

PRELIMINARY OFFICIAL STATEMENT

Dated September 10, 2026

**Ratings:
S&P: "AA"
(See "OTHER
INFORMATION
- Ratings")**

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds is 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 BONDS ***WILL BE*** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$2,000,000*
CITY OF DALWORTHINGTON GARDENS, TEXAS
(Tarrant County)
GENERAL OBLIGATION BONDS, SERIES 2026

Dated Date: September 15, 2026

Due: February 1, as shown on page 2

Interest accrues from the Delivery Date (defined herein)

PAYMENT TERMS. . . Interest on the \$2,000,000* City of Dalworthington Gardens, Texas (the "City") General Obligation Bonds, Series 2026 (the "Bonds") will accrue from the date of initial delivery to the Initial Purchaser of the Bonds, anticipated to be on or about October 14, 2026, will be payable February 1 and August 1 of each year commencing February 1, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, and an election held on May 6, 2017, and are direct obligations of the City, payable from a direct and continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Ordinance") (see "THE BONDS - Authority for Issuance of the Bonds").

PURPOSE. . . Proceeds from the sale of the Bonds will be used for the purpose of improving City streets and paying costs of issuing the Bonds (see "PLAN OF FINANCING - Purpose").

CUSIP PREFIX: 235649
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Disclosure Counsel for the City.

DELIVERY. . . It is expected that the Bonds will be available for initial delivery through the facilities of DTC on October 14, 2026 (the "Delivery Date").

BIDS DUE THURSDAY, SEPTEMBER 17, 2026 AT 9:30 AM, CENTRAL TIME

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. The securities referenced herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE***CUSIP Prefix: 235649⁽¹⁾**

Principal Amount	Maturity	Interest Rate	Yield	CUSIP Suffix ⁽¹⁾
\$ 10,000	2/1/2028			
10,000	2/1/2029			
10,000	2/1/2030			
10,000	2/1/2031			
10,000	2/1/2032			
15,000	2/1/2033			
10,000	2/1/2034			
15,000	2/1/2035			
15,000	2/1/2036			
15,000	2/1/2037			
15,000	2/1/2038			
15,000	2/1/2039			
20,000	2/1/2040			
30,000	2/1/2041			
85,000	2/1/2042			
395,000	2/1/2043			
420,000	2/1/2044			
440,000	2/1/2045			
460,000	2/1/2046			

(Interest to accrue from the Delivery Date.)

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OPTIONAL REDEMPTION OF THE BONDS . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on or after February 1, 2037, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption of the Bonds”). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchaser elects to aggregate two or more consecutive maturities as Term Bonds.

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

This Preliminary 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 Initial Purchaser.

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 Initial Purchaser. This Preliminary 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 Bonds are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Bonds in accordance with applicable securities law provisions of the jurisdiction in which the Bonds have been registered, qualified, or exempted should not be regarded as a recommendation thereof.

Neither the City, its Municipal Advisor, nor the Initial Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its Book-Entry-Only System.

In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The 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 herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

This Official Statement contains "Forward-Looking Statements" within the meaning of Section 21E of the Securities 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.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The cover pages hercof, maturity schedule, this page, and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE CITY..... The City of Dalworthington Gardens, Texas (the “City”) is a political subdivision and type A general law municipality of the State, located in Tarrant County, Texas. The City covers approximately 2 square miles (see “INTRODUCTION - Description of the City”).

THE BONDS..... The Bonds are issued as \$2,000,000* General Obligation Bonds, Series 2026 (the “Bonds”). The Bonds are issued as serial bonds maturing February 1 in each of the years 2028 through 2046, inclusive, unless the Initial Purchaser designates two or more consecutive serial maturities as Term Bonds (see “THE BONDS - Description of the Bonds” and “THE BONDS - Optional Redemption of the Bonds”).

PAYMENT OF INTEREST

ON THE BONDS..... Interest on the Bonds accrues from the date of initial delivery (the “Delivery Date”, anticipated to be October 14, 2026), and is payable February 1 and August 1 of each year, commencing February 1, 2027, until maturity or prior redemption (see “THE BONDS - Description of the Bonds” and “THE BONDS - Optional Redemption of the Bonds”).

AUTHORITY FOR ISSUANCE

FOR THE BONDS..... The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, an election held by the City on May 6, 2017, and an ordinance to be passed by the City Council of the City (the “Ordinance”) (see “THE BONDS - Authority for Issuance of the Bonds”).

SECURITY FOR THE

BONDS..... The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the Ordinance (see “THE BONDS - Security and Source of Payment of the Bonds”).

OPTIONAL REDEMPTION

OF THE BONDS..... The City reserves the right, at its option, to redeem Bonds having stated maturities on or after February 1, 2037, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption of the Bonds”). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchaser elects to aggregate two or more consecutive maturities as Term Bonds.

TAX EXEMPTION..... In the opinion of Bond Counsel, the interest on the Bonds 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 corporations.

QUALIFIED TAX-EXEMPT

OBLIGATIONS..... The City will designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions.

USE OF PROCEEDS FOR THE

BONDS..... Proceeds from the sale of the Bonds will be used for the purpose of improving City streets and paying costs of issuing the Bonds (see “PLAN OF FINANCING - Purpose”).

RATINGS..... The Bonds have been rated “AA” with a stable outlook by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without any credit enhancement (see “OTHER INFORMATION - Ratings”).

BOOK-ENTRY-ONLY

SYSTEM..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the

participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

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

PAYING AGENT/REGISTRAR..... The initial Paying Agent/Registrar of the Bonds is BOKF, NA, Dallas, Texas.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Total General Obligation Debt at Year End	G.O. Debt Per Capita	Ratio of G.O. Debt to Taxable Assessed Valuation
2023	2,296	\$ 446,420,845	\$ 194,434	\$ 4,850,000	2,112	1.09%
2024	2,285	501,695,242	219,560	4,670,000	2,044	0.93%
2025	2,296	530,272,879	230,955	4,485,000	1,953	0.85%
2026	2,304	543,649,830	235,959	6,290,000 ⁽³⁾	2,730	1.16%
2027	2,304	509,761,587	221,251	6,090,000 ⁽³⁾	2,643	1.19%

(1) Source: North Central Texas Council of Governments – 2026 Population Estimates.

(2) As reported by the Tarrant Appraisal District on City’s annual State Property Tax Board Reports. Subject to change during the ensuing year.

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

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Laurie Bianco Mayor	8 Years	May-28	Educator
John King Alderman Place 1	6 Year	May-28	Retired
Steve Lafferty Alderman Place 2	6 Years	May-28	Retired
Cathy Stein Alderman Place 3	11 Years	May-27	Educator / Artist
Ed Motley Mayor Pro Tem, Alderman Place 4	20 Years	May-27	Civil Engineer
Paul Sweitzer Alderman Place 5	2 Years	May-27	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City
Greg Petty	City Administrator	31 Years
Pam Dwyer	Finance Supervisor	1.5 Years
Sandra Ma	City Secretary	24 Years

CONSULTANTS AND ADVISORS

Auditors	Brooks Watson & Co., PLLC Houston, Texas
Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Municipal Advisor	Hilltop Securities Inc. Dallas, Texas

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PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$2,000,000*
CITY OF DALWORTHINGTON GARDENS, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2026

INTRODUCTION

This Preliminary Official Statement, which includes the maturity schedule and Appendices hereto, provides certain information regarding the issuance of the \$2,000,000* City of Dalworthington Gardens, Texas (the "City") General Obligation Bonds, Series 2026 (the "Bonds") being offered herein. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds (the "Ordinance").

There follows in this Preliminary Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Hilltop Securities, Inc. ("HilltopSecurities"), Dallas, Texas.

DESCRIPTION OF THE CITY. . . The City is a Type A, General Law Municipality governed by a Mayor and City council composed of five Aldermen. The Mayor and Council are elected the second Saturday in May. All members are elected at large and serve two-year terms of office. The Mayor and Council appoint the City Administrator and the Chief of Public Safety. The 2020 Census population for the City was 2,293, while the estimated 2026 population is 2,304. The City covers approximately 2 square miles.

PLAN OF FINANCING

PURPOSE. . . The Bonds are being issued for the purpose of improving City streets and paying costs of issuing the Bonds.

SOURCES AND USES OF FUNDS . . . Proceeds from the sale of the Bonds are expected to be expended as follows:

SOURCES OF PROCEEDS

Par Amount of the Bonds

[Net] Premium

TOTAL SOURCES

=====

USES OF PROCEEDS

Deposit to Project Fund

Underwriter's Discount

Costs of Issuance

TOTAL USES

=====

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* Preliminary, subject to change.

THE BONDS

DESCRIPTION OF THE BONDS. . . The Bonds are dated September 15, 2026 (the “Dated Date”), and mature on February 1 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery (the “Delivery Date”, anticipated to be October 14, 2026), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1 of each year commencing February 1, 2027, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

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

AUTHORITY FOR ISSUANCE OF THE BONDS. . . The Bonds are being authorized and issued pursuant to the Constitution and general laws of the State, particularly Chapter 1331, Texas Government Code, as amended, an election held by the City on May 6, 2017, and an ordinance to be passed by the City Council of the City (the “Ordinance”).

SECURITY AND SOURCE OF PAYMENT OF THE BONDS. . . The principal of and interest of the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property located within the City, as provided in the Ordinance.

TAX RATE LIMITATION. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of \$1.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of the \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

OPTIONAL REDEMPTION OF THE BONDS . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on or after February 1, 2037, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 1, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of such Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set

forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption relating to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemptions of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption (see "THE BONDS – Book-Entry-Only System" herein).

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds when payment of the principal of such Bonds, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Bonds, which under current State law include the following: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated, on the date of their acquisition or purchase by the City, as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated, on the date of their acquisition or purchase by the City, as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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

Upon making such deposit in the manner described, such defeased Bonds shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and Defeasance Securities deposited into escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt for any other purpose.

Upon such deposit as described above, such Bonds 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 Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption, or take any other action amending the terms of the Bonds, are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds 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 of 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 Standard & Poor’s rating of: AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of

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

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

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

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

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

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

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation and surrender at the principal office of the Paying Agent/Registrar. Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (see "THE BONDS - Record Date for Interest Payment" herein), and such interest shall be paid (i) by check sent by 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. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of principal and interest on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System" herein.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to the registered owners of the Bonds and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be of the same series, in denominations of \$5,000 or integral multiples thereof for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System"

for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT. . . The record date (the "Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th calendar day of the month next preceding each interest payment date for the Bonds.

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 (the "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 (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

MUTILATED, DESTROYED, LOST AND STOLEN BONDS. . . If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for any Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Paying Agent/Registrar evidence satisfactory to the Paying Agent/Registrar to the effect that such Bond has been destroyed, stolen or lost and authenticity of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BONDHOLDERS' REMEDIES. . . The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Bonds, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus is controlled by equitable principles, and thus rests within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition, and, accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. No remedy is exclusive of any other remedy, and each remedy is cumulative and in addition to every other remedy now or hereafter existing at law or in equity; however, notwithstanding any other provision of the Ordinance, the right to accelerate the maturity of the debt evidenced by the Bonds is not available as a remedy under the Ordinance. The exercise of any remedy does not waive any other available remedy.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any

proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the Bonds for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance and that shall not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Bonds aggregating in principal amount 51% of the outstanding Bonds will have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

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.

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 Tarrant 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.

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

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.

20% CIRCUIT BREAKER CAP FOR NON-HOMESTEAD PROPERTY . . . 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. After December 31, 2026 (unless extended by the Legislature), the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal

rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION– City and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each city 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 market 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.

The governing body of a school district, municipality, or county that adopted an exemption described in (1), above, for the 2022 tax year may not reduce the amount of or repeal the exemption through December 31, 2027.

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

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

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

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

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned

by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and intangible personal property.

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 "City Application of Tax Code" herein.

CHAPTER 380 AGREEMENTS . . . The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds such as ad valorem taxes or sales taxes for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City has entered into several Chapter 380 Agreements.

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

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

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

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

Furthermore, beginning tax year 2026, 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. 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.

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

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

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

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

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

year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

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

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

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of \$1.50 per \$100 of Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of such \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

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

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

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

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

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 \$60,000; the disabled are also granted an exemption of \$60,000.

See "Table 1 - Assessed Valuation and Exemption" for a list of the amounts of the exemptions described above.

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 the Tarrant County Tax Office collects taxes for the City.

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

The City does not tax Freeport Property.

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

The City has not adopted a tax abatement policy and does not have any existing tax abatement agreements.

TABLE 1 - ASSESSED VALUATION AND EXEMPTION

2026/2027 Market Valuation Established by the Appraisal Districts		\$	610,042,262
Less Exemptions/Reductions at 100% Market Value:			
Homestead Cap Loss	\$	13,813,799	
Circuit Breaker Cap Loss		1,458,513	
Productivity Loss		1,937,305	
Over 65 and disabled		27,509,344	
Disabled Veterans		142,000	
Special Exemptions		57,434	
Other		9,208,728	
Totally Exempt Property		<u>46,153,552</u>	<u>\$ 100,280,675</u>
2026/2027 Taxable Assessed Valuation		\$	509,761,587
Outstanding General Obligation Debt as of 9/1/2026		\$	4,290,000
The Bonds ⁽¹⁾			<u>2,000,000</u>
Total General Obligation Debt Payable from Ad Valorem Taxes ⁽¹⁾		\$	<u>6,290,000</u>
General Obligation Debt Service Fund as of 6/30/2026		\$	8,214
Ratio of General Obligation Tax Debt to Taxable Assessed Valuation			1.23%

2026 Estimated Population - 2,304
Per Capita Taxable Assessed Valuation - \$221,251
Per Capita Total General Obligation Debt Payable from Ad Valorem Taxes - \$2,730

