pay for both operations and maintenance and debt service.

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.

City Application of Tax Code. . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $10,000.

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

The City has not granted an additional exemption of 20% of the market value of residence homesteads; the minimum exemption of $5,000.

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

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

The City does 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 collect the additional one-quarter cent sales tax for reduction of ad valorem taxes.

The City does not participate in any Tax Increment Reinvestment Zones.

The City has entered into Chapter 380 Economic Development Program Agreements with a developer and has agreed to provide sales tax grants and rebates. The City will pay to developer an amount equal to 60% of the project sales tax revenue for a period of ten years up to a maximum of $325,000. The first payment was made in February 2018 and the final payment will be made in February 2027 if the maximum has not been paid at that date. The total paid by the City as of the date of this preliminary official statement is $95,857.45. The 380 Agreement was entered into in conjunction with a Performance Agreement between a developer and Breckenridge Economic Development Corporation, the two agreements being contingent upon execution of the other.

Tax Abatement Policy . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The City has no tax abatements at this time.

Table 1 - Valuation, Exemptions and General Obligation Debt

2025/2026 Market Valuation Established by Stephens County Appraisal District (excluding totally exempt property)		$ 359,128,335
Less Exemptions/Reductions at 100% Market Value:		
Local Option - Over-65	$ 1,450,500	
Disabled Loss	261,000	
Veterans Exemption Loss	4,904,256	
Productivity Value Loss	2,280,870	
10% Cap Loss	40,729,220	
Miscellaneous Exemptions	440,942	50,066,788
2025/2026 Taxable Assessed Valuation		$ 309,061,547
General Obligation Debt Payable from Ad Valorem Taxes as of 3/1/2026		
Outstanding Debt	$ 20,555,000	
The Certificates	2,425,000 (1)	
Total General Obligation Debt		$ 22,980,000 (1)
Less: Self Supporting Debt(2)		
Water & Sewer System Supported Debt	$ 12,950,000	
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 10,030,000
Ratio Net General Obligation Tax Debt to 2025/2026 Taxable Assessed Valuation		3.25%

2026 Estimated Population - 5,201
Per Capita Taxable Assessed Valuation - $59,423
Per Capita Funded Debt Payable from Ad Valorem Taxes - $4,418
Per Capita Net General Purpose Funded Debt Payable from Ad Valorem Taxes - $1,928

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(1) Preliminary, subject to change.
(2) General obligation debt in the amounts shown for which repayment is provided from revenues of the Waterworks and Sewer System Revenue System. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY (1)

	Fiscal Year Ended September 30,					
	2026		2025		2024	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 212,489,295	59.17%	$ 210,800,663	61.24%	$ 202,967,765	61.74%
Real, Residential, Multi-Family	7,645,857	2.13%	7,565,353	2.20%	7,721,031	2.35%
Real, Vacant Lots/Tracts	3,175,810	0.88%	3,314,150	0.96%	2,808,690	0.85%
Real, Acreage (Land Only)	1,944,980	0.54%	1,782,000	0.52%	1,401,820	0.43%
Real, Farm and Ranch Improvements	2,855,150	0.80%	2,898,770	0.84%	2,333,850	0.71%
Real, Commercial & Industrial	67,721,240	18.86%	56,081,990	16.29%	51,919,266	15.79%
Oil, Gas & Minerals	4,098,580	1.14%	5,393,300	1.57%	6,971,590	2.12%
Real and Tangible Personal, Utilities	10,222,478	2.85%	10,098,211	2.93%	9,136,570	2.78%
Tangible Personal, Commercial and Industrial	46,647,190	12.99%	44,097,831	12.81%	41,464,617	12.61%
Tangible Personal, Other	1,092,090	0.30%	973,840	0.28%	882,150	0.27%
Inventory, Special	1,235,665	0.34%	1,234,861	0.36%	1,139,448	0.35%
Total Market Value	$ 359,128,335	100.00%	$ 344,240,969	100.00%	$ 328,746,797	100.00%
Less: Total Exemptions/Reductions	(50,066,788)		(44,899,782)		(45,383,566)	
Net Taxable Assessed Value	$ 309,061,547		$ 299,341,187		$ 283,363,231	

	Fiscal Year Ended September 30,			
	2023		2022	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 191,657,821	63.02%	$ 151,014,017	63.78%
Real, Residential, Multi-Family	8,367,078	2.75%	6,339,875	2.68%
Real, Vacant Lots/Tracts	2,135,300	0.70%	2,160,835	0.91%
Real, Acreage (Land Only)	1,035,200	0.34%	870,800	0.37%
Real, Farm and Ranch Improvements	2,066,780	0.68%	2,041,770	0.86%
Real, Commercial & Industrial	45,708,592	15.03%	38,734,110	16.36%
Oil, Gas & Minerals	7,889,730	2.59%	3,090,053	1.31%
Real and Tangible Personal, Utilities	9,587,680	3.15%	7,162,380	3.02%
Tangible Personal, Commercial and Industrial	33,672,185	11.07%	24,098,145	10.18%
Tangible Personal, Other	872,670	0.29%	477,180	0.20%
Inventory, Special	1,139,448	0.37%	785,903	0.33%
Total Market Value	$ 304,132,484	100.00%	$ 236,775,068	100.00%
Less: Total Exemptions/Reductions	(46,519,058)		(36,119,182)	
Net Taxable Assessed Value	$ 257,613,426		$ 200,655,886	

NOTE: Valuations shown are certified taxable assessed values reported by the Stephens County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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(1) The City's certified Taxable Assessed Valuation for FYE 2027 is $339,852,115.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year[3]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	5,349	$ 200,655,886	$ 37,513	$ 14,029,000	6.99%	$ 2,623
2023	5,177	257,613,426	49,761	22,201,000	8.62%	4,288
2024	5,190	283,363,231	54,598	20,132,000	7.10%	3,879
2025	5,195	299,341,187	57,621	19,495,000	6.51%	3,753
2026	5,201	309,061,547	59,423	22,980,000 (4)	7.44% (4)	4,418 (4)

(1) Source: The City.
(2) As reported by the Stephens County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year. The City's certified Taxable Assessed Valuation for FYE 2027 is $339,852,115.
(3) Includes self-supporting debt.
(4) Includes the Certificates. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Total Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	$ 1.0600	$ 0.7605	$ 0.2995	$ 2,143,136	93.05%	96.78%
2023	1.0200	0.7648	0.2552	2,503,005	94.59%	98.98%
2024	1.0547	0.7996	0.2551	2,822,816	97.48%	97.37%
2025	1.0447	0.7616	0.2831	2,934,614	93.72%	98.56%
2026	1.0289	0.7715	0.2574	2,988,754	93.50% (1)	96.24% (1)

(2) Partial year collections as of July 31, 2026.

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TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Jonell Filtration Mfg.	Industrial Manufacturing	$ 11,731,480	3.80%
Oncor Electric Delivery Co.	Electric Utility/Power Plant	6,045,840	1.96%
Wal-Mart Real Estate Business Trust	Commercial Land	4,469,600	1.45%
Jonell Filtration Products Inc.	Industrial Manufacturing	4,183,212	1.35%
Caddo Creek Investments LLC	Financial/Banking	4,124,254	1.33%
Deere Credit Inc.	Financial/Banking	3,364,420	1.09%
EZPack Bridgeport LLC	Manufacturing	3,345,930	1.08%
Wal-Mart Stores Texas LP	Retail Store	2,593,230	0.84%
RGN Manufacturing Services	Industrial Manufacturing	2,446,968	0.79%
Suddenlink Communication	Technology	2,423,420	0.78%
		$ 44,728,354	14.47%

TABLE 6 - TAX ADEQUACY[1]

2026 Principal and Interest Requirements, Net General Obligation Debt	$	633,450
$0.2135 Tax Rate at 96% Collection Produces	$	633,453
Average Principal and Interest Requirements, Net General Obligation Debt, 2026 - 2046	$	725,727
$0.2447 Tax Rate at 96% Collection Produces	$	726,023
Maximum Principal and Interest Requirements, Net General Obligation Debt, 2033	$	829,450
$0.2796 Tax Rate at 96% Collection Produces	$	829,571

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

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TABLE 7 - ESTIMATED OVERLAPPING DEBT[1]

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. Further-more, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2025/26 Taxable Assessed Value	2025/26 Tax Rate	Net G.O. Tax Debt as of 7/31/2026	Estimated % Applicable	City's Overlapping G.O. Tax Debt
City of Breckenridge	$ 309,061,547	$ 1.0289	$ 22,980,000 [2]	100.00%	$ 22,980,000 [2]
Breckenridge ISD	690,388,805	0.7575	40,295,000	45.68%	18,406,756
Stephens County	984,968,607	0.6654	3,475,000	31.69%	1,101,228
Total Direct and Overlapping Tax Debt					$ 42,487,984
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation					13.75%
Per Capita Direct and Overlapping Tax Debt					8,169.20

(1) Source: Municipal Advisory Council of Texas.
(2) Includes self-supported debt. Includes the Certificates. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 8 - PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Outstanding Debt			The Certificates [1]			Total	Less: Water & Sewer Self Supporting	General Purpose General Obligation	% of Principal
9/30	Principal	Interest	Total	Principal	Interest	Total	Debt Service	Debt Service[1]	Requirements	Retired
2026	$ 660,000	$ 645,933	$ 1,305,933	$ -	$ -	$ -	$ 1,305,933	$ 672,483	$ 633,450	
2027	752,000	639,261	1,391,261	75,000	113,986	188,986	1,580,247	757,186	823,061	
2028	775,000	615,653	1,390,653	75,000	115,625	190,625	1,581,278	756,703	824,575	
2029	802,000	590,375	1,392,375	80,000	111,750	191,750	1,584,125	759,300	824,825	
2030	826,000	564,139	1,390,139	85,000	107,625	192,625	1,582,764	753,814	828,950	17.47%
2031	853,000	536,659	1,389,659	90,000	103,250	193,250	1,582,909	755,959	826,950	
2032	881,000	508,125	1,389,125	95,000	98,625	193,625	1,582,750	753,925	828,825	
2033	919,000	477,557	1,396,557	100,000	93,750	193,750	1,590,307	760,857	829,450	
2034	892,000	446,155	1,338,155	100,000	88,750	188,750	1,526,905	702,955	823,950	
2035	915,000	413,917	1,328,917	105,000	83,625	188,625	1,517,542	695,217	822,325	38.41%
2036	959,000	380,237	1,339,237	115,000	78,125	193,125	1,532,362	703,162	829,200	
2037	986,000	344,368	1,330,368	120,000	72,250	192,250	1,522,618	698,043	824,575	
2038	1,020,000	309,629	1,329,629	125,000	66,125	191,125	1,520,754	694,629	826,125	
2039	1,053,000	275,853	1,328,853	130,000	59,750	189,750	1,518,603	694,653	823,950	
2040	1,097,000	240,719	1,337,719	140,000	53,000	193,000	1,530,719	705,119	825,600	62.71%
2041	1,135,000	203,618	1,338,618	145,000	45,875	190,875	1,529,493	703,518	825,975	
2042	1,159,000	165,362	1,324,362	155,000	38,375	193,375	1,517,737	692,662	825,075	
2043	1,204,000	125,711	1,329,711	160,000	30,500	190,500	1,520,211	697,311	822,900	
2044	602,000	97,341	699,341	170,000	22,250	192,250	891,591	699,341	192,250	
2045	581,000	80,846	661,846	175,000	13,625	188,625	850,471	661,846	188,625	85.92%
2046	461,000	67,260	528,260	185,000	4,625	189,625	717,885	528,260	189,625	
2047	345,000	57,921	402,921				402,921	402,921	-	
2048	359,000	50,053	409,053				409,053	409,053	-	
2049	364,000	41,729	405,729				405,729	405,729	-	
2050	369,000	33,326	402,326				402,326	402,326	-	94.73%
2051	384,000	24,627	408,627				408,627	408,627	-	
2052	388,000	15,678	403,678				403,678	403,678	-	
2053	409,000	6,442	415,442				415,442	415,442	-	
2054	32,000	1,344	33,344				33,344	33,344	-	
2055	33,000	450	33,450				33,450	33,450	-	100.00%
	$ 21,215,000	$ 7,960,288	$ 29,175,288	$ 2,425,000	$ 1,401,486	$ 3,826,486	$ 33,001,774	$ 17,761,513	$ 15,240,261	

(1) The average life of the issue is 11.559 years and the true interest cost of the Certificates has been calculated at 4.52% for the purpose of illustration only. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax-Supported Debt Service Requirements, Fiscal Year Ending September 30, 2026[1]		$ 633,450
Interest and Sinking Fund Balance as of 7/31/2026	611,962	
Calculated Interest and Sinking Fund Levy, FYE 9/30/2026	715,944	1,327,906
Estimated Balance, 9/30/2026		$ 694,456

(1) Excludes self-supported debt.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Gross Income, Waterworks & Sewer System, Fiscal Year Ended 9/30/2025	$ 4,694,977
Less: Net Operating Expenses, Waterworks & Sewer System, Fiscal Year Ended 9/30/2025[1]	(2,268,964)
Balance Available for Other Purposes	$ 2,426,013
Waterworks and Sewer System General Obligation Requirements, Fiscal Year Ended 9/30/2026	$ 672,483
Percentage of Waterworks and Sewer System General Obligation Debt Self-Supporting	100.00%

(1) Excludes depreciation.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation debt.

