HTS Continuing Disclosure Services
A Division of Hilltop Securities
(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated August 25, 2026

Ratings:
S&P: "AA"
See "Other Information – Ratings" herein

NEW ISSUE - Book-Entry-Only

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

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

$3,000,000*
CITY OF GLENN HEIGHTS, TEXAS
(Dallas and Ellis Counties)
GENERAL OBLIGATION BONDS, SERIES 2026

Dated Date: September 1, 2026 **Due: February 15, as shown on page 2**
Interest to Accrue from Date of Delivery

PAYMENT TERMS. . . Interest on the $3,000,000* City of Glenn Heights, Texas, General Obligation Bonds, Series 2026 (the "Bonds") will accrue from the Date of Delivery, and will be payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the 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 U.S. Bank Trust Company, National Association, Houston, 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"), particularly Chapter 1331, Texas Government Code, as amended, an election held on November 4, 2025 and an ordinance to be adopted by the city council of the City (the "City Council"), authorizing the issuance of the Bonds (the "Ordinance"). The Bonds constitute direct obligations of the City of Glenn Heights, Texas (the "City"), payable from the levy and collection of a direct and continuing annual ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance (see "The Bonds - Authority for Issuance" and "The Bonds - Security and Source of Payment").

PURPOSE. . . Proceeds from the sale of the Bonds will be used for (i) constructing, reconstructing, improving, repairing, extending, and enhancing streets, thoroughfares, alleys, sidewalks, bridges, intersections and other public ways, including traffic signalization and monitoring equipment, street lighting, noise abatements, necessary and related storm drainage facilities and improvements and acquiring of needed rights of way therefor, and (ii) professional services rendered in relation to such projects and the financing thereof.

CUSIP PREFIX: 378749

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 of the Bonds and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas, (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on September 29, 2026 ("Date of Delivery").

BIDS DUE TUESDAY, SEPTEMBER 1, 2026 AT 10:00 A.M. CDT

* Preliminary, subject to change.

CUSIP Prefix: 378749 [(1)]

MATURITY SCHEDULE*

Maturity 15-Feb	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[(1)]
2029	$ 65,000			
2030	70,000			
2031	70,000			
2032	60,000			
2033	50,000			
2034	45,000			
2035	55,000			
2036	60,000			
2037	200,000			
2038	210,000			
2039	220,000			
2040	230,000			
2041	245,000			
2042	255,000			
2043	270,000			
2044	285,000			
2045	295,000			
2046	315,000			

(Interest to accrue from the Date of Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the City nor the Municipal Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Bonds are structured as "term" Bonds, such term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

* Preliminary, subject to change.

For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document, as the same may be supplemented or corrected from time to time, may be treated as an Official Statement with respect to the Bonds described herein deemed "final" by the City as of the date hereof (or of any supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of Rule 15c2-12.

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

No dealer, broker, salesperson or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Municipal Advisor or the Initial Purchaser. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

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

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 MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY.

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.

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. SEE "OTHER INFORMATION - FORWARD-LOOKING STATEMENTS DISCLAIMER."

Neither this Official Statement nor any other statement made in connection with the offer of sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Glenn Heights, Texas (the "City") is a political subdivision and home-rule municipal corporation of the State, located in Dallas and Ellis Counties, Texas. The City covers approximately 8.8 square miles (see "Introduction - Description of the City").

THE BONDS .... The $3,000,000* City of Glenn Heights, Texas, General Obligation Bonds, Series 2026 are issued as serial Bonds maturing February 15 in each of the years 2029 through 2046, unless the Initial Purchaser designates one or more maturities as Term Bonds (see "The Bonds - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Date of Delivery, and is payable February 15, 2027, and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Bonds - Description of the Bonds").

AUTHORITY FOR ISSUANCE .... The Bonds are authorized and issued pursuant to the Constitution and the general laws of the State, particularly Chapter 1331, Texas Government Code, as amended, an election held on November 4, 2025 (the "Election"), and the Ordinance to be adopted by the City Council of the City (see "The Bonds - Authority for Issuance").

SECURITY FOR THE BONDS... The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, levied 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").

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City **will** designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption").

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".

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for (i) constructing, reconstructing, improving, repairing, extending, and enhancing streets, thoroughfares, alleys, sidewalks, bridges, intersections and other public ways, including traffic signalization and monitoring equipment, street lighting, noise abatements, necessary and related storm drainage facilities and improvements and acquiring of needed rights of way therefor, and (ii) professional services rendered in relation to such projects and the financing thereof.

RATINGS .... The Bonds and the presently outstanding tax supported debt of the City are rated "AA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"), without regard to 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 for each series. 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 bonded indebtedness.

Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	General Obligation Tax Debt[3]	Per Capita Funded Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	16,426	$ 1,069,006,008	$ 65,080	$ 12,775,000	$ 778	1.20%	100.00%
2023	17,175	1,361,094,221	79,249	11,895,000	693	0.87%	100.94%
2024	18,793	1,644,394,310	87,500	10,990,000	585	0.67%	100.05%
2025	20,625	1,783,309,082	86,463	10,055,000	488	0.56%	100.24%
2026	21,089	1,812,499,803	85,945	12,210,000 [4]	579 [4]	0.67% [4]	99.16% [5]

(1) Source: North Central Texas Council of Governments and City officials.
(2) As reported by the Dallas Central Appraisal District and Ellis County Appraisal District on the City's annual State Property Tax Board Report and is subject to changes during ensuing year. Fiscal Year 2027 Certified Taxable Assessed Valuation is $1,848,814,740.
(3) Includes self-supporting debt
(4) Projected. Includes the Bonds. Preliminary, subject to change.
(5) Partial collections through June 30, 2026.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Beginning Balance	$ 10,898,790 [1]	$ 8,546,915	$ 7,005,478	$ 9,532,342	$ 6,702,173
Total Revenue	14,949,088	13,587,383	13,062,875	11,693,522	10,989,576
Total Expenditures	15,390,640	12,315,500	10,800,923	8,795,457	7,987,155
Net Transfers and Adjustments	1,548,874	970,802	(720,515)	(5,424,929)	(172,252)
Ending Balance	$ 12,006,112	$ 10,789,600	$ 8,546,915	$ 7,005,478	$ 9,532,342

(1) Restated.

For additional information regarding the City, please contact:

Clifford Blackwell		Jason L. Hughes
City Manager		Senior Managing Director
City of Glenn Heights	or	Hilltop Securities Inc.
1938 S. Hampton Rd.		717 N. Harwood Street, Suite 3400
Glenn Heights, Texas 75154		Dallas, Texas 75201
(972) 223-1690		(214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Sonja A. Brown Mayor	7 years, 8 months	Nov 2028	Educator
Travis Bruton Mayor Pro Tem	6 years, 5 months	Nov 2027	Accountant
Sherron Mosley Council Member, Place 1	3 years, 7 months	Nov 2027	Transportation Specialist
Shaunte Allen Council Member, Place 2	4 years, 8 months	Nov 2028	Educator
Tramayne Hobbs Council Member, Place 4	8 months	Nov 2028	Senior Accounting Analyst
Laymon M. Lightfoot Council Member, Place 5	3 years, 8 months	Nov 2027	Federal Officer
Nelda Washington Council Member, Place 6	8 months	Nov 2028	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City	Total Length of Governmental Service
Clifford Blackwell	City Manager	4 years, 5 months	30 years, 6 months
Keith Moore	Deputy City Manager	25 years, 7 months	28 years, 7 months
Sherry Roberts	Finance Director	3 years, 8 months	25 years, 2 months
Brandy Brown	City Secretary	7 years, 2 months	26 years, 3 months

CONSULTANTS AND ADVISORS

Certified Public Accountants .... Vail & Park, P.C.
Frisco, Texas

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

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

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$3,000,000*
CITY OF GLENN HEIGHTS, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $3,000,000* City of Glenn Heights, Texas, General Obligation Bonds, Series 2026 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted by the City of Glenn Heights, Texas (the "City") on the date of sale of the Bonds which will authorize the issuance of the Bonds (the "Ordinance"), except as otherwise indicated herein.

There follows in this 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., Dallas, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, and the City's Home Rule Charter. The City was incorporated in 1953, and first adopted its Home Rule Charter in 1987 and last amended it in November 2025. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office for the Mayor and the Councilmembers is two years with the terms of the Mayor and three of the Councilmembers expiring in even-numbered years and the terms of the other three Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture and recreation, public transportation, public improvements, planning and zoning, and general administrative services. The estimated 2026 population is 21,089. The City covers approximately 8.8 square miles. For additional information relating to the City, see "Appendix A - General Information Regarding the City."

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 1, 2026 (the "Dated Date"). The Bonds mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the Date of Delivery, will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on February 15 and August 15 of each year, commencing February 15, 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 of a series 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" herein).

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1331, Texas Government Code, as amended, the Election and the Ordinance.

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

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. The City's Home Rule Charter authorizes a tax rate up to the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

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* Preliminary, subject to change.

Optional Redemption . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

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.

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

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

With respect to any optional redemption of the Bonds, unless 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 state that said redemption may, at the option of the City, be 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, 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, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised or any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bond from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "The Bonds - Book-Entry-Only-System" herein.

Defeasance . . . The Ordinance provides for the defeasance of Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas.

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

Upon making such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all right 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 the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City 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 Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond 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 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account 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 the 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 defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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

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.

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

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

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

PAYMENT PROVISIONS. . . 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 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. Principal of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption of a Bond upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "The Bonds - Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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

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

REPLACEMENT BONDS . . . If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount and series 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 a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Paying Agent/Registrar a Bond to the effect that such Bond has been destroyed, stolen or lost and proof 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 does not specify events of default with respect to the Bonds. If the City defaults in the payment of principal of or interest on the Bonds or the redemption price of a Bond when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the obligations under the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, S.W. 3d (Tex. 2016) 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. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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

Sources of Funds	
Par Amount	
Reoffering Premium	
Total Sources of Funds	$ -
Uses of Funds	
Construction or Acquisition Deposit	
Underwriter's Discount	
Costs of Issuance	
Total Uses of Funds	$ -

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AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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

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

Through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,320,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

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

LOCAL OPTION HOMESTEAD EXEMPTIONS. . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption described in clause (1) above that was granted in tax year 2022 through December 31, 2027. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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

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 certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from taxation.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY 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 of the State (the "Governor") to be a disaster area following a disaster and it is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Property Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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 "AD VALOREM PROPERTY TAXATION – City Application of Tax Code" herein.