(1) Preliminary, subject to change.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2027		2026		2025	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 442,595,758	72.55%	\$ 484,044,732	74.56%	\$ 514,361,831	76.83%
Real, Residential, Multi-Family	10,086,055	1.65%	11,520,986	1.77%	12,204,749	1.82%
Real, Vacant Lots/Tracts	9,854,995	1.62%	12,586,151	1.94%	15,539,127	2.32%
Real, Acreage (Land Only)	2,056,929	0.34%	1,916,559	0.30%	1,486,803	0.22%
Real, Farm and Ranch Improvements	30,820	0.01%	165,000	0.03%	174,995	0.03%
Real, Commercial	72,969,002	11.96%	111,021,223	17.10%	96,925,466	14.48%
Oil, Gas & Minerals	250,447	0.04%	573,157	0.09%	596,117	0.09%
Real and Tangible Personal, Utilities	6,780,099	1.11%	10,028,748	1.54%	9,617,126	1.44%
Tangible Personal, Commercial	13,268,883	2.18%	14,588,591	2.25%	16,103,175	2.41%
Tangible Personal, Industrial	3,520,280	0.58%	18,000	0.00%	18,000	0.00%
Special Inventory	2,474,609	0.41%	2,564,191	0.39%	2,278,879	0.34%
Totally Exempt Properties	46,154,385	7.57%	200,260	0.03%	200,260	0.03%
Total Appraised Value Before Exemptions	\$ 610,042,262	100.00%	\$ 649,227,598	100.00%	\$ 669,506,528	100.00%
Less: Total Exemptions/Reductions	100,280,675		105,577,768		139,233,649	
Taxable Assessed Value	<u>\$ 509,761,587</u>		<u>\$ 543,649,830</u>		<u>\$ 530,272,879</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2024		2023	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 495,448,459	75.93%	\$ 398,760,520	74.38%
Real, Residential, Multi-Family	12,526,632	1.92%	11,403,378	2.13%
Real, Vacant Lots/Tracts	15,339,026	2.35%	14,154,687	2.64%
Real, Acreage (Land Only)	1,364,122	0.21%	1,395,326	0.26%
Real, Farm and Ranch Improvements	247,154	0.04%	119,768	0.02%
Real, Commercial	87,328,188	13.38%	78,200,402	14.59%
Oil, Gas & Minerals	9,983,347	1.53%	4,773,649	0.89%
Real and Tangible Personal, Utilities	9,344,935	1.43%	9,051,927	1.69%
Tangible Personal, Commercial	18,624,243	2.85%	16,170,809	3.02%
Tangible Personal, Industrial	18,000	0.00%	18,000	0.00%
Special Inventory	2,070,544	0.32%	1,891,854	0.35%
Totally Exempt Properties	200,260	0.03%	200,260	0.04%
Total Appraised Value Before Exemptions	\$ 652,494,910	100.00%	\$ 536,140,580	100.00%
Less: Total Exemptions/Reductions	150,799,668		89,719,735	
Taxable Assessed Value	<u>\$ 501,695,242</u>		<u>\$ 446,420,845</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Tarrant 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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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	Total General Obligation Debt at Year End	G.O. Debt Per Capita	Ratio of G.O. Debt to Taxable Assessed Valuation
2023	2,296	\$ 446,420,845	\$ 194,434	\$ 4,850,000	2,112	1.09%
2024	2,285	501,695,242	219,560	4,670,000	2,044	0.93%
2025	2,296	530,272,879	230,955	4,485,000	1,953	0.85%
2026	2,304	543,649,830	235,959	6,290,000 ⁽³⁾	2,730	1.16%
2027	2,304	509,761,587	221,251	6,090,000 ⁽³⁾	2,643	1.19%

(1) Source: North Central Texas Council of Governments – 2026 Population Estimates.

(2) As reported by the Tarrant Appraisal District on City's annual State Property Tax Board Reports. Subject to change during the ensuing year.

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

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	\$0.658553	\$ 0.566536	\$ 0.092017	\$ 2,259,894	99.87%	99.87%
2023	0.665133	0.567716	0.097417	2,521,437	99.51%	99.51%
2024	0.611854	0.528423	0.083431	2,639,780	101.07%	101.07%
2025	0.616040	0.532609	0.083431	2,783,672	99.71%	99.71%
2026	0.625342	0.542333	0.083009	2,941,970	95.27% ⁽¹⁾	95.27% ⁽¹⁾

(1) Collections as of July 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2026/2027 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
HRE GARDEN TOWN CENTER LLC	Commercial Real Estate	\$ 6,320,000	1.24%
ATMOS ENERGY/MID-TEX	Utility	3,846,084	0.75%
BIANCO SABATINO	Resident	3,000,000	0.59%
JAMES F & KELLY D MCANDREW	Resident	2,942,400	0.58%
QT FUELS INCORPORATED	Petroleum Distribution	2,818,337	0.55%
KANANI MICHAEL B	Resident	2,643,472	0.52%
DFW MIDSTREAM SERVICES LLC	Energy	2,614,940	0.51%
HORIZON PLUMBING LLC	Construction	2,399,624	0.47%
PROSPERITY BANK	Financial Services	2,280,000	0.45%
HERNANDEZ CHRISTIAN MOISES	Resident	2,164,241	0.42%
		<u>\$ 31,029,098</u>	<u>6.09%</u>

Source: Tarrant Appraisal District. Top Taxpayers Report as of July 14, 2026.

GENERAL OBLIGATION DEBT LIMITATION. . . No general obligation debt limitation is imposed on the City under current State law (see “THE BONDS - Tax Rate Limitation”).

TABLE 6 - TAX ADEQUACY

General Obligation Debt Service (FY 2027) ⁽¹⁾	\$	442,491
\$ 0.0882 Tax Rate at 98.5% Collection Produces	\$	442,866
Average Net General Obligation Debt Service (2027-2046) ⁽¹⁾	\$	471,760
\$ 0.0940 Tax Rate at 98.5% Collection Produces	\$	471,988
Maximum Net General Obligation Debt Service (2029) ⁽¹⁾	\$	476,694
\$ 0.0950 Tax Rate at 98.5% Collection Produces	\$	477,009

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

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued 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.

<u>Taxing Jurisdiction</u>	2025/2026 Taxable Assessed Value ⁽¹⁾	2025/2026 Tax Rate ⁽¹⁾	Total GO Tax Debt as of 9/1/2026 ⁽¹⁾	Estimated % Applicable ⁽¹⁾	City's Overlapping GO Tax Debt as of 9/1/2026
City of Dalworthington Gardens	\$ 543,649,830	\$0.62534	\$ 6,290,000 ⁽²⁾	100.00%	\$ 6,290,000
Arlington ISD	38,554,154,316	1.09290	1,136,315,000	0.97%	11,022,256
Tarrant County	298,706,022,035	0.18620	283,515,000	0.16%	453,624
Tarrant County College District	326,653,911,760	0.11228	524,040,000	0.16%	838,464
Tarrant County Hospital District	298,547,261,465	0.15510	422,105,000	0.16%	675,368
Total Direct and Overlapping GO Tax Debt					\$ 19,279,712
Ratio of Direct and Overlapping GO Tax Debt to 2025/2026 Taxable Assessed Valuation					3.55%
Per Capita Overlapping GO Tax Debt					8,368

(1) As reported by the Municipal Advisory Council of Texas.

(2) Includes the Bonds. Preliminary, subject to change.

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 30-Sep	Outstanding Debt Service			The Bonds ⁽¹⁾			Total General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S		
2026	\$ 195,000	\$ 169,894	\$ 364,894	\$ -	\$ -	\$ -	\$ 364,894	
2027	200,000	162,769	362,769	-	79,722	79,722	442,491	
2028	205,000	155,294	360,294	10,000	99,750	109,750	470,044	
2029	220,000	147,444	367,444	10,000	99,250	109,250	476,694	
2030	225,000	139,219	364,219	10,000	98,750	108,750	472,969	16.58%
2031	235,000	130,719	365,719	10,000	98,250	108,250	473,969	
2032	245,000	121,313	366,313	10,000	97,750	107,750	474,063	
2033	250,000	111,700	361,700	15,000	97,125	112,125	473,825	
2034	265,000	101,697	366,697	10,000	96,500	106,500	473,197	
2035	275,000	88,303	363,303	15,000	95,875	110,875	474,178	37.09%
2036	285,000	77,309	362,309	15,000	95,125	110,125	472,434	
2037	295,000	66,363	361,363	15,000	94,375	109,375	470,738	
2038	310,000	55,413	365,413	15,000	93,625	108,625	474,038	
2039	320,000	44,013	364,013	15,000	92,875	107,875	471,888	
2040	330,000	31,875	361,875	20,000	92,000	112,000	473,875	62.07%
2041	335,000	19,038	354,038	30,000	90,750	120,750	474,788	
2042	295,000	6,269	301,269	85,000	87,875	172,875	474,144	
2043	-	-	-	395,000	75,875	470,875	470,875	
2044	-	-	-	420,000	55,500	475,500	475,500	
2045	-	-	-	440,000	34,000	474,000	474,000	92.91%
2046	-	-	-	460,000	11,500	471,500	471,500	100.00%
	<u>\$ 4,485,000</u>	<u>\$ 1,628,628</u>	<u>\$ 6,113,628</u>	<u>\$ 2,000,000</u>	<u>\$ 1,686,472</u>	<u>\$ 3,686,472</u>	<u>\$ 9,800,101</u>	

(1) Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

General Obligation Debt Service Requirements, FYE 9/30/2026	\$	364,894
Interest and Sinking Fund Cash Balance, FYE 9/30/2025	\$	73,778
Budgeted Interest and Sinking Fund Tax Collection		374,964
Budgeted Investment Income		6,500
Projected Interest and Sinking Fund Balance, FYE 9/30/2026	\$	90,348

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Previously Issued	Amount Being Issued	Unissued Balance
Streets	5/6/2017	\$ 4,000,000	\$ 2,000,000	\$ 2,000,000	\$ -

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT

The City does not anticipate issuing any tax supported debt obligations within the next twelve months.

TABLE 11 - OTHER OBLIGATIONS**Leases**

On November 21, 2024, the City entered into a non-cancellable lease with Cannon for copier equipment rental in the DPS building. An initial lease liability was recorded in the amount of \$13,414. As of September 30, 2025, the value of the lease liability was \$11,389. The City is required to make monthly principal and interest payments of \$251. The lease has an interest rate of 4.65%. The equipment has a five-year estimated useful life. The netbook value of the right-to-use asset as of the end of the current fiscal year was \$11,402.

On July 1, 2021, the City entered into a non-cancellable lease for copier equipment rental in the new city hall building, with deferred payments to begin on November 1, 2021. An initial lease liability was recorded in the amount of \$17,321. As of September 30, 2025, the value of the lease liability was \$3,725. The City is required to make monthly principal and interest payments of \$326. The lease has an interest rate of 4.89%. The equipment has a five-year estimated useful life. The netbook value of the right-to-use asset as of the end of the current fiscal year was \$3,296.

The annual requirements to amortize governmental activities leases payable outstanding on September 30, 2025 were as follows:

Fiscal Year	Leases		
	Principal	Interest	Total
2026	\$ 6,043	\$ 538	\$ 6,581
2027	2,647	365	3,012
2028	2,772	240	3,012
2029	2,903	109	3,012
2030	749	6	755
Total	\$ 15,114	\$ 1,258	\$ 16,372

Notes Payable

Total governmental capital assets acquired through notes payable had balances as of September 30, 2025 for cost, accumulated depreciation, and carrying value of \$707,447, \$266,816 and \$440,631, respectively. Depreciation expense recognized on these assets during the year ended September 30, 2025 was \$44,063.

Total business-type capital assets acquired through notes payable had balances as of September 30, 2025 for cost, accumulated depreciation, and carrying value of \$414,713, \$210,812, and \$203,901, respectively. Depreciation expense recognized on these assets during the year ended September 30, 2025 was \$41,471.

Notes payable are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

The annual requirements to amortize governmental activities notes payable and certain capital lease requirements outstanding on September 30, 2025 were as follows:

Fiscal Year	Notes Payable		
	Principal	Interest	Total
2026	\$ 65,720	\$ 9,464	\$ 75,184
2027	68,424	6,760	75,184
2028	52,048	3,887	55,935
2029	53,313	2,623	55,936
2030	54,608	1,327	55,935
Total	<u>\$ 294,113</u>	<u>\$ 24,061</u>	<u>\$ 318,174</u>

See Note F. Long-term Debt – Governmental Activities on page 62 of Appendix B.

PENSION FUND. . . The City of Dalworthington Gardens, Texas participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

For more information about the City's retirement plan, refer to Appendix B "Excerpts of City of Dalworthington Gardens, Texas Annual Financial Report as of Fiscal Year Ended September 30, 2025," Note V, Section D.

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

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

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

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FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
<u>Revenues</u>					
Property tax	\$ 2,400,837	\$ 2,279,047	\$ 2,202,416	\$ 1,974,301	\$ 1,870,062
Sales taxes	546,240	517,771	581,401	597,111	560,931
Franchise and local taxes	260,443	273,617	290,513	287,538	312,868
Licenses and permits	68,007	126,796	73,634	80,294	63,449
Fines and forfeitures	506,357	416,772	328,700	333,577	375,586
Oil & gas mineral rights	70,749	42,355	86,085	218,198	149,714
Interest income	226,290	244,480	182,640	24,170	5,347
Intergovernmental	21,245	3,158	1,240	307,170	326,631
Other revenues	53,101	79,782	46,713	31,869	127,237
Total Revenues	<u>\$ 4,153,269</u>	<u>\$ 3,983,778</u>	<u>\$ 3,793,342</u>	<u>\$ 3,854,228</u>	<u>\$ 3,791,825</u>
<u>Expenditures</u>					
Current:					
Municipal court	222,262	201,509	181,989	189,983	191,989
Administrative	456,212	370,174	363,410	335,055	331,393
Police	2,044,449	1,913,071	1,867,440	1,614,930	1,687,815
Fire	606,076	536,427	363,228	304,245	318,454
Public works	299,942	332,262	162,676	162,982	157,982
Community development	-	-	210,040	185,241	177,133
Theft	-	-	30,343	-	-
Capital outlay	53,125	111,158	25,857	78,689	68,645
Debt service:					
Principal	55,179	57,138	55,565	54,112	76,396
Interest and fiscal charges	8,278	9,309	10,883	12,336	4,916
Total Expenditures	<u>\$ 3,745,523</u>	<u>\$ 3,531,048</u>	<u>\$ 3,271,431</u>	<u>\$ 2,937,573</u>	<u>\$ 3,014,723</u>
Excess of Revenues over (under) Expenditures	407,746	452,730	521,911	916,655	777,102
Other Financing Sources (Revenues)					
Lease issuance	13,414	-	-	-	-
Sale of capital assets	16,650	18,200	-	15,675	19,000
Transfers (Out)	(1,207,266)	(39,770)	(612,459)	(109,200)	-
Transfers in	66,000	66,000	66,000	66,000	-
Total other Financing Sources (Uses)	<u>\$ (1,111,202)</u>	<u>\$ 44,430</u>	<u>\$ (546,459)</u>	<u>\$ (27,525)</u>	<u>\$ 19,000</u>
Net Change in Fund Balances	(703,456)	497,160	(24,548)	889,130	796,102
Fund Balances - Beginning	<u>3,262,719 ⁽¹⁾</u>	<u>2,765,549</u>	<u>2,790,097</u>	<u>1,900,967</u>	<u>1,104,865</u>
Fund Balances - Ending	<u>\$ 2,559,263</u>	<u>\$ 3,262,709</u>	<u>\$ 2,765,549</u>	<u>\$ 2,790,097</u>	<u>\$ 1,900,967</u>

(1) Restated.

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the provisions of Chapter 321 of the Texas Tax Code, as amended, which provides for the maximum levy of a one percent (1%) sales and use tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of notes, bonds, certificates or other indebtedness. Sales tax proceeds are not pledged for the payment of the Bonds.

In 1992, the City's voters approved an additional one-half of one percent (1/2 of 1%) sales and use tax to be levied and collected for the benefit of the Dalworthington Gardens Economic Development Corporation (the City's Type B economic development corporation), which was reduced by 1/4 of 1%, effective October of 2018. Voters approved an additional sales and use tax of 1/4 of 1% for street maintenance repair, effective October of 2018.

The table below does not include the one-half of one percent (1/2 of 1%) sales and use tax levied by the Dalworthington Gardens Crime Control District.