ANTICIPATED ISSUANCE OF ADDITIONAL DEBT... The City does not anticipate issuing additional general obligation debt within the next 12 months.

TABLE 12 - OTHER OBLIGATIONS

Financed Purchases

The City has entered into agreements to finance the acquisition of equipment for the general fund and water fund. These leases qualify as financed purchases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

$125,138 agreement dated February 15, 2024 for 2 backhoe loaders due in monthly payments of $2,462 including interest at 6.72% maturing February 15, 2029.

$378,951 agreement dated February 22, 2024, for sewer cleaner equipment due in annual payments of $59,133 including interest at 6.72%, plus a service payment of $12,000 maturing May 1, 2029.

$233,415.50 agreement dated June 5, 2026, to finance an Asphalt Zipper due in annual payments of $51,529.06 including interest at 5.197% maturing June 5, 2030.

Future minimum commitments are as follows:

	Governmental Activities	Business-Type Activities
2026	$ -	$ 88,672
2027	-	88,672
2028	-	88,672
2029	-	187,798
Total debt service requirements	-	453,814
Less: Interest Portion	-	72,616
Debt Principal	$ -	$ 381,198

Assets and related accumulated depreciation are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	$ 330,838	$ 526,200
Less: Accumulated depreciation	(216,125)	(356,258)
Net	$ 114,713	$ 169,942

Lease Financing

The City, as a lessee, has entered into lease agreements involving copiers, printers and vehicles. The total of the City's leased assets are recorded at a cost of $1,148,568, less accumulated amortization of $346,983. With the implementation of Governmental Accounting Standards Board Statement No. 87, Leases, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible right to use asset. This lease and assets are split between governmental and business-type activities.

The lease agreement is summarized as follows:

Description	Date	Payment Terms	Interest Rate	Total Lease Liability	Balance 9/30/2025
Copiers/Printers	5/28/2021	60 months	3.10%	$ 70,661	$ 10,730
Vehicles		60 months	7.25 - 8.01%	1,077,907	830,035
Total				$ 1,148,568	$ 840,765

The future lease payments under lease agreements are as follows:

Year Ending 9/30	Governmental Activities	Business-Type Activities
2026	$ 221,268	$ 50,105
2027	211,510	49,013
2028	209,165	46,350
2029	152,323	14,052
2030	14,262	-
Total	$ 808,528	$ 159,520

Pension Plans and Post Employment Benefits

Refer to notes 12 and 13 of the Annual Financial Report in Appendix B for information regarding Pension Plans and Post Employment Benefits.

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FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Property Taxes	$ 2,208,344	$ 2,171,466	$ 1,921,841	$ 1,553,628	$ 1,568,727
Sales and Use Taxes	1,495,878	1,416,918	1,443,302	1,430,749	1,266,029
Franchise Taxes	440,954	442,287	457,358	459,682	431,330
Hotel Motel Taxes	44,705	42,369	51,221	72,339	52,318
Charges for Service	274,931	212,934	196,765	215,040	218,560
Grants and Contributions	70,599	73,215	12,300	8,113	209,261
Interest Income	5,873	5,069	3,901	2,365	1,596
Other Revenue	40,525	44,716	81,049	28,763	43,274
Total Revenues	$ 4,581,809	$ 4,408,974	$ 4,167,737	$ 3,770,679	$ 3,791,095
Expenditures:					
General Government	$ 1,523,763	$ 1,340,034	$ 1,231,872	$ 1,093,393	$ 1,092,655
Public Safety	2,573,914	2,366,507	2,003,372	1,833,842	1,828,855
Public Works	385,258	393,894	457,340	508,466	570,843
Cemetery	63,454	78,254	55,427	61,339	61,575
Parks	293,061	292,989	322,780	231,698	334,770
Community Services	14,018	14,594	15,668	14,677	15,406
Tourism	36,320	46,825	84,684	43,962	46,692
Debt Service	14,636	14,637	14,637	14,637	-
Total Expenditures	$ 4,904,424	$ 4,547,734	$ 4,185,780	$ 3,802,014	$ 3,950,796
Excess (Deficient) Revenues Over Expenditures	$ (322,615)	$ (138,760)	$ (18,043)	$ (31,335)	$ (159,701)
Transfers In (Out) and Other Sources	606,022	531,020	486,714	527,039	517,290
Net Change in Fund Balance	283,407	392,260	468,671	495,704	357,589
Fund Balance, October 1,	$ 1,956,335	$ 1,564,075	$ 1,095,404	$ 599,700	$ 242,111
Fund Balance, September 30	$ 2,239,742	$ 1,956,335	$ 1,564,075	$ 1,095,404	$ 599,700

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TABLE 13A - CHANGE IN NET ASSETS

Revenues:	Fiscal Year Ended September 30, 2025	2024	2023	2022	2021
Program Revenues:					
Charges for Services	$ 304,455	$ 212,934	$ 199,094	$ 219,177	$ 212,952
Operating Grants and Contributions	74,993	196,124	19,760	22,986	232,186
Capital Grants & Contributions	290,343	-	-	-	44,000
General Revenues:					
Property Tax	2,992,857	2,858,721	2,552,845	2,161,734	2,066,948
Sales Taxes	1,793,777	1,699,127	1,731,027	1,715,876	1,518,794
Franchise Tax	440,954	442,287	463,958	458,884	437,867
Hotel Occupancy Tax	44,705	42,369	51,221	72,339	52,318
Investment Earnings	306,902	539,254	85,551	(84,020)	58,739
Other Revenue	99,777	249,301	181,835	82,900	51,485
Total Revenues	$ 6,348,763	$ 6,240,117	$ 5,285,291	$ 4,649,876	$ 4,675,289
Expenses:					
General Government	$ 1,569,510	$ 1,420,492	$ 1,261,456	$ 1,104,012	$ 995,531
Public Safety	2,770,986	2,530,198	2,146,909	1,734,148	1,786,489
Public Works	721,516	628,804	702,407	832,734	882,747
Cemetery	100,996	121,786	82,830	84,947	69,872
Parks	391,944	382,730	396,897	261,541	367,918
Community Services	14,018	15,486	16,560	15,569	13,619
Tourism	36,320	46,825	84,684	43,962	46,692
Interest on Long-Term Debt	471,810	450,905	326,152	118,242	121,645
Total Expenses	$ 6,077,100	$ 5,597,226	$ 5,017,895	$ 4,195,155	$ 4,284,513
Increase (Decrease) in Net Assets	$ 271,663	$ 642,891	$ 267,396	$ 454,721	$ 390,776
Transfers	1,060,461	793,045	(598,666)	247,168	291,076
Increase (Decrease) in Net Assets	$ 1,332,124	$ 1,435,936	$ (331,270)	$ 701,889	$ 681,852
Net Assets October 1	8,279,018	6,843,082	7,174,350	6,472,461	5,790,609
Prior Period Adjustment	(262,750)	-	-	-	-
Net Assets September 30	$ 9,348,392	$ 8,279,018	$ 6,843,080	$ 7,174,350	$ 6,472,461

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are affected 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. The City levies an additional sales and use tax of one-half of one percent (1/2 of 1%) for economic development and an additional one-fourth of one percent (1/4 of 1%) for street maintenance. The sales tax for economic development is collected solely for the benefit of the Breckenridge Economic Development Corporation (the "Corporation") and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation.

Fiscal Year Ended	Total Collections [(1)]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita [(2)]
2022	$ 1,691,215	78.91%	$ 0.8428	$ 316.17
2023	2,308,548	92.23%	0.8961	445.92
2024	2,291,470	81.18%	0.8087	441.52
2025	2,340,598	79.76%	0.7819	450.55
2026	2,139,560 [(3)]	71.59%	0.6923	411.37

(1) Includes the sales tax for street maintenance and the sales tax to reduce property tax; does not include the sales tax for economic development.
(2) See "Estimated Population" under "Table 3 – Valuation and General Obligation Debt History".
(3) Collections as of July 2026.

The sales tax breakdown for the City is as follows:

Street Maintenance Sales Tax	0.25%
Economic and Community Development	0.50%
City Sales & Use Tax	1.25%
State Sales & Use Tax	6.25%
Total	8.25%

FINANCIAL POLICIES

Basis of Accounting...Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of 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 are "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 pay liabilities of the current period. The government considers all revenues 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 judgements which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

All proprietary funds are account for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when they are earned, and expenses are recorded when they are incurred.

General Fund...This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all cost of operating the government for which a separate fund has not been established.

Debt Service...This fund is established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt other than those payable from enterprise funds.

Budgetary Procedures...Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general fund and water fund. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for all funds of the City. The budget for the Water Fund follows similar approval procedures but departs from generally accepted accounting principles by not including depreciation, bad debts and transfers in the approved budget. These amounts are reported at year end as part of the "actual" column.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law including particularly the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, in accordance with investment policies approved by the City Commission. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized 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.

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TABLE 15 - CURRENT INVESTMENTS [1]

As of July 31, 2026, the City's investable funds were invested in the following category:

Description	Market Value	% of Portfolio	Book Value
Cash	$ 9,094,239	43.24%	$ 9,094,239
U.S. Treasuries	8,395,723	39.92%	8,518,143
SBA Pool	722,239	3.43%	724,446
Logic Investment Pool	2,821,631	13.41%	2,821,631
Totals	$ 21,033,832	100.00%	$ 21,158,458

(1) 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.

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TAX MATTERS

TAX EXEMPTION. . . On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C -- Form of Legal Opinion of Bond Counsel.

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

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

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

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

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

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

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

Interest on the Certificates may be includable in certain corporation’s “adjusted financial statement income” determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . .Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" 38 described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates pursuant to the United States Securities and Exchange Commission's (the "SEC") Rule 15c2-12 (the "Rule"). 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 under Tables numbered 1 through 6 and 8 through 15 (such information being the "Annual Operating Report"). 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 Operating Report 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 Operating Report, 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 30. Accordingly, the Annual Operating Report must be provided by March 31 in each year, and the Financial Statements must be provided by September 30 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 Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional 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 to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

For these purposes, any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an ordinance 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. Neither the Certificates nor the Ordinance make any provision for a bond trustee, debt service reserves, credit enhancement, or liquidity enhancement. The City will provide each notice described in this paragraph to the MSRB. For the purposes of the above describe events (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a 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. . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge 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 the Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter of the initial public offering of the Certificates from lawfully purchasing or selling Certificates in such offering. 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 (5) years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATING

The Certificates and the presently outstanding tax supported debt of the City are rated "A" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Certificates.

CYBERSECURITY

The City, like other cities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

LITIGATION

It is the opinion of City Staff and the City Attorney that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

At the time of the initial delivery of the Certificates, the City will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale or delivery of the Certificates.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates 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 Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish a complete transcript of proceedings to the Underwriter incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates 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. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "THE CERTIFICATES" (exclusive of the subcaptions "Book-Entry-Only System," "Certificateholders' Remedies," "Use of Proceeds," and the last two sentences under the subcaption "Tax Rate Limitation"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Certificates for Sale," "Legal Opinions" (exclusive of the last sentence of the first paragraph thereof) and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, whose legal fee is contingent on the sale and delivery of the Certificates.

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

MUNICIPAL ADVISOR

Hilltop Securities Inc. ("HilltopSecurities") is employed as Municipal Advisor to the City in connection with the issuance of the Certificates. The Municipal Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. HilltopSecurities, in its capacity as Municipal Advisor, 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 Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Municipal 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 Municipal Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices to the public shown on page 2 hereof, less an underwriting discount of $________________, and no accrued interest. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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

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

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

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

The Ordinance authorizing the issuance of the Certificates will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Underwriter.

____
Mayor
City of Breckenridge, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

POPULATION AND LOCATION

The City of Breckenridge, County Seat of and principal commercial center in Stephens County (the "County"), is located in North Central Texas 95 miles west of Fort Worth and 57 miles northeast of Abilene. The 2020 U.S. Census population was 5,187, and the estimated population for 2026 is 5,201.

MANUFACTURING AND INDUSTRY

Manufacturers in the City produce mobile homes, oilfield equipment and aircraft components. Several oilfield service company offices are located in the City. Major employers and their estimated number of employees are:

Company	Type of Business	Estimated Number of Employees
Breckenridge ISD	School District	252
Stephens Memorial Hospital	County Hospital	150
Wal Mart	Discount Store	136
TDCJ Walker Sayle Unit	State Prison	103
Badger Rotary Drilling	Oilfield	97
United Super Market	Grocery Store	80
City of Breckenridge	Municipality	68
R.E. Dye Manufacturing Co.	Aircraft Components	62
Stephens County Sheriff Office	County Law Enforcement	54
J&J Electric Co Inc	Electrical	30

CITY OF BRECKENRIDGE BUILDING PERMITS

Year Ended 9/30	Residential (Single-Family) No. of Units	Residential (Single-Family) Value	Miscellaneous Alterations & Repairs	Total
2022	6	$ 1,038,900	$ 239,508	$ 1,278,408
2023	2	450,000	1,396,187	1,846,187
2024	2	315,400	870,983	1,186,383
2025	3	309,000	577,875	886,875
2026 (1)	2	190,000	558,963	748,963

(1) Data through August 3, 2026.