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $62,883,169 for the 2026 calendar year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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

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

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

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

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

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

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

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

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

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

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

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2023 through 2025 divided by the current total value.

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

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has 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.

2025 Regular and Special Legislative Sessions . . . The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session "). The Texas Legislature (the "Legislature ") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session. During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions or the full impact of the legislation approved during the 89th Regular Session or the two called special sessions at this time.

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 $25,000; the disabled are granted an exemption of $25,000.

The City has not granted any part of the local-option exemption of up to 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

The City does not tax nonbusiness personal property; and the Dallas County Tax Assessor collects the City's taxes.

The City does permit split payments of taxes, and discounts for the early payment of taxes are not allowed.

The City does tax goods-in-transit.

The City does tax freeport property.

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

Tax Abatement Policy . . . The City has adopted a policy for economic development incentives. This policy includes a provision for tax abatement, provided that the new company's property meets a minimum taxable assessed value and its gross payroll exceeds certain defined dollar amounts. The abatement in the first year can be as high as 95% and declines annually to 0% over a 4 to 10 year period depending on the size of the company, the additional taxable assessed value, and the size of the gross payroll. As of this time, no company has taken advantage of the tax abatement policy.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Dallas and Ellis Appraisal Districts		$ 2,082,290,149
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead/Over 65	$ 17,451,705	
Disabled Veterans /Persons	110,050,349	
Agricultural and Open-Space Land Use	26,729,287	
Solar Exemption	947,170	
10% Cap Loss	65,637,377	
Circuit Breaker Limitation	4,328,530	
Pollution Control	46,540	
Totally Exempt	44,573,008	
Under 500	26,380	269,790,346
2025/26 Taxable Assessed Valuation(1)		$ 1,812,499,803
Debt Payable from Ad Valorem Taxes (as of 6/30/26) (2)		
General Obligation Debt		$ 9,210,000
The Bonds(3)		3,000,000
Total Funded Debt Payable from Ad Valorem Taxes		$ 12,210,000
Interest and Sinking Fund as of 7/1/26(4)		$ 242,322

2026 Estimated Population - 21,089

Per Capita Funded Debt Payable from Ad Valorem Taxes - $579

(1) Fiscal Year 2027 Certified Taxable Assessed Valuation is $1,848,814,740.
(2) Excludes lease/purchase obligations, notes payable, PPFCOs or SIB Loans.
(3) Preliminary, subject to change.
(4) Although the ordinances of the City under which it has issued debt have required the establishment of separate interest and sinking funds, the City has not historically created separate interest and sinking funds but has accumulated money in the City's general fund and its water and sewer fund and made periodic transfers to the paying agents for the City's debt from such funds.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,775,157,794	85.25%	$ 1,770,931,958	84.89%	$ 1,683,197,509	86.44%
Real, Residential, Multi-Family	52,093,949	2.50%	48,095,514	2.31%	47,208,370	2.42%
Real, Vacant Lots/Tracts	45,814,435	2.20%	37,897,686	1.82%	42,288,416	2.17%
Real, Acreage (Land Only)	27,188,063	1.31%	29,990,678	1.44%	27,403,703	1.41%
Real, Farm and Ranch Improvements	3,443,292	0.17%	5,231,459	0.25%	7,062,363	0.36%
Real, Commercial	114,271,558	5.49%	120,799,392	5.79%	80,543,321	4.14%
Real, Industrial	585,000	0.03%	390,000	0.02%	390,000	0.02%
Real and Tangible Personal, Utilities	27,337,580	1.31%	25,851,408	1.24%	24,070,109	1.24%
Tangible Personal, Commercial	11,577,404	0.56%	10,236,702	0.49%	7,009,286	0.36%
Tangible Personal, Industrial	328,124	0.02%	356,774	0.02%	396,204	0.02%
Tangible Personal, Mobile Homes	10,164,237	0.49%	10,211,263	0.49%	10,283,553	0.53%
Real Property, Inventory	14,290,593	0.69%	26,043,404	1.25%	17,253,672	0.89%
Special Inventory	38,120	0.00%	128,970	0.01%	143,930	0.01%
Total Appraised Value Before Exemptions	$ 2,082,290,149	100.00%	$ 2,086,165,208	100.00%	$ 1,947,250,436	100.00%
Adjustment Amount	-		-		-	
Less: Total Exemptions/Reductions	(269,790,346)		(302,856,126)		(302,856,126)	
Taxable Assessed Value	$ 1,812,499,803		$ 1,783,309,082		$ 1,644,394,310	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,406,023,774	85.49%	$ 1,000,741,667	84.34%
Real, Residential, Multi-Family	36,044,888	2.19%	33,925,870	2.86%
Real, Vacant Lots/Tracts	34,202,801	2.08%	22,418,580	1.89%
Real, Acreage (Land Only)	28,732,715	1.75%	23,652,556	1.99%
Real, Farm and Ranch Improvements	6,285,509	0.38%	5,685,820	0.48%
Real, Commercial	76,457,484	4.65%	37,711,880	3.18%
Real, Industrial	340,920	0.02%	340,920	0.03%
Real and Tangible Personal, Utilities	22,381,960	1.36%	21,254,510	1.79%
Tangible Personal, Commercial	6,081,584	0.37%	7,371,513	0.62%
Tangible Personal, Industrial	240,799	0.01%	241,938	0.02%
Tangible Personal, Mobile Homes	7,817,066	0.48%	7,040,040	0.59%
Real Property, Inventory	19,907,315	1.21%	26,038,800	2.19%
Special Inventory	130,922	0.01%	75,790	0.01%
Total Appraised Value Before Exemptions	$ 1,644,647,737	100.00%	$ 1,186,499,884	100.00%
Adjustment Amount	(19,741,612)		-	
Less: Total Exemptions/Reductions	(263,811,904)		(117,493,876)	
Taxable Assessed Value	$ 1,361,094,221		$ 1,069,006,008	