Fiscal Year Ended 9/30	1.00% Regular Rate City Sales Tax	0.25% Street Maintenance Repair Sales Tax	0.25% 4B Corporation Sales Tax	Total Sales Tax Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	\$ 581,116	\$ 145,279	\$ 145,279	\$ 871,675	38.57%	\$ 0.2159	\$ 379.65
2023	588,618	147,155	147,155	882,928	35.02%	0.1978	384.55
2024	521,888	130,472	130,472	782,832	29.66%	0.1560	342.60
2025	535,577	133,894	133,894	803,366	28.86%	0.1515	349.90
2026 ⁽²⁾	557,061	139,265	139,265	835,591	28.40%	0.1537	362.67

(1) Includes the sales and use taxes collected for the benefit of the City's Type B economic development corporation and for street maintenance repair, which are not available for the City's general use.

(2) Collections as of August 2026.

FINANCIAL POLICIES

Basis of Accounting . . . The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred. Interest on long term debt is recorded when due.

Ad valorem and sales tax revenues are recognized under the susceptible to accrual concept. Licenses and permits, franchise taxes, charges for services, fines and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned because they are measurable and available.

The accrual basis of accounting is utilized by proprietary funds.

Budgetary Procedures . . . The City Council follows these procedures in establishing budgetary data reflected in the financial statements:

- (1) Prior to September 1, the Finance Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- (4) The finance office is authorized to transfer budgeted amounts within a category in a department. Transfers between categories or between departments require Council approval.
- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Fund and Debt Service Fund. Budgetary control is maintained at the function level.
- (6) Budgets for the General, Special Revenue, and Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

- (7) Budgetary data for the Capital Projects Funds are not presented in combined financial statements of the City as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Funds is not employed and comparison of actual results of operations to budgetary data for such fund is not presented.

Fund Investments . . . The City's investment policy parallels the State laws which govern the investment of public funds. The City generally restricts investments to direct obligations of the United States Government, governmental agencies, and to insured or collateralized bank certificates of deposit.

INVESTMENTS

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

LEGAL INVESTMENTS...Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally

recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES. . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City on the date of the report, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value, and the fully accrued interest of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio and requires an interpretation of subjective investment standards) and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer; and (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 14 - CURRENT INVESTMENTS

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

Type of Investment	Book/Market Value	Percent
LOGIC	\$ 3,536,369	53.74%
TexSTAR	2,256,682	34.29%
Money Market Accounts	787,306	11.96%
Total	<u>\$ 6,580,357</u>	<u>100.00%</u>

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, 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 Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds 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 will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See APPENDIX C - Form of Bond Counsel’s Opinion.

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds 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 Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The foregoing opinion of Bond Counsel is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Issue.

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. 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 Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the projects financed with the proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with any of aforementioned opinions of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Bonds 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 Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds 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 Bond 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 Bond 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 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner

(adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond 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 issue 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 Bond 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 Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds 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 Bonds 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 Bonds 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 Bonds.

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 Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are 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 corporation 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 WITH THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issues discount, with respect to the Bonds 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 amount 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 Non-U.S. Holders, 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 Bonds under Federal or state law and could affect the market price or marketability of the Bonds. 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 Bonds should consult their own tax advisors regarding the foregoing matters.

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

The City will designate the Bonds 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 Bonds 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 aforementioned dollar limitation and the Bonds would not be “qualified tax-exempt obligations.”**

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City’s continuing disclosure obligations, because the City does not currently have outstanding more than \$10,000,000 in aggregate principal amount of municipal securities (excluding securities offered in transactions that were exempt from the Rule) and no person is committed by contract or other arrangement with respect to payment of the Bonds. Pursuant to the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (EMMA) system, free of charge at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement that is customarily prepared by the City and publicly available, which currently consists of an annual audited financial statement. The City will update and provide this information within twelve months after the end of each fiscal year ending in or after 2027. The City will provide the updated information to the MSRB through the EMMA information system in accordance with recent amendments to Rule 15c2-12 (the “Rule”) promulgated by the SEC.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the SEC, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If the audit of such financial statements is not completed within such period, then the City shall provide unaudited financial information that is customarily prepared by the City within such period, and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available. Any such financial statements will be 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.

The City’s current fiscal year end is September 30. Accordingly, it must provide audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

NOTICE OF CERTAIN EVENTS . . . The City will also provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds: (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 5702-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material, (15) incurrence of a Financial Bond (as defined below) 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) in the preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. As used in clauses (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) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

In addition, the City will provide timely notice of any failure by the City to provide the information described under "Annual Reports."

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 via EMMA at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an Initial Purchaser of the Bonds to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of 51% in aggregate principal amount of the respective outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of 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 Initial Purchaser of the Bonds from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends its continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

OTHER INFORMATION

RATINGS

The Bonds are rated "AA" by S&P Global Ratings, a division of S&P Global, Inc. ("S&P"). The rating reflects only the views 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 of said company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

CYBERSECURITY

The City, like other municipalities in the State of Texas, 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-security 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. 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.

WEATHER EVENTS

The City is located in the north central region of Texas. Land located in this area is susceptible to high winds, tornadoes, fires and arid conditions. If a future weather event significantly damages all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the City tax rate. Under certain conditions, Texas law allows a city to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the City or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

LITIGATION

There are currently no lawsuits, claims or other legal matters which if decided adversely to the City, would, in the opinion of the City Attorney and City Staff, have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Ratings" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

LEGAL MATTERS

The City will furnish the Initial Purchaser a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the City. The City will also furnish the approving legal opinion of Bond Counsel to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the City under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX C – Form of Bond Counsel's Opinion." The legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System.

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

MUNICIPAL ADVISOR

HilltopSecurities is employed as Municipal Advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, 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 Preliminary Official Statement. The Municipal Advisor has reviewed the information in this Preliminary 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. Hilltop Securities Inc. has or may have other business relationships with the City. The participation of Hilltop Securities Inc. should not be seen as a recommendation to buy or sell the Bonds, and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

INITIAL PURCHASER

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the 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.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish a certificate, executed by a proper officer, acting in such officer's official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the Delivery Date, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

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

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 ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinance. 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.

ATTEST:

Mayor
City of Dalworthington Gardens, Texas

City Secretary
City of Dalworthington Gardens, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

LOCATION AND POPULATION

The City is located in the northeastern quadrant of Tarrant County, approximately 20 miles from Dallas, Texas. The City covers approximately 2 square miles in area with the U.S. Census population of 2,293 in 2020. The City's 2026 population is estimated to be 2,304.

COUNTY CHARACTERISTICS

Tarrant County was created in 1849 from Navarro County. The county is a manufacturing and wholesale trade center for much of west Texas, with its economy closely tied in with the Dallas/Fort Worth urban area. The City of Fort Worth serves as the county seat. Tarrant County is one of the largest manufacturing counties in the United States. Industries include banking and finance, aerospace, helicopter manufacturing, mercantilism, and insurance. Dallas/Fort Worth International Airport, the nation's largest airport, is located here.

EMPLOYMENT / LABOR FORCE

Employment figures for Tarrant County are as follows:

	June	Average Annual			
	2026	2025	2024	2023	2022
Civilian Labor Force	1,215,303	1,207,781	1,192,098	1,166,267	1,134,946
Total Employed	1,158,097	1,160,092	1,144,792	1,121,897	1,093,145
Total Unemployed	57,206	47,689	47,306	44,370	41,801
Unemployment Rate	4.7%	3.9%	4.0%	3.8%	3.7%

Source: Texas Workforce Commission Local Area Unemployment Statistics (LAUS) Report.

APPENDIX B

EXCERPTS FROM THE
CITY OF DALWORTHINGTON GARDENS, TEXAS
ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Dalworthington Gardens, Texas, Annual Financial Report for the Fiscal Year Ended September 30, 2025 (the "Report") 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.

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**CITY OF
DALWORTHINGTON
GARDENS, TEXAS**

**2025
ANNUAL
FINANCIAL
REPORT**

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2025

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ANNUAL FINANCIAL REPORT

of the

City of Dalworthington Gardens, Texas

**For the Year Ended
September 30, 2025**

**Issued By
Finance Department**

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City of Dalworthington Gardens, Texas

ANNUAL FINANCIAL REPORT

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City of Dalworthington Gardens, Texas

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**CITY OF DALWORTHINGTON GARDENS, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2025**

GOVERNING BODY

Elected Officials

Mayor
Alderman Place 1
Alderman Place 2
Alderman Place 3
Alderman Place 4/Mayor Pro-Tem
Alderman Place 5

Laurie Bianco
John King
Steve Lafferty
Cathy Stein
Ed Motley
Paul Sweitzer

ADMINISTRATION

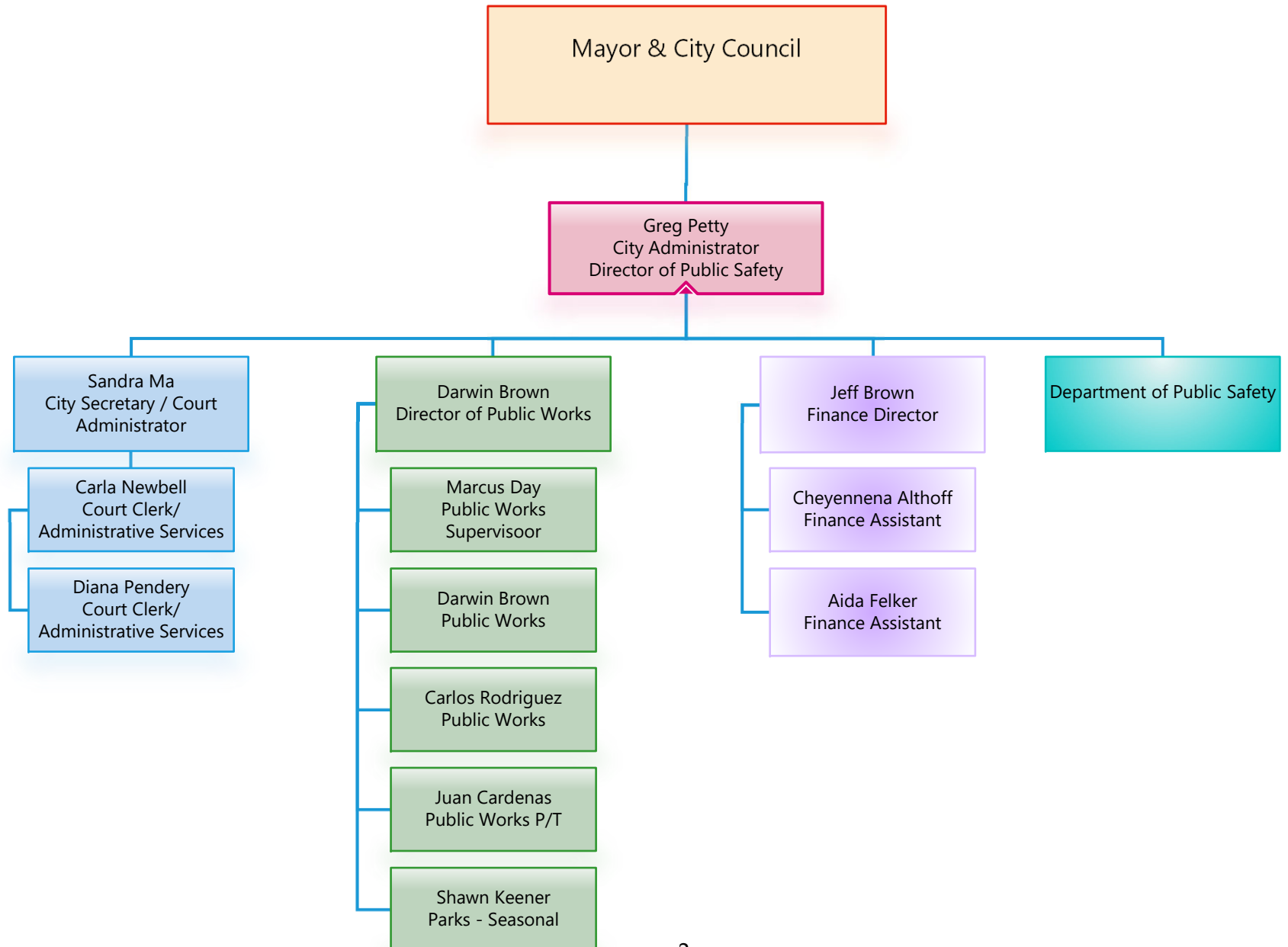
City Officials

City Administrator/Director of Public Safety
Director of Finance
City Secretary/Court Administrator

Greg Petty
Jeff Brown
Sandra Ma

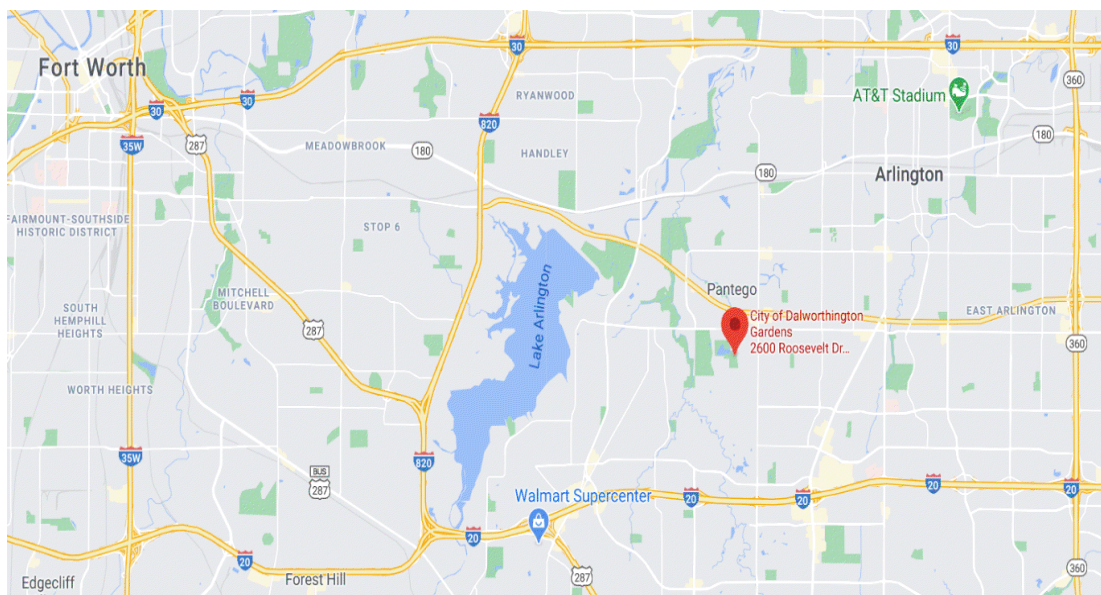
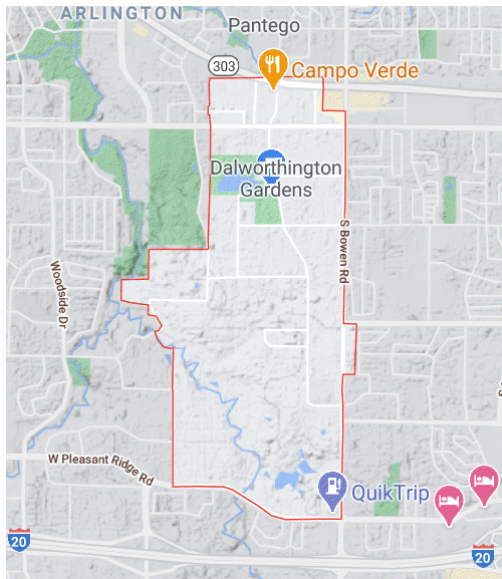


City of Dalworthington Gardens





CITY OF DALWORTHINGTON GARDENS CITY MAPS



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Dalworthington Gardens, Texas:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matter

As discussed in Note V.E. to the financial statements, during the year ended September 30, 2025, due to implementation of new accounting standard GASB 101, *Compensated Absences*, the City restated beginning net position for governmental activities, business-type activities, and water, sewer & sanitation fund. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparisons are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
May 14, 2026



***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Dalworthington Gardens, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2025

As management of the City of Dalworthington Gardens, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

Financial Highlights

- The City's total combined net position was \$9,801,625 at September 30, 2025. Of this there is an unrestricted net position balance of \$1,993,705.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$5,500,128, a decrease of \$567,679.
- As of the end of the year, the unassigned fund balance of the general fund was \$2,421,670, or 65% of total general fund expenditures.
- The City had an overall increase in net position of \$464,451.
- The City closed the year with a net pension liability of \$2,426,735.