LABOR FORCE ESTIMATES

	Annual Averages				
	2026[(1)]	2025	2024	2023	2022
Stephens County					
Civilian Labor Force	3,568	3,565	3,482	3,468	3,518
Total Employment	3,393	3,415	3,329	3,315	3,368
Unemployment	175	150	153	153	150
Percent Unemployment	4.9%	4.2%	4.4%	4.4%	4.3%
State of Texas					
Civilian Labor Force	15,904,858	15,883,632	15,628,870	15,248,074	14,784,035
Total Employment	15,203,617	15,218,369	14,985,161	14,636,691	14,200,881
Unemployment	701,241	665,263	643,709	611,383	583,154
Percent Unemployment	4.4%	4.2%	4.1%	4.0%	3.9%

Source: Texas Workforce Commission, Labor Market Information Department.
(1) Data through June 30, 2026.

STEPHENS COUNTY

Stephens County, 2020 U.S. Census – 9,101, and current estimated population is 9,380. The County has an economy based on manufacturing and agriculture. The Texas Almanac designates wheat, sheep, pecans, peanuts, oats, hogs, hay, grain sorghum, goats, cotton and beef cattle as principal sources of agricultural income. Minerals produced in the County include oil, gas, and stone.

MINERAL PRODUCTION

Stephens County Onshore Oil & Gas Production
Annual Totals, Jan 2022 - July 2026

Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
2022	1,533,553	1,844,970	5,184,647	29,387
2023	1,449,169	1,770,683	5,009,068	25,826
2024	1,389,129	1,800,485	4,477,280	25,706
2025	1,273,444	1,567,602	4,050,275	25,542
2026 [(1)]	511,855	613,278	1,572,552	10,254

Source: Texas Railroad Commission.
(2) Data through July 31, 2026.

TRANSPORTATION

The City is located at the intersection of U.S. Highways 180 and 183 95 miles west of Fort Worth. Two motor freight companies and one bus line serve the City.

Stephens County Airport is located two miles south of Breckenridge and furnishes fuel, maintenance and charter service. Air service is also available through Abilene Municipal Airport.

EDUCATION

The Breckenridge Independent School District (the "District") provides public education in grades K-12. The District employs 252 personnel.

Higher education is available through the Breckenridge Campus of Texas State Technical College; Cisco Junior College in Cisco, Texas; and Ranger Junior College in Ranger, Texas. Three private universities are located in Abilene.

TEXAS DEPARTMENT OF CRIMINAL JUSTICE CORRECTIONAL FACILITY

The Texas Department of Criminal Justice operates the 500 inmate capacity Walker Sayle Substance Abuse Treatment Facility on a site located near Breckenridge; employment is estimated at 103. Water and sewer services are provided by the City.

MISCELLANEOUS

The City has one newspaper and cable TV service. Recreational facilities include museums, historical sites, City parks, a 9-hole golf course, lighted baseball parks and tennis courts. Surrounding lakes offer camp sites, fishing, boating, swimming and water skiing.

APPENDIX B

EXCERPTS FROM THE

CITY OF BRECKENRIDGE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Breckenridge, Texas Annual Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

GEORGE | MORGAN | SNEED
GMS CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the City Commission
City of Breckenridge, Texas

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 misstatements, 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

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considering 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 on pages 4-15, budgetary comparison – general fund, schedule of changes in net pension liability and related ratios, schedule of contributions, and schedule of changes in total OPEB liability and related ratios on pages 52 - 58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 accompanying combining fund financial statements 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprised the other supplementary information listed in the table of contents 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 January 27, 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.

George, Morgan & Sneed, P.C.
Weatherford, Texas
January 27, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Breckenridge exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $29,639,357 (*net position*) compared to net position of $28,286,568 for the prior year. Unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors was $6,447,219 at year end.

- The City's total net position increased by $1,711,067. The City's operations increased the governmental activities net position by $1,332,124 and increased the business-type activities net position by $378,943.

- As of the close of the current fiscal year, the City of Breckenridge's governmental funds reported combined ending fund balances of $8,739,143. This compares to an ending fund balance of $11,125,569 in the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $2,222,019, or 45% of total general fund expenditures. This compares to an unassigned fund balance of $1,938,658 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report consists of three components 1) management's discussion and analysis, 2) the basic financial statements (government–wide financial statements, fund financial statements and notes to the financial statements) and 3) supplementary information.

Government-wide financial statements.

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

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

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All of the City's services are included here, such as general government, public works and safety, and community services in the governmental activities and water, wastewater, and sanitation in the business-type or proprietary activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate component unit: Breckenridge Economic Development Corporation ("BEDC") for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

Fund financial statements.

The fund financial statements provide more detailed information about the City's most significant funds-not the City as a whole. Funds are used by the City to keep track of specific sources of funding and spending for particular purposes.

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

All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide a reconciliation that explains the relationship (or differences) between them.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and general capital projects fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains one type of proprietary funds. The City uses enterprise funds to account for its water, wastewater, sanitation services, and trade day events. The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

Notes to the financial statements provide additional information that is necessary for a complete understanding of the data provided in the government-wide and fund financial statements.

Supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $29,630,357 as of September 30, 2025.

The largest portion of the City's net position (73%) reflects its investment in capital assets (e.g. land, buildings and improvements, vehicles and equipment, infrastructure and water and wastewater systems); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (6%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors was $6,447,219 at the end of the year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for its governmental and business-type activities and its component unit.

Below is a summary of the City's Statement of Net Position.

Condensed Statement of Net Position

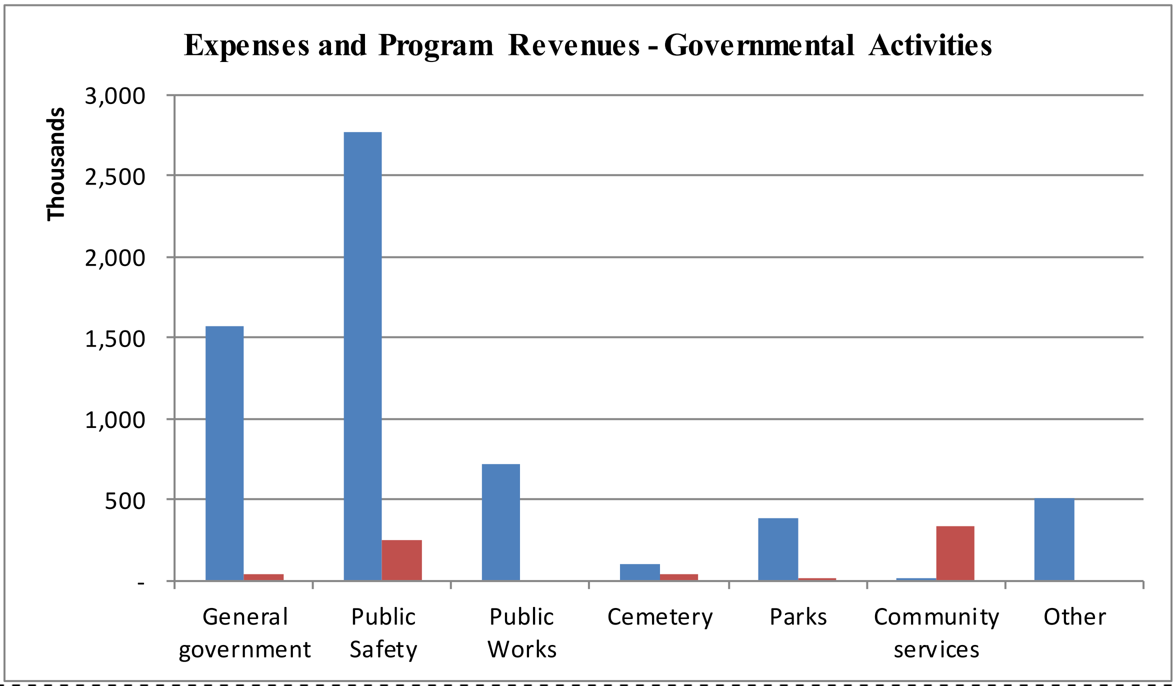
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 9,209,341	$ 11,509,695	$ 12,619,428	$ 12,132,870	$ 21,828,769	$ 23,642,565
Capital assets	12,924,213	9,676,678	19,365,852	19,980,362	32,290,065	29,657,040
Total Assets	22,133,554	21,186,373	31,985,280	32,113,232	54,118,834	53,299,605
Deferred outflows of resources	304,072	490,625	99,750	159,408	403,822	650,033
Current liabilities	173,376	121,696	2,488,967	2,617,372	2,662,343	2,739,068
Long-term liabilities	12,794,516	13,184,261	9,264,802	9,618,501	22,059,318	22,802,762
Total liabilities	12,967,892	13,305,957	11,753,769	12,235,873	24,721,661	25,541,830
Deferred inflows of resources	121,342	92,023	40,297	29,218	161,639	121,241
Net Position:						
Net investment in capital assets	5,436,290	4,683,767	16,116,145	16,105,584	21,552,435	20,789,351
Restricted	1,639,703	1,231,894	-	-	1,639,703	1,231,894
Unrestricted	2,272,399	2,363,357	4,174,820	3,901,966	6,447,219	6,265,323
Total Net Position	$ 9,348,392	$ 8,279,018	$ 20,290,965	$ 20,007,550	$ 29,639,357	$ 28,286,568

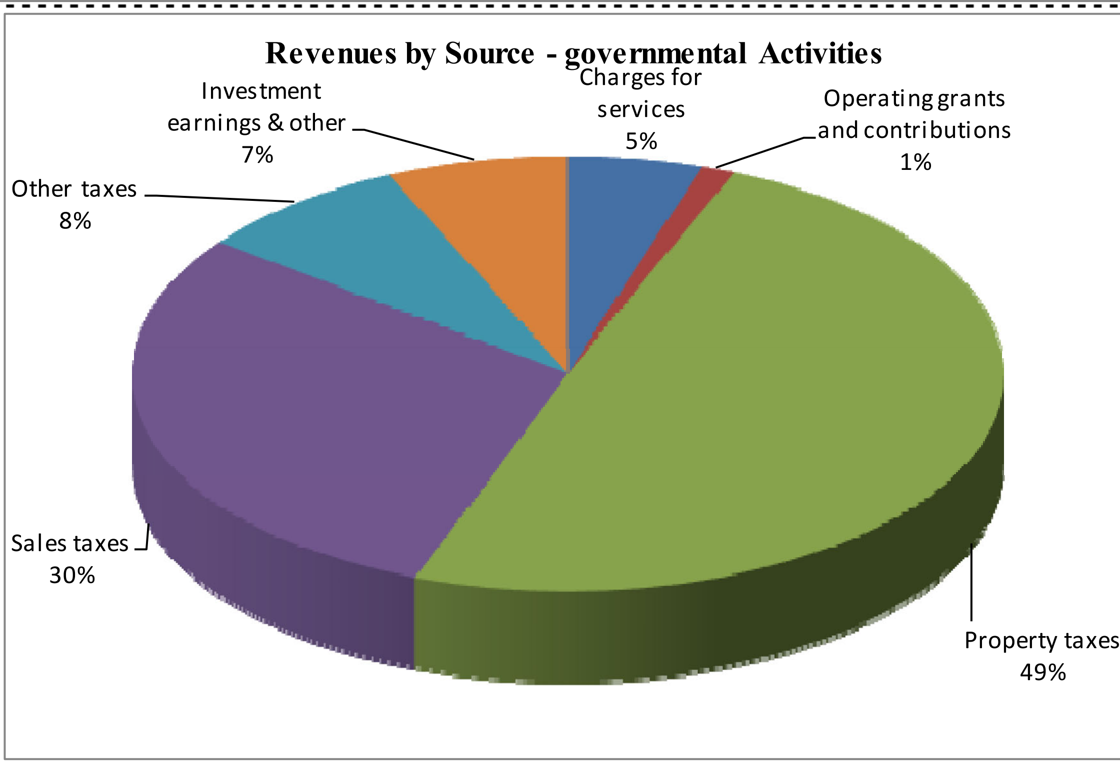
Below is a summary of the City's Statement of Activities.

Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 304,455	$ 212,934	$ 4,929,410	$ 4,997,052	$ 5,233,865	$ 5,209,986
Operating grants and contributions	74,993	196,124	-	-	74,993	196,124
Capital grants and contributions	290,343	-	282,700	146,350	573,043	146,350
General revenues:					-	
Property taxes	2,992,857	2,858,721	-	-	2,992,857	2,858,721
Sales and use taxes	1,793,777	1,699,127	-	-	1,793,777	1,699,127
Franchise taxes	440,954	442,287	-	-	440,954	442,287
Hotel motel taxes	44,705	42,369	-	-	44,705	42,369
Investment earnings	306,902	539,254	320,008	378,439	626,910	917,693
Other Revenue	99,777	249,301	-	28,600	99,777	277,901
Total revenues	6,348,763	6,240,117	5,532,118	5,550,441	11,880,881	11,790,558
Expenses						
General government	1,569,510	1,420,492	-	-	1,569,510	1,420,492
Public Safety	2,770,986	2,530,198	-	-	2,770,986	2,530,198
Public Works	721,516	628,804	-	-	721,516	628,804
Health and sanitation	-	-	512,955	528,889	512,955	528,889
Cemetery	100,996	121,786	-	-	100,996	121,786
Parks	391,944	382,730	-	-	391,944	382,730
Community services	14,018	15,486	-	-	14,018	15,486
Tourism	36,320	46,825	-	-	36,320	46,825
Interest on long-term	471,810	450,905	-	-	471,810	450,905
Bond issuance costs	-	-	-	-	-	-
Water and wastewater	-	-	3,574,733	3,429,638	3,574,733	3,429,638
Trade Days	-	-	5,026	5,026	5,026	5,026
Total expenses	6,077,100	5,597,226	4,092,714	3,963,553	10,169,814	9,560,779
Increase (decrease) in net position						
before transfers	271,663	642,891	1,439,404	1,586,888	1,711,067	2,229,779
Transfers	1,060,461	793,046	(1,060,461)	(793,046)	-	-
Increase (decrease) in net position	1,332,124	1,435,937	378,943	793,842	1,711,067	2,229,779
Net Position October 1	8,279,018	6,843,082	20,007,549	19,213,707	28,286,567	26,056,789
Prior Period Adjustment	(262,750)	-	(95,527)	-	(358,277)	-
Net Position September 30	$ 9,348,392	$ 8,279,019	$ 20,290,965	$ 20,007,549	$ 29,639,357	$ 28,286,568

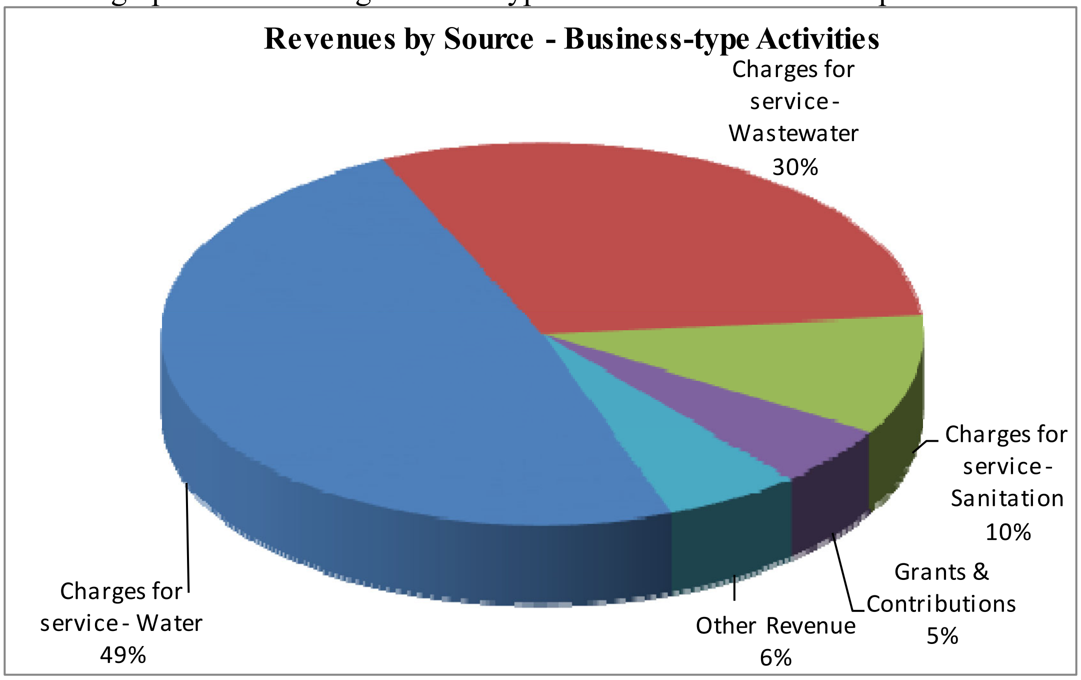
Governmental Activities. Governmental activities increased the City's net position by $1,332,124 in the current year. Total governmental activities revenues increased by $108,645. Property taxes increased $134,136 due to a $16 million increase in property values and decrease of $0.01 of tax rate. Total governmental activities expenses increased $479,873 (9%). The largest increase was salaries and benefits in public safety due to being closer to full staff. Below are two graphs summarizing governmental revenue and expense:





Business-type activities. Business-type activities increased the City's net position by $378,943. The business-type activities total revenues decreased $18,323 and total expenses increased $129,161. Charges for service decreased $67,692 primarily because less gallons of water were sold. Capital grants and contributions increased $136,356. The largest increase in expenses was depreciation expense.

Below are two graphs summarizing business-type activities revenue and expense:



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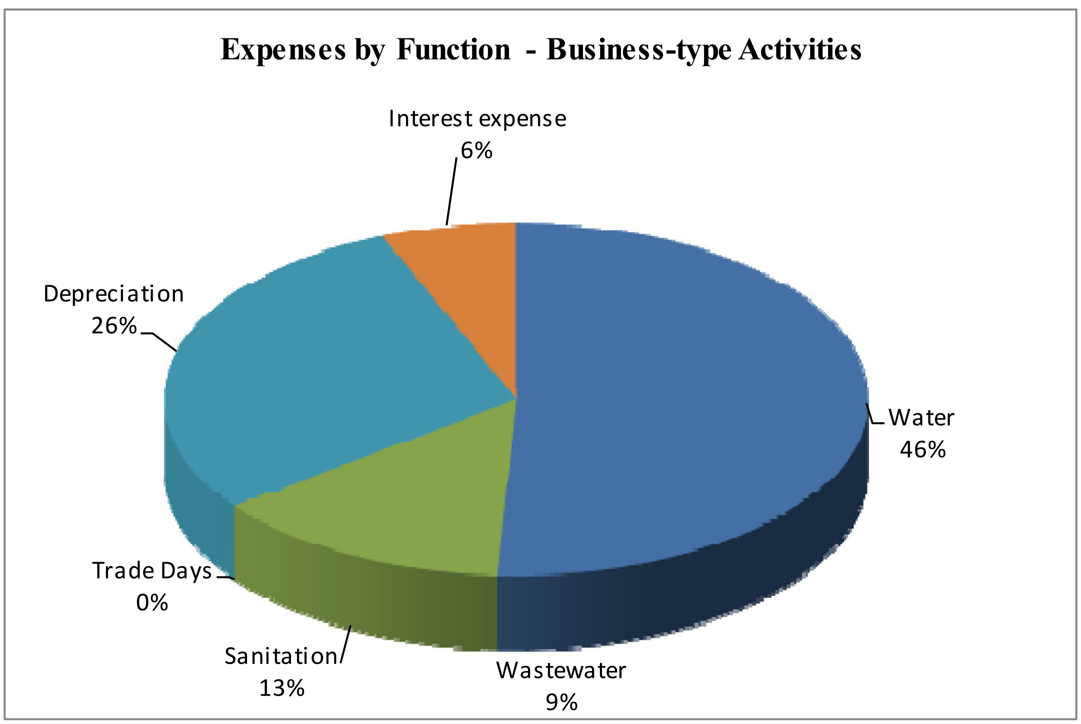


Financial Analysis of the Government's Funds

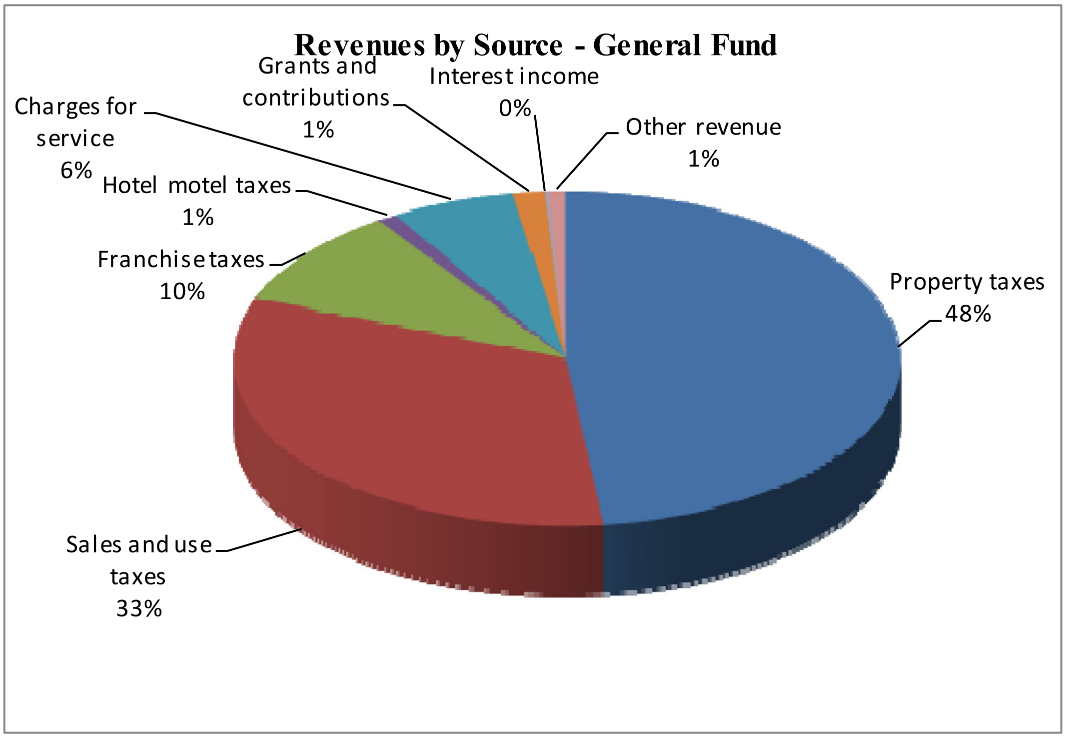
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

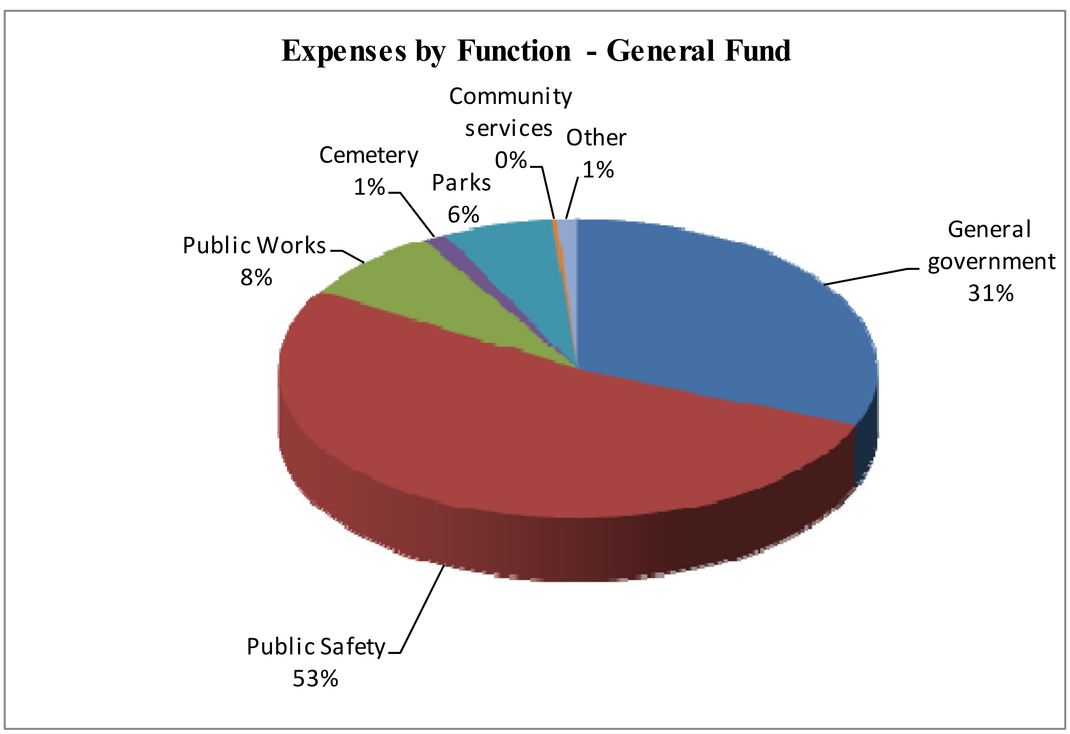
Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure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

At year end, the City's governmental funds reported combined ending fund balances of $8,739,143. $2,222,019 (25%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either restricted, committed or assigned. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $2,222,019. Below is a comparison of the general fund's net change in fund balance for 2025 and 2024.

	2025	2024	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Taxes:				
Property taxes	$ 2,208,344	$ 2,171,466	$ 36,878	1.70%
Sales and use tax	1,495,878	1,416,918	78,960	5.57%
Franchise	440,954	442,287	(1,333)	-0.30%
Hotel motel taxes	44,705	42,369	2,336	5.51%
Charges for service	274,931	212,934	61,997	29.12%
Grants and contributions	70,599	73,215	(2,616)	-3.57%
Interest income	5,873	5,069	804	15.86%
Other revenue	40,525	44,716	(4,191)	-9.37%
Total revenues	4,581,809	4,408,974	172,835	3.92%
Expenditures:				
Current				
General government	1,523,763	1,340,034	183,729	13.71%
Public Safety	2,573,914	2,366,507	207,407	8.76%
Public Works	385,258	393,894	(8,636)	-2.19%
Cemetery	63,454	78,254	(14,800)	-18.91%
Parks	293,061	292,989	72	0.02%
Community services	14,018	14,594	(576)	-3.95%
Tourism	36,320	46,825	(10,505)	-22.43%
Debt service:				
Principal	14,099	13,670	429	3.14%
Interest and fiscal charges	537	967	(430)	-44.47%
Total expenditures	4,904,424	4,547,734	356,690	7.84%
Other financing sources (uses):				
Insurance recoveries	3,796	42,012	(38,216)	-90.96%
Proceeds Sale of Assets	4,260	75,042	(70,782)	100.00%
Transfers in	935,000	595,000	340,000	57.14%
Transfers out	(337,034)	(181,034)	(156,000)	-100.00%
Net change in fund balances	$ 283,407	$ 392,260	$ (38,071)	$ -9.71%

Below are two graphs summarizing general fund revenue and expenditures.