NOTE: Valuations shown are certified taxable assessed values reported by the 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. Fiscal Year 2027 Certified Taxable Assessed Valuation is $1,848,814,740.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9-30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	16,426	$ 1,069,006,008	$ 65,080	$ 12,775,000	1.20%	$ 778
2023	17,175	1,361,094,221	79,249	11,895,000	0.87%	693
2024	18,793	1,644,394,310	87,500	10,990,000	0.67%	585
2025	20,625	1,783,309,082	86,463	10,055,000	0.56%	488
2026	21,089	1,812,499,803	85,945	12,210,000 [(4)]	0.67% [(4)]	579 [(4)]

(1) Estimated.
(2) As reported by the Appraisal District on the City's annual State Property Tax Reports and excludes total exemptions and reductions; subject to change during the ensuing year. Fiscal Year 2027 Certified Taxable Assessed Valuation is $1,848,814,740.
(3) Excludes lease/purchase obligations, notes payable, PPFCOs or SIB Loans.
(4) Projected. Excludes lease/purchase obligations, notes payable, PPFCOs or SIB Loans. Includes the Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9-30	Tax Rate	Maintenance and Operations	Debt Service	Tax Levy	% Current Collections	% Total Collections
2022	$ 0.769146	$ 0.636542	$ 0.132604	$ 8,223,364	99.85%	100.00%
2023	0.632211	0.532646	0.099565	8,728,834	101.22%	100.94%
2024	0.564729	0.481680	0.083049	9,287,131	100.05%	100.05%
2025	0.565015	0.487497	0.077518	10,078,958	100.24%	100.24%
2026	0.562795	0.495670	0.067125	10,733,594	98.66% [(1)]	99.16% [(1)]

(1) Collections through June 30, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Glenn Heights Community LLC	Mobile Home Park	$ 22,800,000	1.26%
Oncor Electric Delivery Co LLC	Public Utility	18,235,850	1.01%
Glenn Heights Town & Country	Apartments	8,315,000	0.46%
First Texas Homes Inc	Home Builder	6,068,312	0.33%
Hi Ho RV Park LP	Mobile Home Park	5,535,820	0.31%
Bloomfield Homes LP	Home Builder	5,041,808	0.28%
SFR JV-HD 2024-1 Borrower LLC	Real Estate Developer	4,783,312	0.26%
Atmos Energy Mid Tex	Gas Companies	3,865,430	0.21%
Spectrum Gulf Coast LLC	Telecommunications	3,768,100	0.21%
Northwood Properties LLC	Commercial Real Estate	3,149,270	0.17%
		$ 81,562,902	4.50%

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

TABLE 6 - TAX ADEQUACY[1]

Net Principal and Interest Requirements, 2026	$ 1,168,243
$0.0658 Tax Rate at 98.00% Collection Produces	$ 1,168,772
Average Net Annual Principal and Interest Requirements, 2026 - 2046	$ 816,245
$0.0460 Tax Rate at 98.00% Collection Produces	$ 817,075
Maximum Net Principal and Interest Requirements, 2028	$ 1,332,505
$0.0751 Tax Rate at 98.00% Collection Produces	$ 1,333,964

(1) Excludes lease/purchase obligations, notes payable, PPFCOs or SIB Loans. 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 obligations ("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.

Taxing Jurisdiction	2025/26 Taxable Assessed Value	2025/26 Tax Rate	Total Tax Debt as of 6/30/2026	Estimated % Applicable	City's Overlapping Tax Supported Debt as of 6/30/2026
City of Glenn Heights	$ 1,812,499,803	$ 0.6504	$ 12,210,000 [1]	100.00%	$ 12,210,000 [1]
Dallas County	431,262,097,321	0.2160	502,665,000	0.23%	1,156,130
Dallas County Hospital District	432,204,862,499	0.2120	511,285,000	0.23%	1,175,956
Dallas College	442,387,293,421	0.1070	177,300,000	0.23%	407,790
DeSoto ISD	4,554,486,041	1.2250	286,284,287	14.05%	40,222,942
Ellis County	39,198,444,896	0.2740	18,535,000	2.24%	415,184
Red Oak ISD	4,332,817,437	1.0860	370,985,000	16.59%	61,546,412
Total Direct and Overlapping Tax Debt					$ 117,134,413
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation					6.46%
Per Capita Overlapping Tax Debt					$ 3,824.17