Overview of the Financial Statements

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

Government-Wide Statements

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

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

City of Dalworthington Gardens, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, park and recreation facilities development corporation fund, capital projects fund, debt service fund, which are considered to be 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 a separate section of the report.

City of Dalworthington Gardens, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2025

Proprietary Funds

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI) and Other Supplementary Information (OSI). The required RSI includes a budgetary comparison schedule for the general fund, the park and recreation facilities development corporation fund, schedule of changes in the net pension liability and related ratios and schedule of employer contributions for the Texas Municipal Retirement System, and the OPEB liability schedules. The OSI includes a budgetary comparison schedule for the debt service fund, capital fund, all individual nonmajor governmental funds, proprietary fund and a proprietary schedule of services and rates. The RSI and OSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflow of resources exceeded its liabilities and deferred inflows by \$9,801,625 as of September 30, 2025, in the primary government.

The largest portion of the City's net position, \$5,955,829, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

The following table reflects the condensed Statement of Net Position:

	2025			2024		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and						
other assets	\$ 6,152,594	\$ 1,308,391	\$ 7,460,985	\$ 6,423,766	\$ 1,017,414	\$ 7,441,180
Capital assets, net	8,889,810	1,891,102	10,780,912	8,123,415	2,054,825	10,178,240
Total Assets	15,042,404	3,199,493	18,241,897	14,547,181	3,072,239	17,619,420
Deferred Outflows	421,567	74,395	495,962	691,929	122,106	814,035
Other liabilities	803,486	388,786	1,192,272	396,074	307,009	703,083
Long-term liab.	7,215,421	378,952	7,594,373	7,720,808	513,836	8,234,644
Total Liabilities	8,018,907	767,738	8,786,645	8,116,882	820,845	8,937,727
Deferred Inflows	127,148	22,441	149,589	47,860	8,447	56,307
Net Position:						
Net investment in						
capital assets	4,064,727	1,891,102	5,955,829	3,524,986	1,964,433	5,489,419
Restricted	1,852,091	-	1,852,091	1,995,158	-	1,995,158
Unrestricted	1,401,098	592,607	1,993,705	1,554,224	400,620	1,954,844
Total Net Position	\$ 7,317,916	\$ 2,483,709	\$ 9,801,625	\$ 7,074,368	\$ 2,365,053	\$ 9,439,421

Current and other assets for business-type activities increased by \$290,977, or 29%, primarily due to greater cash on hand resulting from operating surpluses during the year. Capital assets for governmental activities increased by \$766,395, or 9%, primarily due to the DPS complex infrastructure improvements in the current year. Capital assets for business-type activities decreased by \$163,723, or 8%, primarily due to current year depreciation outweighing new capital investments in the current year. Other liabilities for the primary government increased by \$489,189, or 70%, due to nonrecurring outstanding payables for capital improvements and timing of repayments subsequent to yearend. In addition, compensated absences liability increased as a result of implementing new accounting standard - GASB 101. Total long-term liabilities of the primary government decreased by \$640,271, or 8%, due to scheduled principal payments made and a decline in the City's net pension liability during the year. Total deferred outflows of the primary government decreased and total deferred inflows of the primary government increased by \$318,073 and \$93,282, respectively. These changes are strictly due to actuarial changes in the City's pension inputs over the course of the year.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Statement of Activities:

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

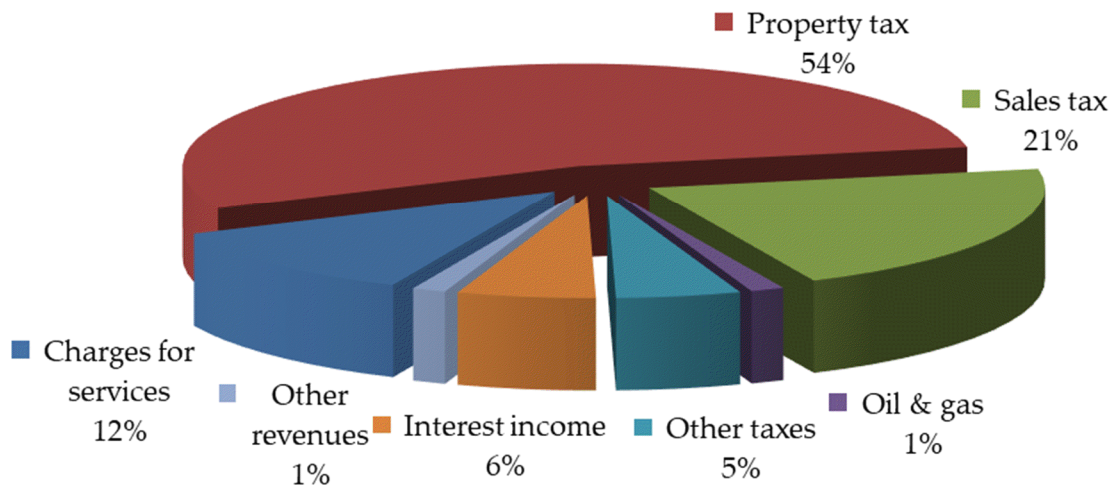
	For the Year ended September 30, 2025			For the Year ended September 30, 2024		
	Governmental Activities	Business-Type Activities	Primary Government	Governmental Activities	Business-Type Activities	Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 603,975	\$ 2,539,961	\$ 3,143,936	\$ 569,716	\$ 2,444,363	\$ 3,014,079
Grants and capital cont.	21,245	-	21,245	191,147	28,800	219,947
General revenues:						
Property tax	2,770,440	-	2,770,440	2,635,467	-	2,635,467
Sales tax	1,089,382	-	1,089,382	1,026,140	-	1,026,140
Other taxes	261,654	-	261,654	272,611	-	272,611
O&G revenue	70,749	-	70,749	42,355	-	42,355
Interest income	290,587	24,121	314,708	339,374	10,264	349,638
Sale of capital assets	14,984	-	14,984	17,268	-	17,268
Other revenues	55,814	-	55,814	85,804	-	85,804
Total Revenues	5,178,830	2,564,082	7,742,912	5,179,882	2,483,427	7,663,309
Expenses						
General	525,463	-	525,463	432,529	-	432,529
Public safety	3,421,000	-	3,421,000	3,170,049	-	3,170,049
Public works	627,536	-	627,536	675,791	-	675,791
Parks and recreation	162,063	-	162,063	128,731	-	128,731
Interest	170,183	3,069	173,252	179,173	4,260	183,433
Utilities	-	2,369,147	2,369,147	-	2,411,704	2,411,704
Total Expenses	4,906,245	2,372,216	7,278,461	4,586,273	2,415,964	7,002,237
Change in Net Position						
Before Transfers	272,585	191,866	464,451	593,609	67,463	661,072
Transfers, net	66,000	(66,000)	-	66,000	(66,000)	-
Total	66,000	(66,000)	-	66,000	(66,000)	-
Change in Net Position	338,585	125,866	464,451	659,609	1,463	661,072
Beg. Net Position, as restated *	6,979,331	* 2,357,843	* 9,337,174	6,414,759	2,363,590	8,778,349
Ending Net Position	\$ 7,317,916	\$ 2,483,709	\$ 9,801,625	\$ 7,074,368	\$ 2,365,053	\$ 9,439,421

* Includes restatement for New Acct. Standard GASB 101

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

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

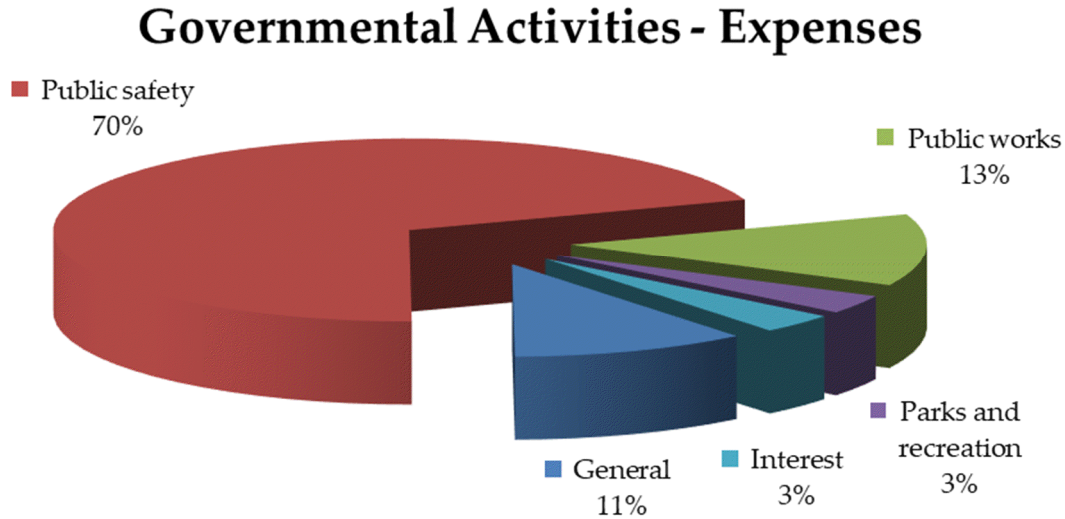
Governmental Activities - Revenues



For the year ended September 30, 2025, revenues from governmental activities totaled \$5,178,830. Property tax, sales tax, and charges for services are the City's largest recurring revenue sources. Charges for services increased by \$34,259, or 6%, primarily due to public safety related citations issued in the current year. Grants and contributions decreased by \$169,902, or 89%, due to nonrecurring Tarrant County grants received in the prior year. Property taxes increased by \$134,973, or 5%, primarily due to increased rates and greater appraised values in the current year. Sales tax revenue increased by \$63,242, or 6%, primarily as a result of continued growth in local purchases. Oil & gas revenue increased by \$28,394, or 67%, due to greater oil and gas production and overall prices over the course of the year. Investment income decreased by \$48,787, or 14%, primarily due to a decrease in interest-bearing accounts and market interest rates during the year. Other revenues decreased by \$29,990, or 35%, primarily due to nonrecurring fire recovery reimbursements and building inspections in the prior year. All other revenues remained consistent compared to the previous year.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

This graph shows the governmental function expenses of the City:

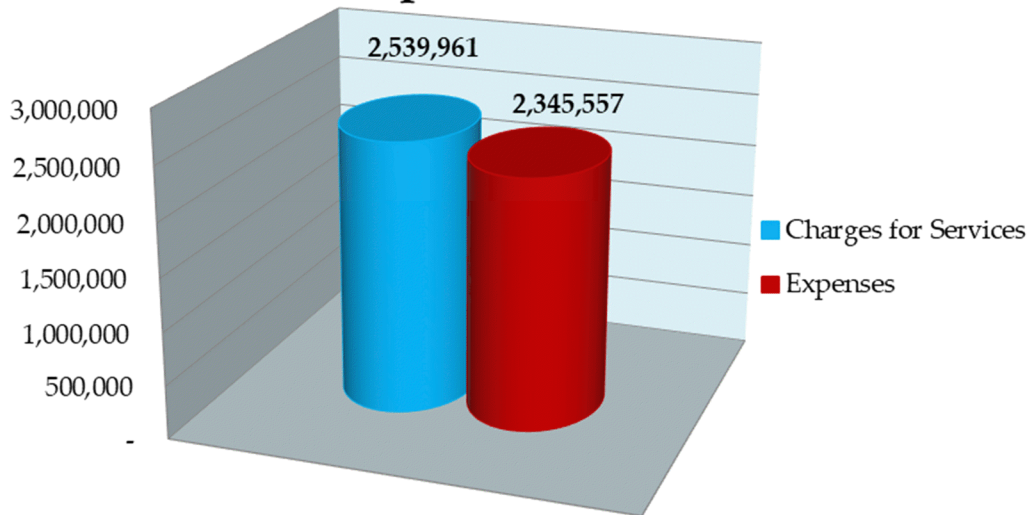


For the year ended September 30, 2025, expenses for governmental activities totaled \$4,906,245. This represents an increase of \$319,972, or 7%, from the prior year. The City's largest functional expense is public safety of \$3,421,000, which increased by \$250,951, or 8%, over the prior year. This increase was primarily due to greater depreciation, nonrecurring employee benefit costs, and greater personnel costs related to wage increases and new hires in the current year. General expenditures increased by \$92,934, or 21%, primarily due to greater material and supplies, contractual costs, and consultant fees in the current year. Public works expenditures decreased by \$48,255, or 7%, primarily due to a decrease in contractual inspection services in the current year. Parks and recreation expenditures increased by \$33,332, or 26%, primarily due to greater personnel costs related to wage increases and maintenance costs in the current year. All other expenses remained consistent with the previous year.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

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

**Business-Type Activities - Revenues &
Expenses**



For the year ended September 30, 2025, charges for services by business-type activities totaled \$2,539,961. This is an increase of \$95,598, or 4%, from the previous year, which is considered consistent. Grants and capital contributions decreased by \$28,800, or 100%, due to nonrecurring capital grants received from Tarrant County in the prior year. Interest income increased by \$13,857, or over 100%, primarily due to an increase in interest-bearing accounts during the year.

Total expenses decreased by \$43,748, or 2%, from the previous year, which is relatively consistent with prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

As of the end of the year the general fund reflected a total fund balance of \$2,559,263. Of this, \$45,781 is considered nonspendable, \$87,541 is committed, \$4,271 is restricted, and \$2,421,670 is unassigned, which is 65% of total expenditures for the year. The general fund decreased by \$703,456, or 22%, primarily due to expenditures and other financing uses exceeding revenues and other financing sources in the current year.

The park and recreation facilities development corporation fund (PRFDC) had an ending fund balance of \$778,761, an increase of \$46,723 from the prior year. The increase was a result of current year revenues exceeding expenditures in the current year.