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

Unrestricted net position of the Water Fund, Wastewater Fund, Sanitation Fund, and Trade Days Fund at the end of the year amounted to $4,174,820. The total change in net position was $378,943. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year, the City amended its budget. General fund budgeted revenues increased $146,933. Actual revenues were $28,137 more than budgeted. Budget amendments increased expenditures $94,913. Actual expenditures of the general fund were $250,916 less than budgeted.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2025, amounts to $32,290,063 (net of accumulated depreciation). Major capital asset events during the current fiscal year included the following:

Governmental Activities:
- $3,251,950 for street improvements
- $20,412 for facilities improvements
- $328,948 for downtown revitalization

Business-type activities:
- $152,000 and $130,700 engineering for wastewater and water projects, respectively

The City of Breckenridge's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 194,585	$ 194,785	$ 193,297	$ 193,297	$ 387,882	$ 388,082
Construction in progress	4,074,766	1,199,455	546,500	263,800	4,621,266	1,463,255
Land Improvements	-	-	27,812	28,735	27,812	28,735
Buildings and improvements	805,745	466,259	266,601	292,268	1,072,346	758,527
Water and sewer systems	-	-	17,647,096	18,324,852	17,647,096	18,324,852
Infrastructure	6,824,106	6,602,242	-	-	6,824,106	6,602,242
Vehicles and equipment	355,746	460,413	552,226	702,941	907,972	1,163,354
Intangible right-to-use equipment	669,265	753,720	132,320	174,470	801,585	928,190
Total	$ 12,924,213	$ 9,676,874	$ 19,365,852	$ 19,980,363	$ 32,290,065	$ 29,657,237

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-Term Debt

City of Breckenridge's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Financed Purchases	$ -	$ 61,460	$ 381,196	$ 451,211	$ 381,196	$ 512,671
Lease Financing Payable	699,838	763,956	140,928	179,282	840,766	943,238
Certificates of Obligation	11,001,000	11,339,000	8,494,000	8,793,000	19,495,000	20,132,000
Total	$ 11,700,838	$ 12,164,416	$ 9,016,124	$ 9,423,493	$ 20,716,962	$ 21,587,909

No direct funded debt limitation is imposed on the City under current state law or the City's Home Rule Charter. More detailed information about the City's debt is presented in the notes to the Financial Statements.

Economic factors and the Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2026 budget, tax rate, and fees that will be charged for the governmental and business-type activities. The major factor affecting all decisions is the changing economy within the framework of the national economic recovery. Along with the rest of the nation, Breckenridge only saw a minimal increase in sales and hotel occupancy taxes. In addition, the local oil and gas industry continues to struggle and remains very volatile. Based on these two factors, sales tax projections remained flat for the fiscal year 2026 budget.

The City prides itself on a quality school district and "hometown" atmosphere. The Breckenridge Economic Development Corporation (BEDC) works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities in coordination with the school district and Texas State Technical College. The BEDC receives one-fourth of the sales tax collected and remitted to the City to support these growth and development initiatives. The City of Breckenridge considered these factors when adopting the General Fund budget for fiscal year 2026. The budgeted revenues for fiscal year 2026 total $5,606,124 for the General Fund, which is a $274,385 or 5.14% increase from the previous fiscal year budget. Ad valorem tax revenue is determined by two factors – the total assessed value established by the Stephens County Appraisal District and the tax rate established by the Breckenridge City Commission. The property tax rate for the budgeted year decreased by 0.01 cents to $1.02893 per hundred dollars of assessed value for 2025. Certified taxable property value is $312,124,764. This is a 4.26% increase over the last year's values, or $12 million.

Request for Information
This financial report is designed to provide our citizens, taxpayers, customers and all investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact the City Offices at 105 North Rose Avenue or by telephone at 254-559-8287.

Readers can find separately issued financial statements for the Breckenridge Economic Development Corporation at the Chamber of Commerce, 100 East Elm Street, Breckenridge, Texas 76424.

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

CITY OF BRECKENRIDGE, TEXAS
Statement of Net Position
September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Breckenridge Economic Development
ASSETS:				
Cash and cash equivalents	$ 3,449,258	$ 3,715,845	$ 7,165,103	$ 870,201
Investments	5,063,207	-	5,063,207	-
Receivables (Net of allowances for uncollectibles)				
Property taxes	195,915	-	195,915	-
Other taxes	426,664	-	426,664	103,867
Accounts	23,794	516,356	540,150	-
Miscellaneous	50,503	-	50,503	350,482
Internal Balances	-	-	-	-
Supplies inventory	-	182,918	182,918	-
Restricted assets:				
Cash and cash equivalents	-	8,204,309	8,204,309	-
Notes receivable	-	-	-	762,201
Capital assets (net of accumulated depreciation):				
Non-depreciable assets	4,269,351	739,797	5,009,148	29,466
Depreciable assets	8,654,862	18,626,055	27,280,917	65,777
Land held for economic development, at cost				1,918,128
Total Assets	22,133,554	31,985,280	54,118,834	4,100,122
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflow related to TMRS pension	292,179	95,800	387,979	-
Deferred outflow related to TMRS OPEB	11,893	3,950	15,843	-
Total Deferred Outflows of Resources	304,072	99,750	403,822	-
LIABILITIES:				
Accounts Payable	97,903	167,707	265,610	-
Accrued Payroll	52,943	17,103	70,046	-
Due to other governments	3,970	-	3,970	-
Unearned Revenue	-	1,993,729	1,993,729	
Current Liabilities Payable from Restricted Assets:				
Interest payable	18,560	15,897	34,457	-
Customer deposits	-	294,531	294,531	-
Noncurrent liabilities:				
Due within one year	639,507	436,176	1,075,683	-
Due in more than one year	12,155,009	8,828,626	20,983,635	-
Total Liabilities	12,967,892	11,753,768	24,721,661	-
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflow related to TMRS pension	80,950	26,882	107,832	-
Deferred inflow related to TMRS OPEB	40,392	13,415	53,807	-
Deferred inflows - leases	-	-	-	350,482
Total Deferred Inflows of Resources	121,342	40,297	161,639	350,482
NET POSITION:				
Net Investments in Capital Assets	5,436,290	16,116,145	21,552,435	95,243
Restricted Net Position (Expendable)				
Restricted for USDA loan program	-	-	-	450,144
Debt service	336,359	-	336,359	-
Property tax reduction	17,723	-	17,723	-
Public safety	21,876	-	21,876	-
Public works	604,151	-	604,151	-
Cemetery	650,900	-	650,900	
Parks	8,694	-	8,694	-
Unrestricted Net Position	2,272,399	4,174,820	6,447,219	3,204,253
Total Net Position	$ 9,348,392	$ 20,290,965	$ 29,639,357	$ 3,749,640

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

CITY OF BRECKENRIDGE, TEXAS
Statement of Activities
For the Year Ended September 30, 2025

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	$ 1,569,510	$ 41,023	$ -	$ -
Public Safety	2,770,986	242,077	8,474	-
Public Works	721,516	-	-	-
Cemetery	100,996	20,155	16,333	-
Parks	391,944	1,200	628	-
Community services	14,018	-	49,558	290,343
Tourism	36,320	-	-	-
Interest on long-term debt	471,810	-	-	-
Total governmental activities	6,077,100	304,455	74,993	290,343
Business-type activities:				
Water and wastewater	3,574,733	4,375,154	-	282,700
Sanitation	512,955	554,256	-	-
Trade Days	5,026	-	-	-
Total business-type activities	4,092,714	4,929,410	-	282,700
Total primary government	$ 10,169,814	$ 5,233,865	$ 74,993	$ 573,043
Component Unit				
Governmental activities:				
General administration	$ 188,630	$ -	$ -	$ -
Economic development	687,125	-	-	-
Community development	59,187	-	-	-
Total component unit	$ 934,942	$ -	$ -	$ -

General Revenues:
Taxes:
Property Taxes, levied for general purposes
Property Taxes, levied for debt service
Sales and Use Taxes
Rental Income
Franchise Taxes
Hotel Motel Taxes
Investment Earnings
Other Revenue
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position October 1, 2024
Prior Period Adjustment

Net Position September 30, 2025

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

EXHIBIT B-1

Governmental Activities	Business-type Activities	Total	Component Unit Breckenridge Economic Development
Net (Expense) Revenue and Changes in Net Position			
Primary Government			
$ (1,528,487)	$ -	$ (1,528,487)	$ -
(2,520,435)	-	(2,520,435)	-
(721,516)	-	(721,516)	-
(64,508)	-	(64,508)	-
(390,116)	-	(390,116)	-
325,883	-	325,883	-
(36,320)	-	(36,320)	-
(471,810)	-	(471,810)	-
(5,407,309)	-	(5,407,309)	-
-	1,083,121	1,083,121	-
-	41,301	41,301	-
	(5,026)	(5,026)	
-	1,119,396	1,119,396	-
$ (5,407,309)	$ 1,119,396	$ (4,287,913)	$ -
$ -	$ -	$ -	$ (188,630)
-	-	-	(687,125)
-	-	-	(59,187)
$ -	$ -	$ -	$ (934,942)
$ 2,210,829	$ -	$ 2,210,829	$ -
782,028	-	782,028	-
1,793,777	-	1,793,777	597,117
-	-	-	149,238
440,954	-	440,954	-
44,705	-	44,705	-
306,902	320,008	626,910	68,756
99,777	-	99,777	55,626
1,060,461	(1,060,461)	-	-
6,739,433	(740,453)	5,998,980	870,737
1,332,124	378,943	1,711,067	(64,205)
8,279,018	20,007,549	28,286,567	3,813,845
(262,750)	(95,527)	(358,277)	
$ 9,348,392	$ 20,290,965	$ 29,639,357	$ 3,749,640

EXHIBIT C-1

CITY OF BRECKENRIDGE, TEXAS
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	General Debt Service Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Assets:					
Cash and cash equivalents	$ 2,038,319	$ 354,919	$ 194,187	$ 861,833	$ 3,449,258
Investments	-	-	4,412,307	650,900	5,063,207
Receivables (Net of allowances)					
Property taxes	143,793	52,122	-	-	195,915
Other taxes	374,730	-	-	51,934	426,664
Accounts	23,794	-	-	-	23,794
Miscellaneous	50,503	-	-	-	50,503
Total assets	$ 2,631,139	$ 407,041	$ 4,606,494	$ 1,564,667	$ 9,209,341
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 71,224	$ -	$ 26,100	$ 579	$ 97,903
Accrued payroll	52,943	-	-	-	52,943
Due to other funds	-	-	-	-	-
Due to other governments	3,970	-	-	-	3,970
Total liabilities	128,137	-	26,100	579	154,816
Deferred inflows of resources:					
Deferred property tax	143,794	52,122	-	-	195,916
Other deferred revenue	119,466	-	-	-	119,466
Total deferred inflows of resources	263,260	52,122	-	-	315,382
Fund Balances:					
Restricted fund balance	17,723	354,919	4,580,394	1,285,621	6,238,657
Committed fund balance	-	-	-	278,467	278,467
Unassigned Fund Balance	2,222,019	-	-	-	2,222,019
Total fund balances	2,239,742	354,919	4,580,394	1,564,088	8,739,143
Total liabilities, deferred inflows of resources, and fund balances	$ 2,631,139	$ 407,041	$ 4,606,494	$ 1,564,667	$ 9,209,341

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

EXHIBIT C-2

CITY OF BRECKENRIDGE, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2025

Total Fund Balances - Governmental Funds	8,739,143
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was $18,570,108 and the accumulated depreciation was $5,645,895.	12,924,213
Long-term liabilities, including $274,346 compensated absences payable, $699,837 lease financing payable and $11,368,471 certificates of obligation bonds are not due and payable in the current period and, therefore are not reported as liabilities in the fund financial statements.	(12,342,654)
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net position. Including interest payable results in a decrease to net position.	(18,560)
Property taxes, franchise taxes, and municipal court fines and fees are not available soon enough to pay for the current period's expenditures and therefore are deferred inflows of resources in the fund financial statements.	315,382
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of $305,589 , a Deferred Resource Inflow related to pensions in the amount of $80,950, and a Deferred Resource Outflow related to pensions in the amount of $292,179. This results in a decrease in Net Position.	(94,360)
Included in the items related to noncurrent liabilities is the recognition of the City's total OPEB liability required by GASB 75 in the amount of $146,274, Deferred Resource Inflow related to OPEB in the amount of $40,392, and a Deferred Resource Outflow related to OPEB in the amount of $11,893. This results in a decrease in Net Position.	(174,772)
Net Position of Governmental Activities	9,348,392