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

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt [1]			The Bonds[2]			Total Outstanding Tax-Supported Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2026	$ 845,000	$ 323,243	$ 1,168,243	$ -	$ -	$ -	1,168,243	
2027	880,000	295,938	1,175,938	-	131,667	131,667	1,307,605	
2028	915,000	267,505	1,182,505	-	150,000	150,000	1,332,505	
2029	810,000	240,850	1,050,850	65,000	148,375	213,375	1,264,225	
2030	835,000	216,175	1,051,175	70,000	145,000	215,000	1,266,175	33.86%
2031	865,000	190,675	1,055,675	70,000	141,500	211,500	1,267,175	
2032	905,000	164,125	1,069,125	60,000	138,250	198,250	1,267,375	
2033	945,000	136,375	1,081,375	50,000	135,500	185,500	1,266,875	
2034	985,000	102,500	1,087,500	45,000	133,125	178,125	1,265,625	
2035	1,015,000	62,500	1,077,500	55,000	130,625	185,625	1,263,125	72.12%
2036	1,055,000	21,100	1,076,100	60,000	127,750	187,750	1,263,850	
2037	-	-	-	200,000	121,250	321,250	321,250	
2038	-	-	-	210,000	111,000	321,000	321,000	
2039	-	-	-	220,000	100,250	320,250	320,250	
2040	-	-	-	230,000	89,000	319,000	319,000	87.25%
2041	-	-	-	245,000	77,125	322,125	322,125	
2042	-	-	-	255,000	64,625	319,625	319,625	
2043	-	-	-	270,000	51,500	321,500	321,500	
2044	-	-	-	285,000	37,625	322,625	322,625	
2045	-	-	-	295,000	23,125	318,125	318,125	97.59%
2046	-	-	-	315,000	7,875	322,875	322,875	100.00%
	$10,055,000	$2,020,986	$12,075,986	$ 3,000,000	$2,065,167	$ 5,065,167	$ 17,141,153	

(1) "Outstanding Debt", excludes lease/purchase obligations, notes payable, PPFCOs or SIB Loans. Preliminary, subject to change.
(2) Average life of the Bonds - 13.768 years. Interest calculated at an average rate for purposes of illustration. Preliminary, subject to change.

Table 9 - Interest and Sinking Fund Budget Projection[1]

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/26		$ 1,168,243 [1]
Interest and Sinking Fund Balance at 9/30/25	$ 71,589	
Budgeted 2025/26 Interest and Sinking Fund Tax Levy	1,266,706	
Budgeted Delinquent Tax	8,000	
Penalties & Interest	7,000	
Interest Revenue	13,000	1,366,295
Estimated Balance, 9/30/26		$ 198,052

(1) Excludes lease/purchase obligations, notes payable, PPFCOs or SIB Loans.

Table 10 - Computation of Self-Supporting Debt

The City currently has no debt that is self-supporting.

Table 11 - Authorized But Unissued General Obligation Bonds

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued[1]	Unissued Balance
Street	11/4/2025	$ 18,700,000	$ -	$ 3,025,000.00	$ 15,675,000

(1) Includes premium on the Bonds to be allocated against voted authorization. Preliminary, subject to change.

Anticipated Issuance of Additional General Obligation Debt. . . The City does not anticipate issuing additional general obligation debt in the next 12 months.

Table 12 - Other Obligations

As of July 31, 2026, the City has no other obligations.

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Pension Fund

Plan Description – The City participates as one of more than 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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. A summary of plan provisions for the City are as follows:

	Plan Year 2024	Plan Year 2023
Employee deposit rate	6.00%	6.00%
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, 0/20	60/5, 0/20

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	77
Inactive employees entitled to but not yet receiving benefits	150
Active employees	102
	329

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.44% and 3.97% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $320,285, and were equal to the required contributions.

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.5% per year, adjusted down for population declines, if any
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	7.10%
Core fixed income	6.00%	5.00%
Non-core fixed income	6.00%	6.80%
Infrastructure	6.00%	6.00%
Private debt	13.00%	8.20%
Other private markets	4.00%	7.30%
Real estate	12.00%	6.70%
Hedge funds	5.00%	6.40%
Private equity	13.00%	8.50%
	100.00%	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position (FNP) was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Pension Plan Fiduciary Net Position

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

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Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c)
Balance at 12/31/23	$ 11,142,374	$ 12,750,393	$ (1,608,019)
Changes for the year:			
Service cost	807,504	-	807,504
Interest	762,922	-	762,922
Changes in benefit terms	-		
Difference between expected and actual experience	2,284	-	2,284
Changes in assumptions	-	-	-
Contributions-employer	-	324,169	(324,169)
Contributions-employees	-	438,067	(438,067)
Net investment income	-	1,324,675	(1,324,675)
Benefit payments, including refunds of employee contributions	(487,163)	(487,162)	- (1)
Administrative expense	-	(8,497)	8,497
Other changes	-	(197)	197
Net changes	1,085,547	1,591,055	$ (505,508)
Balance at 12/31/24	$ 12,227,921	$ 14,341,448	$ (2,113,527)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net Pension Liability/(Asset)	$ (352,073)	$ (2,113,526)	$ (3,551,540)

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 gain in the amount of $270,151. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 117,310
Changes in actuarial assumptions	-	12,545
Difference between projected and actual investment earnings	-	150,860
Contributions subsequent to the measurement date	240,399	-
Total	$ 240,399	$ 280,715

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$240,399 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the subsequent year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year Ended December 31,	
2025	$ (126,405)
2026	139,094
2027	(200,600)
2028	(92,804)
2029	-
Thereafter	-
	$ (280,715)

Other Post-Employment Benefits

SUPPLEMENTAL DEATH BENEFITS PLAN

Plan Description

TMRS administers an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single employer OPEB plan (i.e. no assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB 75).