The debt service fund reflected a total fund balance of \$73,778, at yearend, an increase of \$13,716. Total principal and interest payments made during the year were \$185,000 and \$177,894, respectively.

The capital projects fund had an ending fund balance of \$1,491,165, an increase of \$39,956 from the prior year. This increase is primarily due to revenues and other financing sources exceeding capital expenditures and other financing uses in the current year.

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

As of the end of the year, the proprietary fund reflected a total net position of \$2,483,709. Unrestricted net position increased by \$191,987 from prior year and net investment in capital assets decreased by \$73,331, primarily due to depreciation of assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget included amendments to the original budget to increase revenue by \$18,527, increase expenditures by \$107,514, and a decrease in other financing sources (uses) by \$1,166,580. The most significant revenue variance was for municipal court revenues. The most significant expenditure variances were for police and fire expenditures. The most significant other financing sources (uses) variance was for transfers (out). Two general fund departments exceeding appropriations at the legal level of control.

There was a total final actual versus budget positive revenue variance of \$137,801 and an expenditure positive variance of \$321,594 for the year. The total final budget variance was a positive \$457,773.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$8,889,810 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$1,891,102 in a variety of capital assets and infrastructure, net of accumulated depreciation.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

The City's capital asset events during the current year include the following:

- (8) Bunker Gears totaling \$19,650.
- (5) Tahoe police unit's accessories totaling \$31,791.
- Purchased (2) Tahoe police units totaling \$121,850.
- Entered into new Canon copier lease for the DPS building totaling \$13,414.
- Continued renovation of the DPS Complex project, which began in FY 2021-2022, totaling \$1,161,043.
- Completion of the Roosevelt Middle Foot Bridge totaling \$41,990.
- Completion of the Roosevelt South Foot Bridge totaling \$26,200.
- Purchased 2024 Chevrolet Silverado vehicle for utility department totaling \$69,048.

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds, notes, and leases outstanding of \$4,794,227. During the year, the City's payments on long-term debt were \$345,314. More detailed information about the City's long-term liabilities is presented in note IV.F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Dalworthington Gardens and improving services provided to their public citizens. The City no longer depends on an infinite resource of Oil & Gas well royalties to fund maintenance & operation costs. This resource has been committed to increase operating reserves, one-time large capital purchases and to pay off debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Dalworthington Gardens' finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Administrator, 2600 Roosevelt Drive, Dalworthington Gardens, Texas 76016.



FINANCIAL STATEMENTS

City of Dalworthington Gardens, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 4,378,079	\$ 999,574	\$ 5,377,653
Restricted cash	1,428,983	-	1,428,983
Receivables, net	291,964	277,707	569,671
Prepays	53,568	31,110	84,678
Total Current Assets	6,152,594	1,308,391	7,460,985
Capital assets:			
Non-depreciable	1,564,613	109,201	1,673,814
Net depreciable capital assets	7,325,197	1,781,901	9,107,098
Total Noncurrent Assets	8,889,810	1,891,102	10,780,912
Total Assets	15,042,404	3,199,493	18,241,897
<u>Deferred Outflows of Resources</u>			
Pension	420,066	74,130	494,196
OPEB	1,501	265	1,766
Total Deferred Outflows of Resources	421,567	74,395	495,962

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2025

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and			
accrued liabilities	\$ 527,398	\$ 285,534	\$ 812,932
Unearned revenue	57,544	-	57,544
Accrued interest payable	35,184	1,955	37,139
Customer deposits	-	87,387	87,387
Long-term debt due within one year	266,763	-	266,763
Compensated absences, current	183,360	13,910	197,270
Total Current Liabilities	1,070,249	388,786	1,459,035
Noncurrent liabilities:			
Long-term debt due in more than a year	4,792,574	-	4,792,574
Net pension liability	2,062,725	364,010	2,426,735
OPEB liability	72,985	12,880	85,865
Compensated absences, noncurrent	20,374	2,062	22,436
Total Noncurrent Liabilities	6,948,658	378,952	7,327,610
Total Liabilities	8,018,907	767,738	8,786,645
<u>Deferred Inflows of Resources</u>			
Pension	112,344	19,828	132,172
OPEB	14,804	2,613	17,417
Total Deferred Inflows of Resources	127,148	22,441	149,589
<u>Net Position</u>			
Net investment in			
capital assets	4,064,727	1,891,102	5,955,829
Restricted for parks and recreation	776,502	-	776,502
Restricted for opioid abatement	4,271	-	4,271
Restricted for court building & security	85,500	-	85,500
Restricted for court automation	77,579	-	77,579
Restricted for law enforcement	118,220	-	118,220
Restricted for street repairs	310,334	-	310,334
Restricted for debt service	73,778	-	73,778
Restricted for capital improvements	405,907	-	405,907
Unrestricted	1,401,098	592,607	1,993,705
Total Net Position	\$ 7,317,916	\$ 2,483,709	\$ 9,801,625

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 525,463	\$ -	\$ -
Public safety	3,421,000	603,975	21,245
Public works	627,536	-	-
Parks and recreation	162,063	-	-
Interest and fiscal charges	170,183	-	-
Total Governmental Activities	4,906,245	603,975	21,245
Business-Type Activities			
Water, sewer, & sanitation	2,372,216	2,539,961	-
Total Business-Type Activities	2,372,216	2,539,961	-
Total Primary Government	\$ 7,278,461	\$ 3,143,936	\$ 21,245

General Revenues:

Taxes

Property tax

Sales tax

Franchise and local taxes

Oil and gas mineral rights

Interest income

Gain on sale of capital assets

Other revenues

Transfers:

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position, as previously stated

New Accounting Standard - GASB 101

Beginning Net Position, as restated

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (525,463)	\$ -	\$ (525,463)
(2,795,780)	-	(2,795,780)
(627,536)	-	(627,536)
(162,063)	-	(162,063)
(170,183)	-	(170,183)
(4,281,025)	-	(4,281,025)
-	167,745	167,745
-	167,745	167,745
(4,281,025)	167,745	(4,113,280)
2,770,440	-	2,770,440
1,089,382	-	1,089,382
261,654	-	261,654
70,749	-	70,749
290,587	24,121	314,708
14,984	-	14,984
55,814	-	55,814
66,000	(66,000)	-
4,619,610	(41,879)	4,577,731
338,585	125,866	464,451
7,074,368	2,365,053	9,439,421
(95,037)	(7,210)	(102,247)
6,979,331	2,357,843	9,337,174
\$ 7,317,916	\$ 2,483,709	\$ 9,801,625

City of Dalworthington Gardens, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2025

	General	Park and Recreation Facilities Development Corp.	Capital Projects	Debt Service
<u>Assets</u>				
Cash and cash equivalents	\$ 2,533,662	\$ 759,159	\$ 1,085,258	\$ -
Restricted cash	117,294	-	707,331	75,412
Receivables, net	189,435	23,215	-	9,925
Prepaid items	45,781	2,259	-	-
Due from other funds	33,397	-	-	-
Total Assets	\$ 2,919,569	\$ 784,633	\$ 1,792,589	\$ 85,337
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 211,900	\$ 5,872	\$ 301,424	\$ 1,500
Unearned revenue	57,544	-	-	-
Due to other funds	33,397	-	-	-
Total Liabilities	302,841	5,872	301,424	1,500
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - Property taxes	57,465	-	-	10,059
Total Deferred Inflows	57,465	-	-	10,059
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	45,781	2,259	-	-
Restricted for:				
Parks and recreation	-	776,502	-	-
Special revenue	-	-	-	-
Debt service	-	-	-	73,778
Capital improvements	-	-	405,907	-
Opioid abatement trust	4,271	-	-	-
Committed for:				
Fire Truck	56,427	-	-	-
Radios	31,114	-	-	-
DPS complex	-	-	1,085,258	-
Unassigned	2,421,670	-	-	-
Total Fund Balances	2,559,263	778,761	1,491,165	73,778
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,919,569	\$ 784,633	\$ 1,792,589	\$ 85,337

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,378,079
528,946	1,428,983
69,389	291,964
5,528	53,568
-	33,397
<u>\$ 603,863</u>	<u>\$ 6,185,991</u>

\$ 6,702	\$ 527,398
-	57,544
-	33,397
<u>6,702</u>	<u>618,339</u>

-	67,524
<u>-</u>	<u>67,524</u>

5,528	53,568
-	776,502
591,633	591,633
-	73,778
-	405,907
-	4,271
-	56,427
-	31,114
-	1,085,258
-	2,421,670
<u>597,161</u>	<u>5,500,128</u>

<u>\$ 603,863</u>	<u>\$ 6,185,991</u>
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City of Dalworthington Gardens, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

September 30, 2025

Fund Balances - Total Governmental Funds	\$ 5,500,128
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	1,564,613
Capital assets - net depreciable	7,325,197
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	67,524
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.	
Pension contributions	324,722
Pension economic experience	95,344
OPEB contributions	1,501
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.	
Pension assumptions	(13,059)
Pension (gains) losses	(99,285)
OPEB difference between assumptions and actual	(13,082)
OPEB difference in expected and actual experience	(1,722)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(35,184)
Compensated absences	(203,734)
Long term debt due within one year	(266,763)
Long term debt due in more than one year	(4,792,574)
Net pension liability	(2,062,725)
OPEB liability	(72,985)
Net Position of Governmental Activities	\$ 7,317,916

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	General	Park and Recreation Facilities Development Corp.	Capital Projects	Debt Service
<u>Revenues</u>				
Property tax	\$ 2,400,837	\$ -	\$ -	\$ 369,603
Sales tax	546,240	136,233	-	-
Franchise and local taxes	260,443	-	-	-
License and permits	68,007	-	-	-
Fines and forfeitures	506,357	-	-	-
Oil and gas mineral rights	70,749	-	-	-
Interest income	226,290	31,725	5,733	7,007
Intergovernmental	21,245	-	-	-
Other revenues	53,101	2,220	-	-
Total Revenues	4,153,269	170,178	5,733	376,610
<u>Expenditures</u>				
Current:				
Municipal court	222,262	-	-	-
Administrative	456,212	-	-	-
Police	2,044,449	-	-	-
Fire	606,076	-	-	-
Public works	299,942	-	-	-
Parks and recreation	-	123,455	-	-
Capital outlay	53,125	-	1,161,043	-
Debt Service:				
Principal	55,179	-	-	185,000
Interest and fiscal charges	8,278	-	-	177,894
Total Expenditures	3,745,523	123,455	1,161,043	362,894
Excess of Revenues				
Over (Under) Expenditures	407,746	46,723	(1,155,310)	13,716
<u>Other Financing Sources (Uses)</u>				
Lease issuance	13,414	-	-	-
Sale of capital assets	16,650	-	-	-
Transfers (out)	(1,207,266)	-	-	-
Transfers in	66,000	-	1,195,266	-
Total Other Financing (Sources)	(1,111,202)	-	1,195,266	-
Net Change in Fund Balances	(703,456)	46,723	39,956	13,716
Beginning fund balances	3,262,719	732,038	1,451,209	60,062
Ending Fund Balances	\$ 2,559,263	\$ 778,761	\$ 1,491,165	\$ 73,778

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,770,440
406,909	1,089,382
-	260,443
-	68,007
29,611	535,968
-	70,749
19,832	290,587
-	21,245
493	55,814
<u>456,845</u>	<u>5,162,635</u>
18,773	241,035
-	456,212
166,712	2,211,161
-	606,076
6,849	306,791
-	123,455
221,831	1,435,999
14,741	254,920
4,557	190,729
<u>433,463</u>	<u>5,826,378</u>
23,382	(663,743)
-	13,414
-	16,650
-	(1,207,266)
12,000	1,273,266
<u>12,000</u>	<u>96,064</u>
35,382	(567,679)
561,779	6,067,807
<u>\$ 597,161</u>	<u>\$ 5,500,128</u>

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City of Dalworthington Gardens, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

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

Net changes in fund balances - total governmental funds	\$	(567,679)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		1,415,938
Depreciation expense		(647,877)
Book value of capital assets disposed in the current year		(1,666)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		5,356
Oil and gas revenue		(4,145)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(32,567)
Accrued interest		2,728
Pension expense		(90,246)
OPEB expense reduction		(581)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Lease issuance		(13,414)
Principal payments		254,920
Amortization of premium		17,818

Change in Net Position of Governmental Activities	\$	338,585
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See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2025

	Water, Sewer & Sanitation
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 999,574
Prepaid expenses	31,110
Receivables, net	277,707
Total Current Assets	1,308,391
Noncurrent Assets:	
Capital assets:	
Non-depreciable	109,201
Net depreciable capital assets	1,781,901
Total Noncurrent Assets	1,891,102
Total Assets	3,199,493
<u>Deferred Outflows of Resources</u>	
Pension	74,130
OPEB	265
Total Deferred Outflows of Resources	74,395
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable and accrued liabilities	285,534
Customer deposits	87,387
Accrued interest	1,955
Compensated absences, current	13,910
Total Current Liabilities	388,786
Noncurrent Liabilities:	
Net pension liability	364,010
OPEB liability	12,880
Compensated absences, noncurrent	2,062
Total Noncurrent Liabilities	378,952
Total Liabilities	767,738
<u>Deferred Inflows of Resources</u>	
Pension	19,828
OPEB	2,613
Total Deferred Inflows of Resources	22,441
<u>Net Position</u>	
Net investment in capital assets	1,891,102
Unrestricted	592,607
Total Net Position	\$ 2,483,709

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2025

	<u>Water, Sewer & Sanitation</u>
<u>Operating Revenues</u>	
Water sales	\$ 1,521,372
Sewer revenue	770,709
Refuse collection	220,212
Other revenue	27,668
Total Operating Revenues	<u>2,539,961</u>
<u>Operating Expenses</u>	
Cost of water	663,066
Cost of sewer	431,201
Cost of refuse	249,382
Personnel	449,257
Material, utilities & maintenance	166,547
Contracted and other services	176,923
Depreciation	232,771
Total Operating Expenses	<u>2,369,147</u>
Operating Income (Loss)	<u>170,814</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment income	24,121
Interest expense	(3,069)
Total Nonoperating Revenues (Expenses)	<u>21,052</u>
Income (Loss) Before Capital Contributions and Transfers	191,866
Transfers (out)	<u>(66,000)</u>
Change in Net Position	125,866
Beginning net position, as previously stated	2,365,053
New Accounting Standard - GASB 101	(7,210)
Beginning net position, as restated	<u>2,357,843</u>
Ending Net Position	<u><u>\$ 2,483,709</u></u>

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2025

	<u>Water, Sewer & Sanitation</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 2,529,619
Payments to suppliers and contractors	(1,608,982)
Payments to employees	(433,227)
Net Cash Provided (Used) by Operating Activities	<u>487,410</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers (out)	(66,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(66,000)</u>
<u>Cash Flows from Capital and Financing Activities</u>	
Purchase of capital assets	(69,048)
Debt principal payments	(90,394)
Interest paid	(3,069)
Net Cash Provided (Used) by Capital and Financing Activities	<u>(162,511)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	24,121
Net Cash Provided by Investing Activities	<u>24,121</u>
Net Increase (Decrease) in Cash and Cash Equivalents	283,020
Beginning cash, & cash equivalents	716,554
Ending Cash, & Cash Equivalents	<u><u>\$ 999,574</u></u>

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2025

	<u>Water, Sewer & Sanitation</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ 170,814
Adjustments to reconcile operating income to net cash used:	
Depreciation	232,771
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(15,577)
Prepaid expenses	7,620
Deferred outflows of resources: OPEB	(32)
Deferred outflows of resources: Pension	41,891
Increase (Decrease) in:	
Accounts payable and accrued liabilities	70,517
Customer deposits	5,235
Net pension liability	(45,792)
OPEB liability	117
Deferred inflows of resources - OPEB	18
Deferred inflows of resources - pension	19,828
Net Cash Provided (Used) by Operating Activities	\$ 487,410

See Notes to Financial Statements.