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

EXHIBIT C-3

CITY OF BRECKENRIDGE, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2025

	General Fund	General Debt Service Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property taxes	$ 2,208,344	$ 781,244	$ -	$ -	$ 2,989,588
Sales and use tax	1,495,878	-	-	297,899	1,793,777
Franchise	440,954	-	-	-	440,954
Hotel motel taxes	44,705	-	-	-	44,705
Charges for service	274,931	-	-	-	274,931
Grants and contributions	70,599	-	290,343	4,394	365,336
Investment earnings	5,873	1,194	258,632	41,203	306,902
Other revenue	40,525	-	-	3,420	43,945
Total revenues	4,581,809	782,438	548,975	346,916	6,260,138
Expenditures:					
Current					
General government	1,523,763	-	-	-	1,523,763
Public Safety	2,573,914	-	-	3,518	2,577,432
Public Works	385,258	-	-	63,794	449,052
Cemetery	63,454	-	-	20,982	84,436
Parks	293,061	-	23,000	1,595	317,656
Community services	14,018	-	-	-	14,018
Tourism	36,320	-	-	-	36,320
Capital Outlay	-	-	3,604,410	180,557	3,784,967
Debt service:					
Principal	14,099	338,000	-	203,705	555,804
Interest and fiscal charges	537	454,061	-	57,036	511,634
Total expenditures	4,904,424	792,061	3,627,410	531,187	9,855,082
Excess (deficiency) of revenue over (under) expenditures	$ (322,615)	$ (9,623)	$ (3,078,435)	$ (184,271)	$ (3,594,944)
Other financing sources (uses):					
Lease Financing	-	-	-	92,412	92,412
Insurance recoveries	3,796	-	-	1,600	5,396
Proceeds Sale of Assets	4,260	-	-	45,989	50,249
Transfers in	935,000	159,686	75,000	227,809	1,397,495
Transfers out	(337,034)	-	-	-	(337,034)
Net change in fund balances	283,407	150,063	(3,003,435)	183,539	(2,386,426)
Fund balance, October 1, 2024	1,956,335	204,856	7,583,829	1,380,549	11,125,569
Fund balance, September 30, 2025	$ 2,239,742	$ 354,919	$ 4,580,394	$ 1,564,088	$ 8,739,143

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

EXHIBIT C-4

CITY OF BRECKENRIDGE, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes is Fund Balances of
The Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2025

Total Net Change in Fund Balances - Governmental Funds	(2,386,426)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including $3,781,124 of capital outlays and $555,804 of debt principal payments is to increase net position.	4,336,928
Depreciation and amortization is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation and amortization is to decrease net position.	(533,589)
Current year lease financing are other financing sources in the fund financial statements. The increase in long-term debt is a decrease in net position.	(92,226)
Current year compensated absences and amortization premiums of the governmental fund are not due and payable in the current period, therefore are not reported as liabilities in the funds. The changes in these balances decrease net position.	26,631
Current year interest payable of the governmental funds is not due and payable in the current period and, therefore is not reported as a liability in the funds. The increase in interest payable decreases net position.	1,598
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	32,794
GASB 68 required the City to recognize their net pension liability, deferred resource inflow related to pension, and deferred resource outflow related to pension. The changes in these balances decreased net pension.	(59,588)
GASB 75 requires the City to recognize their OPEB liability and deferred resource outflow related to OPEB. The changes in these balances decreased net pension.	6,002
Change in Net Position of Governmental Activities	1,332,124

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

Exhibit D-1

CITY OF BRECKENRIDGE, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2025

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Nonmajor Fund	Totals
ASSETS:					
Current Assets:					
Cash and cash equivalents	$ 1,817,664	$ 1,821,867	$ 36,687	$ 39,627	$ 3,715,845
Receivables (Net of allowances):					
Accounts	308,882	165,598	41,876	-	516,356
Miscellaneous	-	-	-	-	-
Due from other funds	-	-	-	-	-
Supplies inventory	182,918	-	-	-	182,918
Restricted Assets:					
Cash and cash equivalents	3,895,938	4,308,371	-		8,204,309
Total current assets	6,205,402	6,295,836	78,563	39,627	12,619,428
Noncurrent Assets:					
Capital assets, at cost:					
Land and land improvements	165,068	22,289	39,000	18,382	244,739
Construction in progress	279,000	267,500	-	-	546,500
Buildings and improvements	993,146	108,363	-	209,322	1,310,831
Water system	21,121,496	-	-	-	21,121,496
Wastewater system	-	10,079,274	-	-	10,079,274
Vehicles and equipment	404,655	866,654	-	-	1,271,309
Intangible Right-to-Use - Leased Equipment	206,674	3,572	-	-	210,246
Less: accumulated depreciation and amortization	(10,634,271)	(4,732,060)	-	(52,214)	(15,418,545)
Capital assets, net	12,535,768	6,615,592	39,000	175,490	19,365,850
Total noncurrent assets	12,535,768	6,615,592	39,000	175,490	19,365,850
Total assets	18,741,170	12,911,428	117,563	215,117	31,985,278
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflow related to TMRS pension	82,728	11,207	1,865	-	95,800
Deferred outflow related to TMRS OPEB	3,447	464	39	-	3,950
Total Deferred Outflows of Resources	86,175	11,671	1,904	-	99,750
LIABILITIES:					
Current Liabilities:					
Accounts payable	120,248	12,272	35,187	-	167,707
Accrued payroll	14,362	2,031	710	-	17,103
Unearned revenues	1,033,809	959,920	-	-	1,993,729
Current potion of compensated absences payable	20,617	5,492	517	-	26,626
Current portion of long-term debt	227,874	181,674	-	-	409,548
Interest payable	5,127	10,770	-	-	15,897
Current Liabilities Payable from Restricted Assets:				-	
Customer deposits payable	294,531	-	-	-	294,531
Total current liabilities	1,716,568	1,172,159	36,414	-	2,925,141
Noncurrent Liabilities:					
Long-term portion of bonds payable	4,636,190	3,552,810	-	-	8,189,000
Long-term potion of compensated absences payable	55,742	14,848	1,397	-	71,987
Long-term portion of financed purchases payable	-	317,415	-	-	317,415
Long-term portion of lease financing payable	100,161	-	-	-	100,161
Net pension liability	88,537	11,926	1,018	-	101,481
Total OPEB liability	42,399	5,704	478	-	48,581
Total noncurrent liabilities	4,923,029	3,902,703	2,893	-	8,828,625
Total liabilities	6,639,597	5,074,862	39,307	-	11,753,766
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflow related to TMRS	23,453	3,159	270	-	26,882
Deferred inflow related to OPEB	11,708	1,575	132	-	13,415
Total Deferred Inflows of Resources	35,161	4,734	402	-	40,297
NET POSITION:					
Net Investment in Capital Assets	9,977,438	5,924,217	39,000	175,490	16,116,145
Unrestricted	2,175,149	1,919,286	40,758	39,627	4,174,820
Total net position	$ 12,152,587	$ 7,843,503	$ 79,758	$ 215,117	$ 20,290,965

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

Exhibit D-2

CITY OF BRECKENRIDGE, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2025

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Nonmajor Fund	Totals
Operating revenues:					
Charges for sales and services	$ 2,627,311	$ 1,665,534	$ 554,256	$ -	$ 4,847,101
Miscellaneous	68,935	13,374	-	-	82,309
Total operating revenue	2,696,246	1,678,908	554,256	-	4,929,410
Operating expenses:					
Water and sewer commercial	155,325	48,139	-	-	203,464
Water meters and readers	64,906	-	-	-	64,906
Lake Daniel	9,143	-	-	-	9,143
Water production	867,396	-	-	-	867,396
Water distribution	790,191	-	-	-	790,191
Sewer treatment		333,864	-	-	333,864
Solid waste	-	-	512,955	-	512,955
Depreciation and amortization	717,988	357,926	-	5,026	1,080,940
Total operating expenses	2,604,949	739,929	512,955	5,026	3,862,859
Operating income (loss)	91,297	938,979	41,301	(5,026)	1,066,551
Nonoperating revenues (expenses):					
Interest revenue	148,300	171,523	84	101	320,008
Gain on Sale of Assets	-	-	-	-	-
Interest expense and fiscal charges	(138,509)	(91,346)	-	-	(229,855)
Total nonoperating revenues (expenses)	9,791	80,177	84	101	90,153
Income (loss) before contributions and transfers	101,088	1,019,156	41,385	(4,925)	1,156,704
Transfers (to) from other funds and contributions:					
Capital Grants & Contributions	130,700	152,000	-	-	282,700
Transfers in	-	-	-	-	-
Transfers out	(262,447)	(773,014)	(25,000)	-	(1,060,461)
Change in Net Position	(30,659)	398,142	16,385	(4,925)	378,943
Net Position, October 1, 2024	12,259,249	7,464,573	63,685	220,042	20,007,549
Prior Period Adjustment	(76,003)	(19,212)	(312)	-	(95,527)
Net Position, September 30, 2025	$ 12,152,587	$ 7,843,503	$ 79,758	$ 215,117	$ 20,290,965

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

EXHIBIT D-3

CITY OF BRECKENRIDGE, TEXAS
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2025

	Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Nonmajor Fund	Totals
Cash flows from operating activities:					
Cash received from customers	$ 2,702,033	$ 1,696,514	$ 553,643	$ -	$ 4,952,190
Cash paid to suppliers	(2,323,101)	(481,234)	(509,251)	-	(3,313,586)
Cash paid to employees	591,290	93,187	24,449	-	708,926
Net cash provided (used) by operating activities	970,222	1,308,467	68,841	-	2,347,530
Cash flow from noncapital financing activities:					
Due to/from other funds	76,078	-	-	-	76,078
Transfers in	-		-	-	
Transfers out	(262,447)	(773,014)	(25,000)	-	(1,060,461)
Net cash provided (used) by noncapital financing activities	(186,369)	(773,014)	(25,000)	-	(984,383)
Cash flow from capital and related financing activities:					
Capital expenditures	(314,428)	(152,000)	-		(466,428)
Principal payments on long-term debt	(229,997)	(177,372)	-	-	(407,369)
Interest paid on bonds	(138,813)	(92,439)	-	-	(231,252)
Net cash (used) by capital and related financing activities	(683,238)	(421,811)	-	-	(1,105,049)
Cash flow from investing activities:					
Interest received	148,300	171,523	84	101	320,008
Net cash provided by investing activities	148,300	171,523	84	101	320,008
Net increase (decrease) in cash and cash equivalents	248,915	285,165	43,925	101	578,106
Cash and cash equivalents, October 1, 2024	5,464,687	5,845,073	(7,238)	39,526	11,342,048
Cash and cash equivalents, September 30, 2025	$ 5,713,602	$ 6,130,238	$ 36,687	$ 39,627	$ 11,920,154
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income	$ 91,297	$ 938,979	$ 41,301	$ (5,026)	$ 1,066,551
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	717,988	357,926	-	5,026	1,080,940
(Increase) decrease in accounts receivable	(1,523)	17,606	(613)	-	15,470
(Increase) decrease in supplies inventory	-	-		-	-
Increase (decrease) in accounts payable	111,122	6,494	25,848	-	143,464
Increase (decrease) in accrued payroll	3,727	481	710	-	4,918
Increase (decrease) in compensated absences	356	1,127	1,601	-	3,084
Increase (decrease) in customer meter deposits	7,310	-	-	-	7,310
Increase (decrease) in net pension balances	30,690	(5,661)	(577)	-	24,452
Increase (decrease) in total OPEB balances	9,255	(8,485)	571	-	1,341
Total adjustments	878,925	369,488	27,540	5,026	1,280,979
Net cash provided by operating activities	$ 970,222	$ 1,308,467	$ 68,841	$ -	$ 2,347,530

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City operates under a Home Rule/Commission/Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, social services, public improvements, planning and zoning, parks and recreation, and general administration services. Other services include water production and distribution and sewer disposal.

The reporting entity consists of the City of Breckenridge, Texas ("City") and its component unit. Component unit are legally separate entities for which the City is financially accountable or other organizations whose nature and significant relationship with the City are such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either the City's ability to impose its will on the organization or there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

The financial statements include one discretely presented component unit which has a September 30 year-end. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

The Breckenridge Economic Development Corporation (the "BEDC") was incorporated under the Development Corporation Act of 1979 (the "Act"), with the approval of the City. The purpose of the BEDC is to promote the economic development of the City of Breckenridge through the use of a ½% 4B sales tax approved by the voters of the City. The BEDC receives its authority from the City of Breckenridge. While legally separate from the City, it is reported as part of the reporting entity under the discretely presented method because the City's elected officials are financially accountable for the BEDC. The City has the authority to appoint board members and approve budgets and contracts. The City is the sole beneficiary of the BEDC and will receive the remaining assets and assume the remaining liabilities upon termination. Readers can find separately issued financial statements for the Breckenridge Economic Development Corporation at the Chamber of Commerce, 100 East Elm Street, Breckenridge, Texas 76424.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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. 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.

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 instead as general revenues.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 as soon as they are 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. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, charges for service, 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 government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *general debt service fund* was established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated.

The *general capital projects fund* is used to account for bonds proceeds issued for capital projects.

The City reports the following major proprietary funds:

The *water fund* is used to account for the operation of the water utility.

The *wastewater fund* is used to account for the operation of the wastewater utility.

The *sanitation fund* is used to account for the operation of residential trash.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds, distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and wastewater fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Financial Statement Amounts

1. Deposits and Investments

The government′ s cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance for the general fund of $143,793 and the general debt service fund of $52,122 is equal to 50% of outstanding delinquent property taxes at September 30, 2025. The court fines and fees receivable is reported net of an allowance of $50,121 which is 50% of the outstanding receivable. Trade accounts receivable in the enterprise funds are reported net of an allowance of $157,460 which is the accounts aged over 60 days. The Breckenridge Economic Development Corporation notes receivable are reported net of an allowance of $32,854 which is based on historical experience and collectability.