OPEB Plan Fiduciary Net Position

Detailed information about the TMRS SDBF's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. This report may be obtained at www.tmrs.com.

Benefits Provided

SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another post-employment benefit and is a fixed amount of $7,500.

Contributions

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

Employees for the City were not required to contribute to the SDBF. The contribution rates for the City were 0.24% and 0.20% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $16,429 and were equal to required contributions.

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	24
Inactive employees entitled to but not yet receiving benefits	17
Active employees	102
	143

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate*	4.08%
Retirees share of benefit related costs	$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality Rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.
Note: The actuarial assumption used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Total OPEB Liability

The City's total OPEB liability was determined by an actuarial valuation as of December 31, 2024.

	Total OPEB Liability
Balance at 12/31/23	$ 175,265
Changes for the year:	
Service cost	14,602
Interest	6,800
Changes in benefit terms including TMRS plan participation	-
Difference between expected and actual experience	(10,701)
Changes in assumptions	(10,003)
Benefit payments	(4,381)
Net changes	(3,683)
Balance at 12/31/24	$ 171,582

Discount Rate Sensitivity Analysis

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 have been 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 in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB liability	$ 207,093	$ 171,582	$ 144,104

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OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended September 30, 2025, the City recognized OPEB gain in the amount of $43,104. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 19,432
Changes in actuarial assumptions	-	37,227
Contributions subsequent to the measurement date	12,111	-
Total	$ 12,111	$ 56,659

$12,111 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the subsequent year. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year Ended December 31,	
2025	$ (13,923)
2026	(19,233)
2027	(17,998)
2028	(2,901)
2029	(2,604)
Thereafter	-
	$ (56,659)

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS – GOVERNMENTAL ACTIVITIES

	Fiscal Year Ended September 30,				
Program Revenues	2025	2024	2023	2022	2021
Charges for Services	$ 3,667,634	$ 3,269,301	$ 3,908,535	$ 3,631,144	$ 4,078,565
Operating Grants and Contributions	20,219	4,775	176,352	240,508	188,967
Capital Grants and Contributions	1,902,985	3,654,639	12,293	-	-
General Revenues					
Property Taxes	10,223,392	9,363,297	8,934,919	8,319,739	7,315,655
Other Taxes	1,954,276	1,971,527	1,862,974	1,638,373	1,429,294
Other	1,218,538	1,355,910	992,651	233,638	1,069,264
Total Revenues	$18,987,044	$19,619,449	$15,887,724	$14,063,402	$14,081,745
Expenses:					
General Government	$ 3,442,246	$ 2,426,006	$ 2,820,998	$ 2,131,380	$ 1,906,746
Public Safety	7,010,514	6,219,761	5,715,827	4,220,503	4,157,166
Development Services	4,309,003	3,294,106	2,229,395	2,128,107	2,053,633
Recreation	979,491	954,467	885,500	360,504	270,365
Interest on Long-term Debt	286,273	34,226	324,366	581,840	463,362
Economic Development	24,995	311,363	67,717	7,907	5,828
Total Expenses	$16,052,522	$13,239,929	$12,043,803	$ 9,430,241	$ 8,857,100
Increase in Net Position before Transfers	$ 2,934,522	$ 6,379,520	$ 3,843,921	$ 4,633,161	$ 5,224,645
Transfers	1,183,757	(1,658,264)	36,775	330,003	36,776
Increase (Decrease) in Net Position	$ 4,118,279	$ 4,721,256	$ 3,880,696	$ 4,963,164	$ 5,261,421
Net Position - Beginning	44,967,366 [1]	39,437,296	35,556,600	30,593,436	25,332,015
Prior Period Adjustments	-	-	-	-	-
Net Position - Ending	$49,085,645	$44,158,552	$39,437,296	$35,556,600	$30,593,436

(1) Restated.

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TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	For Fiscal Year Ended September 30,				
Revenues	2025	2024	2023	2022	2021
Property Taxes	$ 8,788,248	$ 8,008,373	$ 7,515,752	$ 6,854,594	$ 5,838,479
Franchise Fees	670,834	697,192	731,228	622,997	484,368
Sales and Use Tax	1,283,442	1,274,335	1,131,746	1,015,376	944,926
Fines and Warrants	256,493	673,076	233,623	189,838	219,130
Permits and Fees	757,436	230,763	1,233,235	1,446,215	1,922,255
Service Fees	2,368,188	2,086,359	1,789,591	1,491,260	1,315,383
Contributions	-	-	-	250	450
Intergovernmental	-	-	122,131	18,065	517
Interest	821,043	488,484	296,869	46,904	129,885
Miscellaneous	3,404	128,801	8,700	8,023	134,183
Total Revenues	$ 14,949,088	$ 13,587,383	$ 13,062,875	$ 11,693,522	$ 10,989,576
Expenditures					
General Government	$ 3,047,823	$ 2,641,812	$ 2,679,314	$ 2,155,171	$ 1,918,936
Public Safety	6,472,364	5,827,818	4,846,906	4,105,331	3,833,611
Development Services	3,443,149	2,726,877	2,101,403	1,839,643	1,775,791
Parks and Recreation	893,173	934,883	814,888	340,614	234,152
Economic Development	24,995	10,867	13,146	5,082	5,501
Capital Outlay	1,323,600	80,585	252,608	256,958	126,506
Debt Service:					
Principal	180,439	87,178	69,258	72,705	69,263
Interest and Fiscal Charges	5,097	5,480	23,400	19,953	23,395
Total Expenditures	$ 15,390,640	$ 12,315,500	$ 10,800,923	$ 8,795,457	$ 7,987,155
Excess (Deficiency) of Revenues Over Expenditures	$ (441,552)	$ 1,271,883	$ 2,261,952	$ 2,898,065	$ 3,002,421
Transfers In	$ 1,395,615	$ 1,105,775	$ 125,775	$ 69,775	$ 69,776
Transfers Out	(22,678)	(154,095)	(982,180)	(5,500,000)	(250,000)
Sale of Capital Assets	-	-	103,363	-	-
Insurance Proceeds	175,937	19,122	32,527	5,296	7,972
Total Other Financing Sources (Uses)	$ 1,548,874	$ 970,802	$ (720,515)	$ (5,424,929)	$ (172,252)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 1,107,322	$ 2,242,685	$ 1,541,437	$ (2,526,864)	$ 2,830,169
Beginning Fund Balance	10,898,790 (1)	8,546,915	7,005,478	9,532,342	6,702,173
Ending Fund Balance	$ 12,006,112	$ 10,789,600	$ 8,546,915	$ 7,005,478	$ 9,532,342