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City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dalworthington Gardens, Texas, Texas (the "City") was incorporated on July 19, 1949 under Title 28, Revised Civil Statutes of Texas, 1928, Chapters 1-10, as amended, relating to cities and towns. The City operates under an aldermanic form of government and provides the following services as authorized by the general laws of the State of Texas as a duly incorporated general law City and subsequent City ordinances; public safety (police and fire), highway and streets, sanitation, water and sewer, public improvements, planning and zoning, and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended component units. The City's Park and Recreation Facilities Development Corporation is governed by a board consisting of 4 City Council members and 3 non-Council member citizens. The City can appoint a voting majority of their governing board, and they approve their budget, which allows the City to impose its will over the Corporation, and requires it be treated as a component unit of the City. The component unit is blended because their governing board is substantively the same as City Council, and they have operational responsibility for the component unit. As a blended component unit, the Parks and Recreation Facility Development Corporation is reported as a special revenue fund of the City.

The Dalworthington Gardens Crime Control and Prevention District is a special purpose district that collects sales tax within its boundaries for the purpose of controlling and preventing crime. The City's Crime Control and Prevention District is governed by a board consisting of the 6 City Council members. The City can appoint a voting majority of their governing board, and they approve their budget, which allows the City to impose its will over the District, and requires it be treated as a component unit of the City. The component unit is blended because their governing board is substantively the same as City Council, and they have operational responsibility for the component unit. As a blended component unit, the Crime Control and Prevention District is reported as a special revenue fund of the City.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Requirements of the statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the City’s activities;
- A change in the fund financial statements to focus on the major funds.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**—This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

C. 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 about the City as a whole. These statements include all 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.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipients for goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The government reports the following major governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, court, community development, police, fire, and public works.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

Capital Projects Fund

The capital projects fund accounts for the acquisition and construction of the government's major capital projects, other than those financed by proprietary funds.

Park and Recreation Facilities Development Corporation

This Corporation was created to implement the General Park Facilities Development Plan. This shall be done in coordination with the necessary contracting parties to research, develop, prepare, finance, and implement this plan. The primary source of revenues for this fund is sales taxes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise fund:

Water, Sewer, & Sanitation Fund

This fund is used to account for the provision of water, sewer & garbage services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer distribution systems, water collection systems, and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

D. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are 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. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

The statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

1. Deposits and Investments

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

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

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

- Obligations of the U.S. Government
- Direct obligations of the State of Texas or its agencies
- Obligations of states, agencies, counties, cities, and other political subdivisions
- Fully collateralized certificates of deposit
- No-load money market mutual funds
- Statewide investment pools

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

2. Fair Value Measurement

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

3. Receivables and Interfund Transactions

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

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

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

4. Property Taxes

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

5. Program Revenues

Amounts reported as *program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

6. Proprietary funds operating and nonoperating revenue and expenses

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 enterprise fund are water, sewer, and refuse charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

7. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, water & sewer distribution lines, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as individual assets, or a group of similar items, with a cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets that are donated or received in a service concession arrangement are reported at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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

Asset Description	Estimated Useful Life
Vehicles	3 to 5 years
Furniture and office equipment	3 to 5 years
Machinery & equipment	3 to 25 years
Infrastructure	10 to 50 years
Water and sewer system	10 to 75 years
Buildings and improvements	15 to 50 years
Right-to-use assets – equipment	5 years

9. Leases

The City is a lessee for (3) three noncancellable leases of equipment and recognizes a lease liability and intangible right-to-use lease assets in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

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

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 so will not be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

11. Net Position Flow Assumption

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

12. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, typically the committed fund balance is depleted first, followed by assigned fund balance, and unassigned fund balance is applied last. Council reserves the right to selectively spend from any of the categories, including unassigned based upon the individual circumstances.

13. Fund Balance Policies

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

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

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

14. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances and banked compensation time gained through working overtime. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

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

The City accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, Compensated Absences.

Under GASB Statement No. 101, the City recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the City has a present obligation to provide compensation through paid time off or cash settlement. Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year.

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from employment, the City does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future.

15. Long-Term Obligations

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

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

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

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

16. Pensions

For purposes of measuring the net pension liability (asset), 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.

17. Estimates

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

18. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

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

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements ("SBITA"). The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

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

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

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, park and recreation facility development corporation, capital projects, crime control and prevention. special revenue, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added between departments without Council approval. The budgeted revenues

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

and expenditures for the general fund, capital projects fund, crime control prevention fund, municipal court security fund, and municipal court automation fund were amended during the current fiscal year. The final budgeted revenues were increased compared to the original budget. The final budgeted expenditures were increased compared to the original budget. Appropriations lapse at the end of the year.

The City has implemented procedures to ensure budgetary compliance. No expenditure can be made unless there is a budget available, or an approved budget amendment has been submitted. Department head and management will review the budget variances on a regular basis and the budget will be amended if necessary.

For the year ended, expenditures, including transfers out, exceeded appropriations at the legal level of control are as follows:

General Fund:		
Municipal court	\$	5,259
Transfers (out)		8,272
Crime Control and Prevention District:		
Public safety		11,122
Interest		50
Municipal Court Security Fund		
Court		776
Street Sales Tax Fund		
Capital outlay		12,510

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As stated in I.E.1., the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City's investments in 2a7-like pools such as TexStar are included in this category. Although the City's investments in TexStar and LOGIC are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

rating are required. The City had the following deposits considered to be cash and cash equivalents at year end:

Investment Type	Carrying Value	Weighted
		Average Maturity Days
TexStar investment pool	1,630,569	50
LOGIC investment pool	4,205,261	52
Total fair value	<u>\$ 5,835,830</u>	

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency, No-load money market mutual funds registered and regulated by the SEC and must maintain a stable net asset value of \$1.00 per share, Certificates of deposits which are fully FDIC insured or collateralized from a depository institution doing business in the State of Texas, not to exceed 5 years to stated maturity, and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2025, the City's investment in TexSTAR and LOGIC was rated AAAM by Standard & Poor's.

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

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexSTAR

The Texas Short Term Asset Reserve Fund ("TexSTAR") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code ("ICA"), and the Public Funds Investment Act, Chapter 2256, Texas Government Code ("PFIA"). TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. J.P. Morgan Investment Management Inc. ("JPMIM"), Hilltop Securities Inc. ("HTS") and Hilltop Securities Asset Management, LLC ("HSAM") serve as Administrators for TexSTAR. JPMIM provides investment management services, HTS provides marketing and distribution services and HSAM provides administrative services. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. ("JPMCB") and/or its subsidiary J.P. Morgan Investor Services Co. At September 30, 2025, the fair value of the position in TexSTAR approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

TexSTAR operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexSTAR are the same as the value of TexSTAR shares.

LOGIC

Local Government Investment Cooperative ("LOGIC") was organized in May 1994 to conform with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code ("ICA"), and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code ("PFIA"). The ICA and the PFIA provide for the creation of public funds investment pools and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools. Only eligible local governments and agencies of the State of Texas may become Participants.

LOGIC's governing body is a five-member board of trustees ("Board") comprised of individuals who are employees, officers or elected officials of Participants in the fund or who do not have a business relationship with the Fund and are qualified to advise. A maximum of two Advisory Directors will serve in a non-voting advisory capacity to the Board. JPMIM

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

provides investment management services to the Board and HTS provides Participant administrative, marketing and distribution services to the Board. JPMCB and/or its subcontractors or delegates provide custodial, fund accounting, and depository services. At September 30, 2024, the fair value of the position in LOGIC approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

B. Receivables

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

	General	Park & Rec. Facilities Dev. Corp.	Debt Service	Nonmajor Gov.	Water Sewer Sanitation	Total
Taxes						
Property	\$ 80,308	\$ -	\$ 9,925	\$ -	\$ -	\$ 90,233
Sales	93,096	23,215	-	69,389	-	185,700
Franchise	6,910	-	-	-	-	6,910
Accounts	10,046	-	-	-	390,707	400,753
Allowance	(925)	-	-	-	(113,000)	(113,925)
Total	\$ 189,435	\$ 23,215	\$ 9,925	\$ 69,389	\$ 277,707	\$ 569,671

C. Interfund Transactions

Transfers between the primary government funds during the current fiscal year were as follows:

Transfer In	Transfer Out	Amount
General Fund	Enterprise Fund	\$ 66,000 ¹
Nonmajor Fund	General Fund	12,000 ²
Capital Fund	General Fund	1,195,266 ³

¹ Enterprise fund records a nonreciprocal interfund transfer to the general fund for water/sewer ROW cost recovery.

² General fund transferred to the Crime Control Prevention District the proceeds from sale of vehicles.

³ General fund transferred to capital fund for the DPS Complex.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

D. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 291,438	\$ -	\$ -	\$ 291,438
Construction in progress	190,456	1,229,233	(146,514)	1,273,175
Total capital assets not being depreciated	481,894	1,229,233	(146,514)	1,564,613
Capital assets, being depreciated:				
Buildings and improvements	2,438,436	-	-	2,438,436
Vehicles and equipment	3,242,336	173,291	(67,581)	3,348,046
Right-to-use leased equipment	36,698	13,414	(19,377)	30,735
Infrastructure	8,360,321	-	146,514	8,506,835
Total capital assets being depreciated	14,077,791	186,705	59,556	14,324,052
Less accumulated depreciation				
Buildings and improvements	688,523	62,106	-	750,629
Vehicles and equipment	2,141,208	254,107	(65,915)	2,329,400
Right-to-use leased equipment	29,459	5,955	(19,377)	16,037
Infrastructure	3,577,080	325,709	-	3,902,789
Total accumulated depreciation	6,436,270	647,877	(85,292)	6,998,855
Net capital assets being depreciated	7,641,521	(461,172)	144,848	7,325,197
Total capital assets	\$ 8,123,415	\$ 768,061	\$ (1,666)	\$ 8,889,810

Depreciation was charged to governmental functions as follows:

General Government	\$ 64,053
Public Safety	253,747
Public Works	293,937
Parks & Recreation	36,140
Total Governmental Activities Depreciation/Amortization Expense	\$ 647,877

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 109,201	\$ -	\$ -	\$ 109,201
Total capital assets not being depreciated	109,201	-	-	109,201
Capital assets, being depreciated:				
Buildings and improvements	26,771	-	-	26,771
Water and sewer system improvements	6,392,278	-	-	6,392,278
Vehicles and equipment	288,376	69,048	-	357,424
Total capital assets being depreciated	6,707,425	69,048	-	6,776,473
Less accumulated depreciation				
Buildings and improvements	5,244	2,566	-	7,810
Water and sewer system improvements	4,536,236	202,040	-	4,738,276
Vehicles and equipment	220,321	28,165	-	248,486
Total accumulated depreciation	4,761,801	232,771	-	4,994,572
Net capital assets being depreciated	1,945,624	(163,723)	-	1,781,901
Total capital assets	\$ 2,054,825	\$ (163,723)	\$ -	\$ 1,891,102

E. Leases

On November 21, 2024, the City entered into a non-cancellable lease for copier equipment rental in the DPS building. An initial lease liability was recorded in the amount of \$13,414. As of September 30, 2025, the value of the lease liability was \$11,389. The City is required to make monthly principal and interest payments of \$251. The lease has an interest rate of 4.65%. The equipment has a five-year estimated useful life. The netbook value of the right-to-use asset as of the end of the current fiscal year was \$11,402.

On July 1, 2021, the City entered into a non-cancellable lease for copier equipment rental in the new city hall building, with deferred payments to begin on November 1, 2021. An initial lease liability was recorded in the amount of \$17,321. As of September 30, 2025, the value of the lease liability was \$3,725. The City is required to make monthly principal and interest payments of \$326. The lease has an interest rate of 4.89%. The equipment has a five-year estimated useful life. The netbook value of the right-to-use asset as of the end of the current fiscal year was \$3,296.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

The annual requirements to amortize governmental activities leases payable outstanding at year end were as follows:

Year ending September 30,	Leases	
	Principal	Interest
2026	6,043	538
2027	2,647	365
2028	2,772	240
2029	2,903	109
2030	749	6
	<u>\$ 15,114</u>	<u>\$ 1,258</u>

F. Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
Combination Tax and					
Revenue Certificate of Obligation	\$ 1,185,000	\$ -	\$ (100,000)	\$ 1,085,000	\$ 105,000
General Obligation Refunding &					
Improvement Bonds	2,635,000	-	(50,000)	2,585,000	50,000
General Obligation Bonds	850,000	-	(35,000)	815,000	40,000
Deferred amounts:					
For issuance premiums	282,928	-	(17,818)	265,110	-
	<u>4,952,928</u>	<u>-</u>	<u>(202,818)</u>	<u>4,750,110</u>	<u>195,000</u>
Other liabilities:					
Note payable	357,285	-	(63,172)	294,113	65,720
Leases	8,448	13,414	(6,748)	15,114	6,043
Total Governmental Activities	<u>\$ 5,318,661</u>	<u>\$ 13,414</u>	<u>\$ (272,738)</u>	<u>\$ 5,059,337</u>	<u>\$ 266,763</u>
Long-term liabilities due in more than one year				<u>\$ 4,792,574</u>	
Business-Type Activities:					
Other liabilities:					
Note payable	\$ 90,394	\$ -	\$ (90,394)	\$ -	\$ -
Total Business-Type Activities	<u>\$ 90,394</u>	<u>\$ -</u>	<u>\$ (90,394)</u>	<u>\$ -</u>	<u>\$ -</u>

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

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

	Governmental Activities	Total
Certificates of obligation:		
\$1,755,000 Certificates of obligation, Series 2014, due in annual installments through 2034, interest at 2-4%	\$ 1,085,000	\$ 1,085,000
Total certificates of obligation	1,085,000	1,085,000
General obligation bonds:		
\$3,190,000 Refunding & improvement bond, Series 2017, due in annual installments through 2042, interest at 2-4.25%	2,585,000	2,585,000
\$955,000 General obligation bond, Series 2021, due in annual installments through 2041, interest at 2-4%	815,000	815,000
Total general obligation bonds	3,400,000	3,400,000
Less deferred amounts:		
Issuance premiums	265,110	265,110
Total deferred amounts	265,110	265,110
Notes payable	294,113	294,113
Leases	15,114	15,114
Total Debt	\$ 5,059,337	\$ 5,059,337

Total governmental capital assets acquired through notes payable had balances as of September 30, 2025 for cost, accumulated depreciation, and carrying value of \$707,447, \$266,816 and \$440,631, respectively. Depreciation expense recognized on these assets during the year ended September 30, 2025 was \$44,063.