3. Property Tax

Ad valorem property taxes are levied each October 1 from valuations assessed as of the prior January 1 for all real and business personal property. Taxes are due on receipt of the tax bill and are delinquent if not paid before the following February 1. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Inventory

The City's water fund inventory is recorded under the purchase method. Under the purchase method the inventory is first recorded as an expense when purchased and then adjusted at the end of the year to reflect the value of inventory at that date. Inventories held by the water fund are priced at the lower of cost or market on the first-in, first-out method.

5. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

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

Property, plant and equipment of the primary government and proprietary funds are depreciated using the straight-line method over the following estimated useful lives.

Infrastructure	30 - 50 years
Building	50 years
Building improvements	20 years
Vehicles	2 - 15 years
Office equipment	3 - 15 years
Computer equipment	3 - 5 years

The City has reported infrastructure capital assets acquired prior to the implementation of GASB Statement No. 34 at estimated historical cost.

6. Compensated Absences

Regular full-time employees earn vacation, sick leave and compensatory time in accordance with City guidelines. Vacation, sick pay and compensatory time benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

In accordance with GASB Statement No. 101, *Compensated Absences*, the City recognizes a liability for compensated absences when the leave is earned, rather than when it is taken or paid. Vacation leave that is payable upon separation are measured at 100% of the amount earned using the employee's pay rate in effect at year-end. Sick leave is recognized to the extent it is expected to result in a payout, based on the City's eligibility rules and historical payout experience. Employees are permitted to use compensatory time within a reasonable period after making a request.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when they are incurred and are no longer amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

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

8. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and report amounts of revenues and expenses during the period. Actual amounts could differ from those estimates.

9. Fund Balances – Governmental Funds

In accordance with GASB No. 54, the City classified fund balances in the governmental funds as follows:

> Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
>
> Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
>
> Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to formal action by City Commission, the City's highest level of decision making authority. Commitments may be modified or rescinded only through formal action of City Commission.
>
> Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the City Manager and the City Secretary.
>
> Unassigned – All amounts not included in other spendable classifications.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table is a summary of the fund balance of the governmental funds.

	General Fund	General Debt Service Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Restricted:					
Debt service	$ -	$ 354,919	$ -	$ -	$ 354,919
Property tax reduction	17,723	-	-	-	17,723
Public Safety	-	-	-	21,876	21,876
Public Works	-	-	-	604,151	604,151
Cemetery	-	-	-	650,900	650,900
Parks	-	-	-	8,694	8,694
Capital projects	-	-	4,580,394	-	4,580,394
Committed:				-	-
Equipment replacement	-	-	-	278,467	278,467
Unassigned	2,222,019	-	-	-	2,222,019
	$2,239,742	$ 354,919	$ 4,580,394	$ 1,564,088	$ 8,739,143

10. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

11. 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.

NOTE 2: DEPOSITS AND INVESTMENTS

The City of Breckenridge investment policies and types of investments are governed by the State Public Funds Investment Act (the "Act"). The Act authorizes the City to invest, with certain restrictions, in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, banker's acceptances, mutual funds and investment pools. The City's management believes that it complied with the requirements of the Act and the City's investment policies.

NOTE 2: DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. The BEDC's deposits are secured by a pledge of securities and FDIC Insurance in BEDC's name. At September 30, 2025, the City's and BEDC's deposits were fully collateralized and insured.

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above.

Interest Rate Risk – Investments

As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

The City's fiduciary funds (Cemetery Perpetual Care Trust Fund) are invested in accordance with the provision of a trust agreement. These funds are invested by the trustee according to Section 113.056 of the Texas Trust Code. The City has the following types of investments:

					Investment Maturities (in Years)			
Investment	Credit Rating	Cost	Fair Value	Percentage of Total Investments	Less than 1 year	1-5 Years	6-10 Years	Over 10 Years
Cash	N/A	8,340	8,340	0.16%	8,340	-	-	-
Equity Mutual Funds	N/A	127,235	190,769	3.77%	190,769	-	-	-
Bond Mutual Funds	N/A	213,322	203,264	4.01%	203,264	-	-	-
Corporate Bonds	Aaa - Baa2	119,752	116,524	2.30%	25,726	65,248	12,702	12,848
U.S. Treasuries	N/A	59,814	52,014	1.03%	-	12,935	9,917	29,162
U.S. Government Agencies	N/A	83,706	79,989	1.58%	2	6,949	8,926	64,112
Logic Investment Pool	AAAm	4,412,307	4,412,307	87.14%	4,412,307	-	-	-
		$ 5,024,476	$ 5,063,207		$ 4,840,408	$ 85,132	$ 31,545	$ 106,122

Investment Valuation

All securities are stated at fair value as reported by the City's portfolio manager. For securities traded on a major exchange, market values are priced as of the statement date, September 30, 2025, as provided by various pricing services (Level 1 inputs). The method and frequency of pricing assets not traded on major exchanges varies depending on the type of assets (Level 2 inputs); therefore, the market value may not be a current value as of the statement date.

NOTE 3: RESTRICTED ASSETS

The following cash and investments in the government-wide statement of net position are restricted for the following purposes:

		Cash
Business-type Activities		
Customer water deposits	$	294,531
Construction - water fund		3,601,407
Construction - wastewater fund		4,308,371
	$	8,204,309

$8,020,429 of the City's restricted cash balances are held in escrow accounts that investment in government securities money market funds. These funds were deposited in these escrow accounts pursuant to an agreement with the Texas Water Development Board. The escrowed funds are kept in separate accounts and can only be disbursed or withdrawn to pay the costs of approved projects and solely upon written authorization from the Texas Water Development Board.

NOTE 4: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify in this category. They are deferred outflow related to TMRS pension and deferred outflows related to TMRS OPEB reported in the government-wide statement of net position and proprietary funds statement of net position.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has three types of items in this category. Unavailable revenues for governmental funds and deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position and propriety funds statements are reported as deferred inflows of resources. The BEDC has deferred inflows related to leases. At the end of the fiscal year the components of deferred inflows in the governmental funds were as follows:

Deferred inflows of resources - governmental funds		
Deferred property taxes receivable (general fund)	$	143,794
Deferred property taxes receivable (general debt service fund)		52,122
Deferred franchise taxes receivable (general fund)		69,345
Deferred court fines (general fund)		50,121
Total deferred inflows for governmental funds	$	315,382

NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2025, is as follows:

Transfer In	Transfer Out	Amount
General Fund	Water Fund	$ 310,000
General Fund	Wastewater Fund	600,000
General Fund	Sanitation Fund	25,000
General Debt Service	Wastewater Fund	159,685
General Capital Projects	General Fund	75,000
Other governmental funds	General Fund	227,809
Total Governmental Funds Transfers In		$ 1,397,494

Each year the water fund and wastewater fund transfer unrestricted revenues to finance various programs accounted for in the general fund in accordance with budgetary authorizations. Amounts transferred to the general capital projects fund and other governmental funds were for construction projects and equipment replacement. The general debt service fund was created to pay part of the water and wastewater debt and the amounts paid were treated as transfers.

NOTE 6: <u>CAPITAL ASSETS</u>

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

Governmental activities:	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non - Depreciable Assets:					
Land	$ 194,585	$ -	$ -	$ -	$ 194,585
Construction in Progress	1,199,455	3,601,310	-	(725,999)	4,074,766
Total non-depreciable assets	1,394,040	3,601,310	-	(725,999)	4,269,351
Depreciable Assets:					
Buildings and improvements	1,501,805	87,588	-	293,231	1,882,624
Infrastructure	8,915,340	-	-	432,768	9,348,108
Vehicles and Equipment	2,236,206	-	(104,503)	-	2,131,703
Intangible Right-to-Use Lease vehicles and equipment	846,096	92,226	-	-	938,322
Total capital assets being depreciated	13,499,447	179,814	(104,503)	725,999	14,300,757
Accumulated Depreciation and Amortization:					
Buildings and improvements	(1,035,545)	(41,334)	-	-	(1,076,879)
Infrastructure	(2,313,098)	(210,904)	-	-	(2,524,002)
Vehicles and Equipment	(1,775,790)	(104,670)	104,503	-	(1,775,957)
Intangible Right-to-Use Lease - vehicles and equipment	(92,376)	(176,681)	-	-	(269,057)
Total accumulated depreciation and amortization	(5,216,809)	(533,589)	104,503	-	(5,645,895)
Governmental activities capital assets, net	$ 9,676,678	$ 3,247,535	$ -	$ -	$ 12,924,213

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
General government	29,345
Public Safety	148,645
Public Works	268,511
Cemetery	15,743
Parks	71,345
Community services	-
Total - governmental activities	$ 533,589

NOTE 6: CAPITAL ASSETS - (Continued)

Business-type activities:	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non - Depreciable Assets:					
Land	$ 193,297	$ -	$ -	$ -	$ 193,297
Construction in Progress	263,800	282,700	-	-	546,500
Total non-depreciable assets	457,097	282,700	-	-	739,797
Depreciable Assets:					
Land improvements	51,442	-	-	-	51,442
Buildings and improvements	1,310,830	-	-	-	1,310,830
Water and sewer systems	31,017,042	183,728	-	-	31,200,770
Vehicles and equipment	1,271,310	-	-	-	1,271,310
Intangible Right-to-Use Lease Vehicles and equipment	210,246	-	-	-	210,246
Total capital assets being depreciated	33,860,870	183,728	-	-	34,044,598
Accumulated Depreciation and Amortization:					
Land improvements	(22,707)	(923)	-	-	(23,630)
Buildings and improvements	(1,018,562)	(25,667)	-	-	(1,044,229)
Water and sewer systems	(12,692,190)	(861,484)	-	-	(13,553,674)
Vehicles and equipment	(568,369)	(150,715)	-	-	(719,084)
Intangible Right-to-Use Lease - Vehicles and eqipment	(35,776)	(42,150)	-	-	(77,926)
Total accumulated depreciation and amortization	(14,337,604)	(1,080,939)	-	-	(15,418,543)
Business-type activities capital assets, net	$ 19,980,363	$ (614,511)	$ -	$ -	$ 19,365,852

Depreciation and amortization expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water	$ 717,988
Wastewater	357,925
Sanitation	-
Trade Days	5,026
Total - business-type activities	$1,080,939

NOTE 6: CAPITAL ASSETS - (Continued)

Discretely Presented Component Unit

Activity for the Breckenridge Economic Development Corporation for the year ended September 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	$ 29,466	$ -	$ -	$ 29,466
Total non-depreciable assets	29,466	-	-	29,466
Depreciable Assets:				
Buildings and improvements	121,790	-	-	121,790
Office furniture and equipment	5,400	-	-	5,400
Total capital assets being depreciated	127,190	-	-	127,190
Accumulated Depreciation:				
Buildings and improvements	(50,442)	(5,571)	-	(56,013)
Office furniture and Equipment	(5,400)	-	-	(5,400)
Total accumulated depreciation	(55,842)	(5,571)	-	(61,413)
Governmental activities capital assets, net	$ 100,814	$ (5,571)	$ -	$ 95,243

Properties Held for Economic Development

BEDC's goal is to promote and develop the industrial and manufacturing enterprises in order to encourage employment in the City of Breckenridge. Property and equipment are acquired with the intent of making these properties available to prospective companies at a reasonable price as an incentive to relocate their business in Breckenridge. These properties are not considered investments and are reported at cost. At September 30, 2025, properties held for economic development at cost was $1,918,128.

NOTE 7: FINANCED PURCHASES

The City has entered into agreements to finance the acquisition of equipment for the general fund and water fund. These leases qualify as financed purchases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

$199,876 agreement dated April 1, 2015, for a fire truck due in annual payments of $23,719 including interest at 3.24% which matured April 1, 2025.

$151,241 agreement dated April 15, 2022, for four trucks due in annual payments of $50,414 including interest at 3.35% which matured April 15, 2025. This was split between the governmental activities and business-type activities.

NOTE 7: FINANCED PURCHASES- (Continued)

$125,138 agreement dated February 15, 2024 for 2 backhoe loaders due in monthly payments of $2,462 including interest at 6.72% maturing February 15, 2029.

$378,951 agreement dated February 22, 2024, for sewer cleaner equipment due in annual payments of $59,133 including interest at 6.72% maturing May 1, 2029.

Future minimum commitments are as follows:

	Governmental Activities	Business-type Activities
2026	$ -	$ 88,672
2027	-	88,672
2028	-	88,672
2029	-	187,798
Total debt service requirements	-	453,814
Less: Interest Portion	-	72,616
Debt Principal	$ -	$ 381,198

Assets and related accumulated depreciation are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	$ 330,838	$ 526,200
Less: Accumulated depreciation	(216,125)	(356,258)
Net	$ 114,713	$ 169,942

NOTE 8: LEASE FINANCING

The City, as a lessee, has entered into lease agreements involving copiers, printers and vehicles. The total of the City's leased assets are recorded at a cost of $1,148,568, less accumulated amortization of $346,983. With the implementation of Governmental Accounting Standards Board Statement No. 87, Leases, a lease meeting the criteria of this statement requires the lessee to recognize a lease liability and an intangible right to use asset. This lease and assets are split between governmental and business-type activities.

The lease agreement is summarized as follows:

Description	Date	Payment Terms	Interest Rate	Total Lease Liability	Balance 9/30/2025
Copiers/Printers	5/28/2021	60 months	3.10%	$ 70,661	$ 10,730
Vehicles		60 months	7.25 - 8.01%	1,077,907	830,035
Total				$ 1,148,568	$ 840,765

NOTE 8: LEASE FINANCING – (Continued)

The future lease payments under lease agreements are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 173,627	47,641	$ 221,268	$ 40,761	$ 9,344	$ 50,105
2027	177,125	34,385	211,510	42,827	6,186	49,013
2028	188,964	20,201	209,165	43,535	2,815	46,350
2029	146,279	6,044	152,323	13,800	252	14,052
2030	13,842	420	14,262	-	-	-
Total	$ 699,837	$ 108,691	$ 808,528	$ 140,923	$ 18,597	$ 159,520

NOTE 9: <u>LONG-TERM DEBT</u>

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2025.