(1) Restated.

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Tax Code, Chapter 321, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Table 14, below, sets forth the amounts collected from the City's general 1% sales tax for the periods shown.

Fiscal Year Ended 9/30	1% City Sales Tax Collections	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (1)
2022	$ 1,015,376	12.35%	$ 0.09498	$ 61.82
2023	1,131,227	12.96%	0.08311	65.86
2024	1,273,846	13.72%	0.07747	67.78
2025	1,282,945	12.73%	0.07194	62.20
2026 (2)	900,865	8.39%	0.04970	42.72

(1) Based on population estimates of the North Central Texas Council of Governments and City Staff.
(2) Collections as of June 30, 2026.

The sales tax breakdown for the City is as follows:

Dallas Area Rapid Transit (DART)	1.00%
City Sales & Use Tax	1.00%
State Sales & Use Tax	6.25%
Total	8.25%

As noted in "Table 14 - Municipal Sales Tax History," above, in comparison to the revenues produced by the City through the exercise of its ad valorem taxation powers, the City funds a large portion of its operating budget though the collection of sales taxes. Sales tax revenues typically fluctuate in direct proportion to changes in general and local economic conditions, especially when compared to changes in the ad valorem tax base. In response to such economic changes, sales tax revenues also tend to change more quickly than the value of property against which ad valorem taxes are levied.

FINANCIAL POLICIES

Basis of Accounting . . . The modified accrual basis of accounting is followed by the governmental fund. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount can be determined. "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, if measurable.

Ad valorem, franchise and sales tax revenues recorded in the General Fund are recognized under the susceptible-to-accrual concept. Licenses and permits, charges for services, tines and warrants and miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. In-kind-contributed services provided by individuals, private organizations and local governments are used to match federal and state administered funding on various grants. Contributed services are therefore recorded as revenue and expenditures in accordance with legal requirements of the individual grants. The amounts of such services are recorded in the accompanying financial statements at their estimated fair market values at date of receipt. Contributions to grant programs from other participants are recognized as revenue when grant expenditures are incurred.

The proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus, using the accrual basis of accounting. Under this basis of accounting and measurement focus, the City applies (a) all GASB pronouncements and (b) GASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncement.

Basis of Presentation . . . The accounts of the City are organized on the basis of funds or account groups, 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 balances, revenues and expenditures. The various funds are summarized by type in the financial statements. The following fund types and account groups arc maintained by the City.

Governmental Fund Types:

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those, if any, which should be accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income. The City has the following governmental fund types:

<u>General Fund</u> - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

<u>Capital Project Fund</u> - The capital project fund is established to account for major capital expenditures not financed by another fund.

<u>Impact Fee Fund</u> - The City's Impact Fund is used to account for fees charged to developers at the time of platting. The fees are based on the expected impact of the development on the City's water and sewer system. The use of funds collected as impact fees is restricted to utility construction and debt service on water, sewer and plant facilities.

<u>Debt Service Fund</u> - The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Proprietary Fund Types:

Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the City's proprietary fund types:

<u>Enterprise Funds</u> - The City's Water and Sewer Fund is used to account for operations that provide water and sewer services to citizens. These services are financed primarily by the user charge. Depreciation on fixed assets accounted for within the enterprise fund is determined by the straight-line method over the useful lives of the respective assets.

Budgetary Data

The City prepares its budget on the modified accrual basis of accounting and follows these procedures in establishing the budgetary date reflected in the financial statements:

- Prior to August 1, the City Manager 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.

- Public hearings are conducted to obtain taxpayer comments.

- The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies.

For budgetary purposes, appropriations lapse at fiscal year-end.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in obligations meeting the requirements of the Texas Public Funds Investment Act (Texas Government Code, Chapter 2256, as amended, the "PFIA") which may include: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security of which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit or share certificates that: (i) that are issued by an 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 the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and provided for by law for City deposits, or (ii) where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State of Texas 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 Bonds 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 Bonds 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, a custodian 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 Bonds of deposit; (8) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1) above, (iii) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) 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 (6) 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 (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body, and deposited at the time the investment is made with the governmental body or a third party designated by the governmental body; (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 of Texas; and, (iv) the agreement to lend securities has a term of one year or less; (10) 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; (11) commercial paper with a stated maturity of 365 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; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. 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 also be eligible to invest its funds in additional investments authorized by the Public Funds Investment Act as the same may be amended from time to time.