Total business-type capital assets acquired through notes payable had balances as of September 30, 2025 for cost, accumulated depreciation, and carrying value of \$414,713, \$210,812, and \$203,901, respectively. Depreciation expense recognized on these assets during the year ended September 30, 2025 was \$41,471.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

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

Year ending September 30,	Governmental Activities					
	General Obligation					
	Bonds		2014 C.O. Bond		Notes payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 90,000	\$ 129,269	\$ 105,000	\$ 40,625	\$ 65,720	\$ 9,464
2027	95,000	125,819	105,000	36,950	68,424	6,760
2028	95,000	122,019	110,000	33,275	52,048	3,887
2029	105,000	118,019	115,000	29,425	53,313	2,623
2030	105,000	113,819	120,000	25,400	54,608	1,327
2031	110,000	109,519	125,000	21,200	-	-
2032	115,000	105,113	130,000	16,200	-	-
2033	115,000	100,701	135,000	11,000	-	-
2034	125,000	96,097	140,000	5,600	-	-
2035	275,000	88,304	-	-	-	-
2036	285,000	77,310	-	-	-	-
2037	295,000	66,363	-	-	-	-
2038	310,000	55,413	-	-	-	-
2039	320,000	44,013	-	-	-	-
2040	330,000	31,875	-	-	-	-
2041	335,000	19,038	-	-	-	-
2042	295,000	6,269	-	-	-	-
Total	<u>\$ 3,400,000</u>	<u>\$ 1,408,960</u>	<u>\$ 1,085,000</u>	<u>\$ 219,675</u>	<u>\$ 294,113</u>	<u>\$ 24,061</u>

Certificate of Obligation Bond, Series 2014; due in annual installments through August 1, 2034, bearing interest ranging from 2% to 4% payable February 1 and August 1.

General Obligation Refunding & Revenue Bond, Series 2017; due in semi-annual installments through February 1, 2042, bearing interest ranging from 2.0% to 4.25% payable February 1 and August 1.

General Obligation Bond, Series 2021; due in semi-annual installments through February 1, 2041, bearing interest ranging from 2.0% to 4.00% payable February 1 and August 1.

Notes payable are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

G. Other Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 171,167	\$ 203,733	\$ (171,166)	\$ 203,734	\$ 183,360
Total Governmental Activities	<u>\$ 171,167</u>	<u>\$ 203,733</u>	<u>\$ (171,166)</u>	<u>\$ 203,734</u>	<u>\$ 183,360</u>
Long-term Liabilities Due in More than One Year				<u>\$ 20,374</u>	
Business-Type Activities:					
Compensated Absences	\$ 15,972	\$ 15,456	\$ (15,456)	\$ 15,972	\$ 13,910
Total Business-Type Activities	<u>\$ 15,972</u>	<u>\$ 15,456</u>	<u>\$ (15,456)</u>	<u>\$ 15,972</u>	<u>\$ 13,910</u>
Long-term Liabilities Due in More than One Year				<u>\$ 2,062</u>	

H. Fund Equity

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

The following is a list of fund balances/net position restricted by law or the City and commitments made by City Council:

	Fund Balance		Net Position
	Restricted	Committed	Restricted
Parks and recreation	\$ 776,502 ¹	\$ -	\$ 776,502
Municipal court building & security	85,500 * ¹	-	85,500
Municipal court automation	77,579 * ¹	-	77,579
Law enforcement	118,220 * ¹	-	118,220
Street repairs	310,334 ¹	-	310,334
Debt service	73,778	-	73,778
Opioid abatement trust	4,271 *	-	4,271
Capital improvements	405,907 *	-	405,907
DPS complex	-	1,085,258	-
Fire truck	-	56,427	-
Radios	-	31,114	-
TOTAL	\$ 1,852,091	\$ 1,172,799	\$ 1,852,091

* Restricted by enabling legislation

¹ Special revenue funds

V. OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Arbitrage

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

D. Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Dalworthington Gardens, Texas participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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

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

	<u>Plan Year 2024</u>	<u>Plan Year 2023</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, AnyAge/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100%
Annuity increase (to retirees)	70% of CPI Non-retroactive Repeating	70% of CPI
Supplemental death benefit to active employees	Yes	Yes
Supplemental death benefit to retirees	Yes	Yes

Employees covered by benefit terms

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

	<u>2024</u>	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefits	19	19
Inactive employees entitled to but not yet receiving benefits	44	40
Active employees	26	25
Total	<u>89</u>	<u>84</u>

3. Contributions

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Dalworthington Gardens, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Dalworthington Gardens, Texas were 23.45% and 23.80% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$504,707 and were equal to the required contributions.

4. Net Pension Liability (Asset)

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

Actuarial assumptions

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

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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

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

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

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

Discount Rate

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/23	\$ 12,246,906	\$ 9,514,893	\$ 2,732,013
Changes for the year:			
Service Cost	384,718	-	384,718
Interest (on the Total Pension Liab.)	825,454	-	825,454
Change in benefit terms	-	-	-
Difference between expected and actual experience	101,198	-	101,198
Changes of assumptions	-	-	-
Contributions – employer	-	487,392	(487,392)
Contributions – employee	-	145,490	(145,490)
Net investment income (loss)	-	990,254	(990,254)
Benefit payments, including refunds of emp. contributions	(420,638)	(420,638)	-
Administrative expense	-	(6,341)	6,341
Other changes	-	(147)	147
Net changes	890,732	1,196,010	(305,278)
Balance at 12/31/24	\$ 13,137,638	\$ 10,710,903	\$ 2,426,735

Sensitivity of the Net Pension Liability (Asset) 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 (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate 6.75%	1% Increase 7.75%
\$ 4,554,318	\$ 2,426,735	\$ 718,163

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

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.tmr.com.

5. 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 \$598,906.

The general fund and water, sewer, and sanitation fund have typically been used to liquidate pension liabilities.

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 exp.	\$ 112,170	\$ -
Changes in assumptions		15,366
Investment gains (inflows) or losses outflows	-	116,806
Contributions subsequent to the measurement date	382,026	-
Total	\$ 494,196	\$ 132,172

The City reported \$382,026 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026.

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

Plan year ended December 31:	
2025	74,896
2026	126,332
2027	(151,628)
2028	(69,602)
2029	-
Thereafter	-
Total	\$ (20,002)

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

Supplemental Death Benefits Fund

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

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

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>26</u>
Total	51

The City's contributions to the TMRS SDBF for the years ended 2025, 2024, and 2023 were \$2,289, \$1,991, and \$1,742, respectively, which equaled the required contributions each year. The required contribution rates for the retiree for 2025, 2024 and 2023 was 0.11%, 0.10%, and 0.09%, respectively.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

Total OPEB Liability

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

Actuarial assumptions:

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

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

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

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 3.08%	Current Single Rate 4.08%	1% Increase 5.08%
\$ 104,343	\$ 85,865	\$ 71,616

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	\$ 85,085
Changes for the year:	
Service Cost	4,780
Interest	3,259
Difference between expected and actual experience	28
Changes of assumptions	(5,209)
Benefit payments	(2,078)
Net changes	780
Balance at 12/31/24	\$ 85,865

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 \$2,640.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,026
Changes in assumptions	-	15,391
Contributions after the measurement date	1,766	-
Total	\$ 1,766	\$ 17,417

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

The City reported \$1,766 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026.

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

Year ended December 31:

2025	(8,211)
2026	(7,194)
2027	(1,043)
2028	(969)
2029	
Thereafter	-
	<u>\$ (17,417)</u>

The OPEB plan is not administered through a trust, or equivalent arrangement, and there are no assets accumulated in a GASB-compliant trust.

E. Restatements

Due to implementation of new accounting standard – GASB 101, *Compensated Absences*, the City restated beginning net position for governmental activities, business-type activities, and the water, sewer & sanitation fund.

The restatement of beginning net position are as follows:

	Governmental Activities	Business-type Activities	Water, Sewer & Sanitation
Prior year ending net position, as reported	\$ 7,074,368	\$ 2,365,053	\$ 2,365,053
New acct. standard - GASB 101	(95,037)	(7,210)	(7,210)
Restated beginning net position	<u>\$ 6,979,331</u>	<u>\$ 2,357,843</u>	<u>\$ 2,357,843</u>

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

F. New Accounting Pronouncements

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

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

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

This standard was applied retroactively and resulted in a sick leave liability of \$102,247 as of September 30, 2024

G. Subsequent Events

There were no material subsequent events through May 14, 2026, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>				
Property tax	\$ 2,408,708	\$ 2,408,708	\$ 2,400,837	\$ (7,871)
Sales tax	521,606	521,606	546,240	24,634
Franchise and local taxes	264,452	258,928	260,443	1,515
License and permits	64,355	64,355	68,007	3,652
Municipal court	427,433	427,433	506,357	78,924
Oil and gas mineral rights	36,000	36,000	70,749	34,749
Interest income	222,337	222,337	226,290	3,953
Intergovernmental	-	18,000	21,245	3,245
Other revenues	52,050	58,101	53,101	(5,000)
Total Revenues	3,996,941	4,015,468	4,153,269	137,801
<u>Expenditures</u>				
Current:				
Municipal court	217,003	217,003	222,262	(5,259) *
Administrative	457,057	495,060	456,212	38,848
Police	2,157,434	2,170,747	2,044,449	126,298
Fire	670,565	689,505	606,076	83,429
Public works	358,735	362,035	299,942	62,093
Capital outlay	32,762	66,720	53,125	13,595
Debt service				
Principal	58,154	57,769	55,179	2,590
Interest and fiscal charges	7,893	8,278	8,278	-
Total Expenditures	3,959,603	4,067,117	3,745,523	321,594
<u>Other Financing Sources (Uses)</u>				
Sale of capital assets		10,000	16,650	6,650
Lease issuance		13,414	13,414	-
Transfers in	66,000	66,000	66,000	-
Transfers (out)	(19,000)	(1,198,994)	(1,207,266)	(8,272) *
Total Other Financing Sources (Uses)	57,000	(1,109,580)	(1,111,202)	(1,622)
Net Change in Fund Balance	\$ 94,338	\$ (1,161,229)	(703,456)	\$ 457,773
Beginning fund balance			3,262,719	
Ending Fund Balance			\$ 2,559,263	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

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City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PARKS AND RECREATION FACILITY DEVELOPMENT FUND
For the Year Ended September 30, 2025

	Original and Final Budget	Parks and Recreation Facility Development	Variance with Final Budget
<u>Revenues</u>			
Sales tax	\$ 129,217	\$ 136,233	\$ 7,016
Other revenues	975	2,220	1,245
Interest income	24,000	31,725	7,725
Total Revenues	154,192	170,178	15,986
<u>Expenditures</u>			
Current:			
Parks and recreation	138,698	123,455	15,243
Total Expenditures	141,448	123,455	12,493
Revenues Over (Under) Expenditures	12,744	46,723	28,479
Net Change in Fund Balance	\$ 12,744	46,723	\$ 28,479
Beginning fund balance		732,038	
Ending Fund Balance		\$ 778,761	

Notes to Required Supplementary Information

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

City of Dalworthington Gardens, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended December 31,

	12/31/2024	12/31/2023	12/31/2022	12/31/2021
Total pension liability				
Service cost	\$ 384,718	\$ 364,036	\$ 331,430	\$ 333,405
Interest	825,454	770,046	720,105	660,632
Change in benefit terms	-	(117,901)	-	-
Differences between expected and actual experience	101,198	199,847	230,763	255,653
Changes in assumptions	-	(62,643)	-	-
Benefit payments, including refunds of participant contributions	(420,638)	(500,910)	(380,756)	(354,474)
Net change in total pension liability	890,732	652,475	901,542	895,216
Total pension liability - beginning	12,246,906	11,594,431	10,692,889	9,797,673
Total pension liability - ending (a)	\$ 13,137,638	\$ 12,246,906	\$ 11,594,431	\$ 10,692,889
Plan fiduciary net position				
Contributions - employer	\$ 487,392	\$ 436,485	\$ 383,894	\$ 428,899
Contributions - members	145,490	139,325	126,638	129,298
Net investment income (loss)	990,254	981,519	(657,377)	1,015,120
Benefit payments, including refunds of participant contributions	(420,638)	(500,910)	(380,756)	(354,474)
Administrative expenses	(6,341)	(6,233)	(5,679)	(4,691)
Other	(147)	(44)	6,776	32
Net change in plan fiduciary net position	1,196,010	1,050,142	(526,504)	1,214,184
Plan fiduciary net position - beginning	9,514,893	8,464,751	8,991,255	7,777,071
Plan fiduciary net position - ending (b)	\$ 10,710,903	\$ 9,514,893	\$ 8,464,751	\$ 8,991,255
Fund's net pension liability (asset) - ending (a) - (b)	\$ 2,426,735	\$ 2,732,013	\$ 3,129,680	\$ 1,701,634
Plan fiduciary net position as a percentage of the total pension liability	81.53%	77.69%	73.01%	84.09%
Covered payroll	\$ 2,078,434	\$ 1,990,358	\$ 1,809,116	\$ 1,847,113
Fund's net position as a percentage of covered payroll	116.76%	137.26%	172.99%	92.12%

12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
\$ 336,573	\$ 296,220	\$ 266,612	\$ 265,078	\$ 282,630	\$ 277,028
622,439	578,828	586,613	553,489	525,093	513,667
-	-	-	-	-	-
(45,950)	42,318	(608,873)	25,994	(60,072)	(94,934)
-	51,678	-	-	-	18,672
(336,841)	(349,415)	(399,577)	(309,626)	(326,752)	(225,598)
576,221	619,629	(155,225)	534,935	420,899	488,835
9,221,452	8,601,823	8,757,048	8,222,113	7,801,214	7,312,379
\$ 9,797,673	\$ 9,221,452	\$ 8,601,823	\$ 8,757,048	\$ 8,222,113	\$ 7,801,214
\$ 365,287	\$ 340,726	\$ 327,290	\$ 345,843	\$ 355,310	\$ 354,059
121,821	111,661	108,631	109,991	113,311	110,496
538,835	937,288	(186,186)	739,082	328,786	6,820
(336,841)	(349,415)	(399,577)	(309,626)	(326,752)	(225,598)
(3,483)	(5,291)	(3,595)	(3,828)	(3,711)	(4,153)
(136)	(159)	(188)	(194)	(200)	(205)
685,483	1,034,810	(153,625)	881,268	466,744	241,419
7,091,588	6,056,778	6,210,403	5,329,135	4,862,391	4,620,972
\$ 7,777,071	\$ 7,091,588	\$ 6,056,778	\$ 6,210,403	\$ 5,329,135	\$ 4,862,391
\$ 2,020,602	\$ 2,129,864	\$ 2,545,045	\$ 2,546,645	\$ 2,892,978	\$ 2,938,823
79.38%	76.90%	70.41%	70.92%	64.81%	62.33%
\$ 1,740,294	\$ 1,595,158	\$ 1,551,874	\$ 1,571,297	\$ 1,618,726	\$ 1,578,510
116.11%	133.52%	164.00%	162.07%	178.72%	186.18%