Primary Government	9/30/2024	Additions	Retirements	9/30/2025	Due Within One Year
Governmental Activities.:					
Direct Placement					
Certificates of Obligation, Series 2017B	$ 3,189,000	$ -	$ 73,000	$ 3,116,000	$ 75,000
Certificates of Obligation, Series 2023	8,150,000	-	265,000	7,885,000	280,000
Series 2023 unamortized premium	405,696	-	38,226	367,470	36,807
Financed purchases	61,460	-	61,460	-	-
Lease Financing Payable	763,956	92,226	156,344	699,838	173,627
Compensated absences payable	262,750	274,345	262,750	274,345	74,073
Net pension liability	458,175		152,586	305,589	-
Total OPEB liability	155,974	-	9,700	146,274	-
Total Governmental Activities	13,447,011	366,571	1,019,066	12,794,516	639,507
Business-type Activities:					
Direct Placement					
Certificates of Obligation	8,793,000	-	299,000	8,494,000	305,000
Financed purchases	451,211	-	70,015	381,196	63,782
Lease Financing Payable	179,282	-	38,354	140,928	40,766
Compensated absences payable	95,527	98,611	95,527	98,611	26,625
Net pension liability	145,479		43,998	101,481	-
Total OPEB liability	49,527	-	946	48,581	-
Total Business-type Activities	9,714,026	98,611	547,840	9,264,797	436,173
Total Long-Term Liabilities	$ 23,161,037	$ 465,182	$ 1,566,906	$ 22,059,313	$ 1,075,680

NOTE 9: LONG-TERM DEBT – (continued)

At September 30, 2025, governmental activities and business-type activities bonds payable consisted of the following issues:

	Primary Government
Governmental Activities	
$4,262,000 Combination Tax and Revenue Certificates of Obligation, Series 2017B, due in annual installments through September 15, 2057, bearing interest at 2.75%	$ 3,116,000
$8,385,000 Combination Tax and Revenue Certificates of Obligation, Series 2023, due in annual installments through September 15, 2043, bearing interest at 4.00 - 5.00%	7,885,000
Total Governmental Activities	$ 11,001,000
Business-Type Activities	
$1,680,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2012, due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%.	$ 435,000
$840,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2013, due in annual installments through September 15, 2044, bearing interest at 0% - 2.27%.	565,000
$2,380,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2014, due in annual installments through September 15, 2045, bearing interest at 0% - 4.30%	1,845,000
$846,000 Combination Tax and Revenue Certificates of Obligation Series, 2017A, due in annual installments through September 15, 2057, bearing interest at 2.75%	684,000
$2,935,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2022A, due in annual installments through March 15, 2053, bearing interest at 0.9%-2.02%	2,770,000
$2,325,000 Combination Tax and Surplus Revenue Certificates of Obligation Series 2022B, due in annual installments through March 15, 2053, bearing interest at 0.74%-1.89%	2,195,000
Total business-type activities	$ 8,494,000

Certain Certificates of Obligation Bonds are direct placements and include provisions that in the event the City defaults in the payments or performance of covenants, conditions, or obligations, the bond holders shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City to observe and perform the covenant, condition and obligation prescribed by the bond ordinance.

NOTE 9: LONG-TERM DEBT – (continued)

The annual requirements to amortize governmental activities and business-type activities bonds outstanding as of September 30, 2025 are as follows:

Primary Government	Certificates of Obligation											
	Governmental Activities						Business-type Activities					
		Principal		Interest		Total		Principal		Interest		Total
2026	$	355,000	$	438,100	$	793,100	$	305,000		183,392	$	488,392
2027		372,000		421,635		793,635		310,000		178,206		488,206
2028		389,000		404,588		793,588		316,000		172,793		488,793
2029		406,000		386,290		792,290		321,000		167,011		488,011
2030		429,000		367,271		796,271		322,000		161,054		483,054
2031-2035		2,454,000		1,517,122		3,971,122		1,616,000		706,894		2,322,894
2036-2040		3,061,000		906,978		3,967,978		1,619,000		529,361		2,148,361
2041-2045		2,388,000		308,970		2,696,970		1,798,000		310,762		2,108,762
2046-2050		687,000		111,488		798,488		1,101,000		137,165		1,238,165
2051-2055		460,000		19,194		479,194		786,000		29,372		815,372
Total debt service requirements	$	11,001,000	$	4,881,636	$	15,882,636	$	8,494,000	$	2,576,010	$	11,070,010

Tax and revenue bonds are payable from property taxes pledges and surplus revenues of the water and wastewater system. The debt ordinances provide for tax pledges to be budgeted annually to the extent budgeted net operating water and wastewater system revenues fall short of annual retirements of principal and interest. A tax rate of $.28309 per $100 of assessed valuation was levied for this purpose during the current year. The debt ordinances also provide for the establishment of sinking funds for the retirement of debt principal and interest. The balances in the interest and sinking funds was $354,919 for the general debt service at year-end. Management of the City believes that it is in compliance with all significant financial requirements required by debt covenants as of September 30, 2025.

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to cover these risks. There have been no significant reductions in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

NOTE 11: TAX ABATEMENTS

The City of Breckenridge is authorized to provide assistance for economic development under Chapter 380 of the Texas Local Government Code. The economic development must serve the purpose of promoting state or local economic development by stimulating business or commercial activity within the City. The assistance may be in the form of loans, grants, tax rebates and use of City personnel and services. The City has entered into Chapter 380 Economic Development Program Agreements with a developer and has agreed to provide sales tax grants and rebates. The City will pay to developer an amount equal to 60% of the project sales tax revenue for a period of ten years up to a maximum of $325,000. The first payment was made in February 2018 and the final payment will be made in February 2027 if the maximum has not been paid at that date. The 380 Agreement was entered into in conjunction with a Performance Agreement between a developer and Breckenridge Economic Development Corporation, the two agreements being contingent upon execution of the other.

NOTE 11: TAX ABATEMENTS - (Continued)

Below is a table of tax abatements for the year ended September 30, 2025.

Type of Business	Purpose	Tax Abated	Percent Abated	Abated City	Abated BEDC
Retail shopping center	Purchase, remodel and redevelop property	Sales Tax	60% of 1 cent	$ 17,033	

NOTE 12: DEFINED BENEFIT PENSION PLANS

Plan Description

The City participates in one of 938 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 Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TRMS 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 statues 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 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 member contributions and interest.

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

	Plan Year 2024
Employee deposit rate	5%
Matching ratio (city to employee)	1.5 -1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

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

Active Employees	63
Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	76
	196

Contributions

The contribution rates for members 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 for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.62% and 8.54% in calendar years 2025 and 2024, respectively. The city's contributions to TMRS for the year ended September 30, 2025, were $277,107, and were more than the required contributions.

Net Pension Liability

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

Actuarial Assumptions:

The 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%, net of pension plan investment expense, including inflation

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

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 morality 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 a 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 returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected rate of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
Total	100.0%	

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/23	$ 9,500,660	$ 8,897,004	$ 603,656
Changes for the year:			
Service cost	316,180	-	316,180
Interest	633,039	-	633,039
Difference between expected and actual experience	195,764	-	195,764
Changes of assumptions	-	-	-
Contributions-employer	-	269,616	(269,616)
Contributions-employee	-	157,303	(157,303)
Net investment income	-	920,716	(920,716)
Benefit payments, including refunds of employee contributions	(560,803)	(560,803)	-
Administrative expense	-	(5,929)	5,929
Other changes	-	(139)	139
Net changes	584,180	780,764	(196,584)
Balance at 12/31/24	$ 10,084,840	$ 9,677,768	$ 407,072

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	$ 1,649,578	$ 407,070	$ (620,142)

NOTE 12: DEFINED BENEFIT PENSION PLANS – (Continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the City recognized pension expense of $361,744.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 184,090	$ -
Changes in actuarial assumptions	-	22,718
Differences between projected and actual investment earnings	-	85,114
Contributions subsequent to the measurement date	203,889	-
Total	$ 387,979	$ 107,832

$203,889 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to 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:

	Net Deferred outflows (inflows of resources
Year ended December 31:	
2025	$ 121,416
2026	161,002
2027	(142,127)
2028	(64,032)
2029	-
Thereafter	-
	$ 76,259

NOTE 13: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

Texas Municipal Retirement System (TMRS) administers an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active members with optional coverage for their retirees. The death benefit for active members provides a lump-sum payment approximately equal to the member’s annual salary (calculated based on the member’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. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

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

B. Benefits Provided

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	33
Inactive employees entitled to but not yet receiving benefits	11
Active employees	63
	107

C. Total OPEB Liability

The City’s total OPEB liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85% including infation
Retirees' share of benefit related costs	$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

NOTE 13: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)

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

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

Discount Rate:

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

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balances as of December 31, 2023	$ 205,501
Changes for the year:	
Service cost	7,236
Interest on total OPEB liability	7,747
Effect of plan changes	-
Effect of economic/demographic gains or losses	(8,515)
Effect of assumptions changes or inputs	(9,878)
Benefit payments	(7,236)
Net changes	(10,646)
Balances as of December 31, 2024	$ 194,855

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

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

	1% decrease discount rate 3.08%	Current Discount Rate 4.08%	1% increase discount rate 5.08%
Total OPEB Liability	$ 229,527	$ 194,855	$ 167,352

NOTE 13: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – (Continued)

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

For the year ended September 30, 2025, the City recognized OPEB expense of $2,033.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,434	$ 9,657
Changes in assumptions	7,981	44,150
Contributions made subsequent to measurement date	5,428	-
Total	$ 15,843	$ 53,807

$5,428 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan year ended December 31:	
2025	$ (19,091)
2026	(18,438)
2027	(3,610)
2028	(2,253)
2029	-
Thereafter	-
Total	$ (43,392)

NOTE 14: CONTINGENT LIABILITIES

A. Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

NOTE 14: CONTINGENT LIABILITIES (Continued)

B. USDA Loan Program

The Breckenridge Economic Development Corporation (BEDC) has in the past received funds from the USDA for a loan program to allow BEDC to assist new businesses with low interest loans. There are no reporting requirements on the use of the funds; however, the funds are required to be maintained intact with interest earned for the loan program. To the extent, if any, the BEDC has not complied with all the rules and regulations return of fund money may be required.

NOTE 15: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

GASB Statement No. 96, Subscription-Based Information Technology Arrangements was effective beginning the fiscal year ended September 30, 2025. The City has entered into subscription-based information technology arrangements involving:

- A SCADA (Supervisory Control and Data Acquisition) watch service suite regarding the Agency's water system.
- Various desktop and server software subscriptions
- Accounting and payroll services software
- Work order and code enforcement software
- Police and dispatch
- Emergency notification system

The City has outflows of resources during the fiscal year totaling $95,063 that are not included in the measurement of a subscription liability. The City's software subscriptions are not commitments longer than twelve months therefore a subscription liability is not calculated.

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS

The City implemented GASB Statement No. 101, *Compensated Absences* for the fiscal year ended September 30, 2025. This Statement requires governments to recognize a liability for compensated absences when leave benefits are earned, rather than when the leave is taken or paid. The Statement also requires governments to incorporate expected payout estimates for leave that is payable only under certain conditions.

During implementation, the City evaluated its policies for vacation and sick leave. Under City policy, employees' vacation and sick time are payable upon separation from service. The City reviewed historical separation patterns and past sick leave payouts to estimate the portion of sick leave expected to result in payment.

Implementation of the Statement resulted in the compensated absences liability being measured using employee pay rates in effect at year-end, expected payout percentages for sick leave, and applicable salary related costs such as the City's share of payroll taxes. As a result of adopting this Statement, the City's compensated absences liability increased $358,277.

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Beginning net position of the governmental activities and business-type activities was reduced by the following prior period adjustments:

	Governmental Activities	Business-type Activities	Water Fund	Wastewater Fund	Sanitation Fund
Net Position per 9/30/24 audited financial statements	8,279,018	20,007,550	12,259,249	7,464,573	63,685
Compensated Absences	(262,750)	(95,527)	(76,003)	(19,212)	(312)
Restated Net Position 9/30/24	$ 8,016,268	$ 19,912,023	$ 12,183,246	$ 7,445,361	$ 63,373

NOTE 17: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 27, 2026, which is the date the financial statements were available to be issued.

January 14, 2026, the City issued $1,720,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2026 and received a $4,003,900 grant from the Texas Water Development Board to acquire, construct, and install additions, improvements, extensions, and equipment for the City's water system, including without limitation water lines, water storage facilities, pump stations, service connections, valves , fittings, SCADA and related infrastructure improvements. The certificates of obligation mature March 15, 2046 and have interest rates of 1.64% - 3.01%.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates of Obligation, assuming no material changes in facts or law.

CITY OF BRECKENRIDGE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_________

AS BOND COUNSEL FOR THE CITY OF BRECKENRIDGE, TEXAS (the "Issuer") in connection with the issuance of the certificates of obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Certificates, including the executed Certificates.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that the Certificates, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.

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

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

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

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

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 (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

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

Respectfully,

Municipal Advisory Services
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