City of Dalworthington Gardens, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

For the Years Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Actuarially determined employer contributions	\$ 504,707	\$ 482,920	\$ 432,903	\$ 401,849
Contributions in relation to the actuarially determined contribution	504,707	482,920	\$ 432,903	\$ 401,849
Contribution deficiency (excess)	-	-	-	-
Annual covered payroll	\$ 2,128,313	\$ 2,039,690	\$ 1,989,691	\$ 1,844,773
Employer contributions as a percentage of covered payroll	23.71%	23.68%	21.76%	21.78%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
\$ 416,081	\$ 357,853	\$ 329,285	\$ 331,898	\$ 350,145	\$ 346,656
416,081	\$ 357,853	\$ 329,285	\$ 331,898	\$ 350,145	\$ 346,656
-	-	-	-	-	-
\$ 1,841,226	\$ 1,696,592	\$ 1,546,926	\$ 1,555,187	\$ 1,592,059	\$ 1,569,560
22.60%	21.09%	21.29%	21.34%	21.99%	22.09%

City of Dalworthington Gardens, Texas

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

Year Ended December 31,

	¹	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB liability					
Service cost	\$	4,780	\$ 3,583	\$ 7,236	\$ 6,650
Interest		3,259	3,228	2,251	2,239
Changes of assumptions		(5,209)	5,207	(49,725)	4,430
Differences in expected and actual experience		28	(3,950)	1,068	(1,853)
Benefit payments, including refunds of participant contributions		(2,078)	(1,791)	(1,447)	(1,293)
Net changes		<u>780</u>	<u>6,277</u>	<u>(40,617)</u>	<u>10,173</u>
Total OPEB liability - beginning		<u>85,085</u>	<u>78,808</u>	<u>119,425</u>	<u>109,252</u>
Total OPEB liability - ending (a)		<u><u>\$ 85,865</u></u>	<u><u>\$ 85,085</u></u>	<u><u>\$ 78,808</u></u>	<u><u>\$ 119,425</u></u>
Covered-employee payroll	\$	2,078,434	\$ 1,990,358	\$ 1,809,116	\$ 1,847,113
Total OPEB Liability as a percentage of covered-employee payroll		4.13%	4.27%	4.36%	6.47%

Notes to schedule:

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

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

2020	2019	2018	2017
\$ 5,395	\$ 3,350	\$ 2,638	\$ 2,200
2,311	2,338	2,424	2,349
17,667	14,500	(5,439)	6,623
2,812	300	(9,789)	-
(522)	(479)	(310)	(314)
27,663	20,009	(10,476)	10,858
81,589	61,580	72,056	61,198
\$ 109,252	\$ 81,589	\$ 61,580	\$ 72,056
\$ 1,740,294	\$ 1,595,158	\$ 1,551,874	\$ 1,571,297
6.28%	5.11%	3.97%	4.59%

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OTHER SUPPLEMENTARY INFORMATION

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City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2025

	Original & Final Budget	Debt Service	Variance with Final Budget
<u>Revenues</u>			
Property tax	\$ 374,964	\$ 369,603	\$ (5,361)
Interest income	8,725	7,007	(1,718)
Total Revenues	383,689	376,610	(7,079)
<u>Expenditures</u>			
Current:			
Debt service			
Principal	185,000	185,000	-
Interest and fiscal charges	178,394	177,894	500
Total Expenditures	363,394	362,894	500
Revenues Over (Under)			
Expenditures	20,295	13,716	(6,579)
Net Change in Fund Balance	\$ 20,295	13,716	\$ (6,579)
Beginning fund balance		60,062	
Ending Fund Balance		\$ 73,778	

Notes to Other Supplementary Information

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

City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended September 30, 2025

	Original Budget	Final Budget	Capital Projects	Variance with Final Budget
<u>Revenues</u>				
Interest income	\$ 4,000	\$ 4,000	\$ 5,733	\$ 1,733
Total Revenues	4,000	4,000	5,733	1,733
<u>Expenditures</u>				
Current:				
Capital outlay	1,451,124	1,451,124	1,161,043	290,081
Total Expenditures	1,451,124	1,451,124	1,161,043	290,081
Revenues Over (Under)				
Expenditures	(1,447,124)	(1,447,124)	(1,155,310)	291,814
<u>Other Financing Sources (Uses)</u>				
Transfers in	9,000	1,211,785	1,195,266	(16,519)
Total Other Financing Sources (Uses)	9,000	1,211,785	1,195,266	(16,519)
Net Change in Fund Balance	\$ (1,438,124)	\$ (235,339)	39,956	\$ 275,295
Beginning fund balance			1,451,209	
Ending Fund Balance			\$ 1,491,165	

Notes to Other Supplementary Information

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

City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CRIME CONTROL AND PREVENTION DISTRICT
For the Year Ended September 30, 2025

	Original Budget	Final Budget	Crime Control and Prevention	Variance with Final Budget
<u>Revenues</u>				
Sales tax	\$ 254,355	\$ 254,355	\$ 270,676	\$ 16,321
Interest income	3,205	3,205	3,687	482
Total Revenues	257,560	257,560	274,363	16,803
<u>Expenditures</u>				
Current:				
Public safety	152,540	155,590	166,712	(11,122) *
Capital outlay	90,000	180,000	153,641	26,359
Debt Service:				
Principal	14,741	14,741	14,741	-
Interest	4,507	4,507	4,557	(50) *
Total Expenditures	261,788	354,838	339,651	15,187
Revenues Over (Under)				
Expenditures	(4,228)	(97,278)	(65,288)	31,990
<u>Other Financing Sources (Uses)</u>				
Transfers in	10,000	10,000	12,000	2,000
Total Other Financing (Sources)	10,000	10,000	12,000	2,000
Net Change in Fund Balance	\$ 5,772	\$ (87,278)	(53,288)	\$ 33,990
Beginning fund balance			168,251	
Ending Fund Balance			\$ 114,963	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT SECURITY FUND
For the Year Ended September 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Muni. Court Security</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>				
Fines and forfeitures	\$ 14,000	\$ 14,000	\$ 9,319	\$ (4,681)
Interest income	720	720	2,098	1,378
Total Revenues	<u>14,720</u>	<u>14,720</u>	<u>11,417</u>	<u>(3,303)</u>
<u>Expenditures</u>				
Current:				
Court	100	100	876	(776) *
Total Expenditures	<u>100</u>	<u>100</u>	<u>876</u>	<u>(776)</u>
Revenues Over (Under)				
Expenditures	<u>14,620</u>	<u>14,620</u>	<u>10,541</u>	<u>(4,079)</u>
Net Change in Fund Balance	<u>\$ 14,620</u>	<u>\$ 14,620</u>	<u>10,541</u>	<u>\$ (4,079)</u>
Beginning fund balance			<u>63,545</u>	
Ending Fund Balance			<u>\$ 74,086</u>	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT AUTOMATION FUND
For the Year Ended September 30, 2025

	Original Budget	Final Budget	Muni. Court Automation	Variance with Final Budget
<u>Revenues</u>				
Fines and forfeitures	\$ 12,000	\$ 12,000	\$ 8,920	\$ (3,080)
Interest income	900	900	2,282	1,382
Total Revenues	12,900	12,900	11,202	(1,698)
<u>Expenditures</u>				
Current:				
Court	22,122	23,562	17,897	5,665
Capital outlay	21,125	21,125	-	21,125
Total Expenditures	43,247	44,687	17,897	26,790
Revenues Over (Under)				
Expenditures	(30,347)	(31,787)	(6,695)	25,092
Net Change in Fund Balance	\$ (30,347)	\$ (31,787)	(6,695)	\$ 25,092
Beginning fund balance			88,397	
Ending Fund Balance			\$ 81,702	

Notes to Other Supplementary Information

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

City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET SALES TAX FUND
For the Year Ended September 30, 2025

	Original Budget	Final Budget	Street Sales Tax	Variance with Final Budget
<u>Revenues</u>				
Sales tax	\$ 129,217	\$ 129,217	\$ 136,233	\$ 7,016
Interest income	10,800	10,800	11,723	923
Total Revenues	140,017	140,017	147,956	7,939
<u>Expenditures</u>				
Current:				
Public works	50,000	50,000	6,849	43,151
Capital Outlay	-	55,680	68,190	(12,510) *
Total Expenditures	50,000	105,680	75,039	30,641
Revenues Over (Under)				
Expenditures	90,017	34,337	72,917	38,580
Net Change in Fund Balance	\$ 90,017	\$ 34,337	72,917	\$ 38,580
Beginning fund balance			237,417	
Ending Fund Balance			\$ 310,334	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

City of Dalworthington Gardens, Texas

SCHEDULE OF SERVICES AND RATES

For the Year Ended September 30, 2025

(Unaudited)

1. Services provided by the City: Retail Water & Sewer

Garbage and Household Hazardous Waste (HHW) provided by 3rd party and billed by the City.

2. Retail water rates based on 5/8 x 3/4" meter

Most prevalent type of meter: 5/8 x 3/4"

<u>Water:</u>	Minimum Charge	Minimum Usage	Maximum Gallons	Flat Rate (Y/N)	Rate per 1k gallons > min
Residential	\$22.70	-	N/A	Y	\$5.60
Commercial	\$50.10	-	N/A	Y	\$5.60
<u>Sewer:</u>					
Residential	\$21.10	-	13,000	Y	\$4.65
Commercial	\$50.20	-	N/A	Y	\$4.65

City employs winter averaging for sewer usage? No

Total charges per 10,000 gallons of residential usage:

Water	Sewer
\$79	\$68

<u>Monthly Rate</u>	Garbage	HHW
Residential	\$18.52	\$0.92
Commercial hand-collect	\$24.59	N/A

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into system:	216,538
Billed gallons to customers and flushing gallons:	212,282
Water accountability ratio:	98.0%

4. Retail water connections within the City as of the fiscal year end.

Meter Size	Total Connections	Active Connections
5/8" x 3/4"	631	611
1"	392	386
1 1/2"	29	29
2"	34	32
Total Water Connections	1,086	1,058

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***COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS

MUNICIPAL COURT SECURITY FUND

The Municipal Court Security Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for municipal court security.

MUNICIPAL COURT AUTOMATION FUND

The Municipal Court Automation Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for municipal court automation.

PUBLIC SAFETY SEIZURES FUND

The Public Safety Seizures Fund accounts for police seizures that are still involved in the court system.

CRIME CONTROL AND PREVENTION DISTRICT FUND

This is a special purpose district that collects sales tax within its boundaries for the purpose of controlling and preventing crime.

STREET SALES TAX FUND

The Street Sales Tax Fund accounts for the proceeds of 1/4% sales tax to be used for street repair projects.

CONS MC BUILD & SEC TECH FUNDS

The Municipal Court Building and Security Technology Funds accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for municipal court building and security technology.

City of Dalworthington Gardens, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2025

	Municipal Court Security	Municipal Court Automation	Public Safety Seizures	Crime Control & Prevention
<u>Assets</u>				
Cash and cash equivalents	\$ 74,086	\$ 78,156	\$ 4,662	\$ 72,248
Receivables, net	-	-	-	46,174
Prepaid items	-	4,123	-	1,405
Total Assets	\$ 74,086	\$ 82,279	\$ 4,662	\$ 119,827
<u>Liabilities</u>				
Accounts payable and accrued liabilities	-	577	-	4,864
Total Liabilities	-	577	-	4,864
<u>Fund Balances</u>				
Nonspendable	-	4,123	-	1,405
Restricted	74,086	77,579	4,662	113,558
Total Fund Balances	74,086	81,702	4,662	114,963
Total Liabilities and Fund Balances	\$ 74,086	\$ 82,279	\$ 4,662	\$ 119,827

Street Sales Tax	Cons MC Build/SecTech	Total
\$ 288,380	\$ 11,414	\$ 528,946
23,215	-	69,389
-	-	5,528
<u>\$ 311,595</u>	<u>\$ 11,414</u>	<u>\$ 603,863</u>
1,261	-	6,702
<u>1,261</u>	<u>-</u>	<u>6,702</u>
-	-	5,528
310,334	11,414	591,633
<u>310,334</u>	<u>11,414</u>	<u>597,161</u>
<u>\$ 311,595</u>	<u>\$ 11,414</u>	<u>\$ 603,863</u>

City of Dalworthington Gardens, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	Municipal Court Security	Municipal Court Automation	Public Safety Seizures	Crime Control & Prevention
<u>Revenues</u>				
Sales tax	\$ -	\$ -	\$ -	\$ 270,676
Fines and forfeitures	9,319	8,920	-	-
Interest income	2,098	2,282	-	3,687
Other income	-	-	493	-
Total Revenues	11,417	11,202	493	274,363
<u>Expenditures</u>				
Current:				
Court	876	17,897	-	-
Public safety	-	-	-	166,712
Public works	-	-	-	-
Capital outlay	-	-	-	153,641
Debt service:				
Principal	-	-	-	14,741
Interest	-	-	-	4,557
Total Expenditures	876	17,897	-	339,651
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	12,000
Total Other Financing Sources				
(Uses)	-	-	-	12,000
Net Change in Fund Balances	10,541	(6,695)	493	(53,288)
Beginning fund balances	63,545	88,397	4,169	168,251
Ending Fund Balances	\$ 74,086	\$ 81,702	\$ 4,662	\$ 114,963

Street Sales Tax	Cons MC Build/SecTech	Total
\$ 136,233	\$ -	\$ 406,909
-	11,372	29,611
11,723	42	19,832
-	-	493
147,956	11,414	456,845
-	-	18,773
-	-	166,712
6,849	-	6,849
68,190	-	221,831
-	-	14,741
-	-	4,557
75,039	-	433,463
-	-	12,000
-	-	12,000
72,917	11,414	35,382
237,417	-	561,779
\$ 310,334	\$ 11,414	\$ 597,161

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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

CITY OF DALWORTHINGTON GARDENS, TEXAS
GENERAL OBLIGATION BONDS,
SERIES 2026, DATED SEPTEMBER 15, 2026,
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____

AS BOND COUNSEL FOR THE ISSUER (the “Issuer”) of the Bonds described above (the “Bonds”), we have examined into the legality and validity of the Bonds, which mature and bear interest from the dates specified in the text of the Bonds, until maturity or prior redemption, at the rates and payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond No. T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to governmental immunity, federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, which rights may be limited by general principles of equity which permit the exercise of judicial discretion, the Bonds 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 Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as provided in the Ordinance authorizing the issuance of the Bonds.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof 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 Bonds are not “specified private activity bonds” and that, accordingly, interest on the Bonds will not be included as an individual or corporate 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, and assume compliance by the Issuer with, certain covenants regarding the use and investment of the proceeds of the Bonds 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 failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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 Bonds.



WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, 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 a result and are not binding on the Internal Revenue Service (the “Service”). Rather, our 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 as to whether or not the Service will commence an audit of the Bonds. 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, might result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds 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 any 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 Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds 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 the Issuer. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Very truly yours,

Municipal Advisory Services
Provided By