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 or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity 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 Texas 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 funds' 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 Texas 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, (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 for the reporting period of each pooled fund group, 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 or 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 Treasurer, chief financial officer and investment officers; (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) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (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 15 - CURRENT INVESTMENTS

As of June 30, 2026, the City's investable general funds were invested in the following categories:

Description	Book Value
TexSTAR	$ 4,403,934
LOGIC	4,581,040
Cash	3,464,512
Texas Connect	4,519,244
U.S. Bank	17,918,984
	$ 34,887,714

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TAX MATTERS

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

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

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

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City will designate the Bonds as "qualified tax-exempt obligations" and will certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

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

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

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

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

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

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CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports . . . The City will provide certain updated financial information and operating data to the MSRB. 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 under Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2026. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. 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 may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC"). While the City will not be obligated to provide financial statements until twelve months after fiscal year end, it intends to attempt to do so within six months after year end.

The City's current fiscal year end is September 30. Accordingly, the City must provide the information under Tables numbered 1 through 6 and 8 through 15 by March 31 in each year and the audited financial statements (or unaudited financial statements if the audit in not available) by August 31 of each year. If the City changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds, to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation, as defined by the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Availability of Information . . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the 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 a Initial Purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Bonds and the presently outstanding tax supported debt of the City are rated “AA” by S&P, without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the 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 the 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.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would 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) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the 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. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

LEGAL MATTERS

The issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City and, based upon an examination of transcripts of proceedings relating to the , the approving legal opinions of Bond Counsel to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations. Bond Counsel will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinances. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

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.

MUNICIPAL ADVISOR

Hilltop Securities Inc. 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. Hilltop Securities Inc., in its capacity as Municipal Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 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 Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

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 this Official Statement at a price of ______% of par plus a net 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 initial yields shown on page 2 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Bonds are sold in the secondary market.

CERTIFICATION AS TO OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish the Initial Purchasers a certificate, executed by an authorized representative of the City, acting in such person's representative capacity, to the effect that to the best of such person's 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 the Official Statement, on the date of sale of the Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the 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 in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the 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.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

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

MISCELLANEOUS

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

____
Mayor
City of Glenn Heights, Texas

ATTEST:

____
City Secretary
City of Glenn Heights, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION . . . The City of Glenn Heights is located on Interstate 35 in Dallas and Ellis Counties and is approximately 15 miles south of Dallas.

ECONOMY AND POPULATION . . . The City is primarily a residential bedroom community. The City's 2020 Census population was 15,819, while its estimated 2026 population is 21,089. The City is served by two school districts, DeSoto Independent School District and Red Oak Independent School District.

TRANSPORTATION . . . The City is the only suburb (except for the City of Cockrell Hill) in the southern half of Dallas County that is a member of Dallas Area Rapid Transit. The Glenn Heights Park & Ride Center serves the City. None of DART's current commuter rail lines serve Glenn Heights, nor will any of its proposed extensions.

BUILDING PERMIT INFORMATION

Fiscal Year Ended 9/30	Residential	
	Number of Units	Average Value
2021	428	$ 253,418
2022	168	342,358
2023	209	301,529
2024	95	426,199
2025	92	383,919

Source: City Records.

EMPLOYMENT RATES

Dallas County	Annual Average 2026(1)	Annual Average 2025	Annual Average 2024	Annual Average 2023	Annual Average 2022
Workforce	1,436,167	1,438,197	1,414,942	1,405,116	1,384,809
Employed	1,375,136	1,379,205	1,356,046	1,348,681	1,331,778
Unemployed	61,031	58,992	58,896	56,435	53,031
% Unemployed	4.2%	4.1%	4.2%	4.0%	3.8%

State of Texas	Annual Average 2026(1)	Annual Average 2025	Annual Average 2024	Annual Average 2023	Annual Average 2022
Workforce	15,883,072	15,883,632	15,628,870	15,248,074	14,784,035
Employed	15,190,736	15,218,369	14,985,161	14,636,691	14,200,881
Unemployed	692,336	665,263	643,709	611,383	583,154
% Unemployed	4.4%	4.2%	4.1%	4.0%	3.9%

Source: Texas Employment Commission, Austin, Texas.
(1) As of June 2026.

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APPENDIX B

EXCERPTS FROM THE

CITY OF GLENN HEIGHTS, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

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

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Michael G. Vail, CPA
Charlie S. Park, CPA
Matt P. Chen, CPA
Tung V. Pham, CPA
Charles T. Gregg, CPA
Don E. Graves, CPA
Susan K. LaFollett, CPA
Steven R. Huber, CPA
Leslie L. Henson, CPA

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council

City of Glenn Heights, Texas

Opinions

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

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

Basis for Opinions

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

Emphasis of Matters

As described in Note 15 to the financial statements, during the year ended September 30, 2025, the City restated their beginning net position on the financial statements, due to corrections of errors. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Frisco, TX (main office):
11500 State Highway 121, Suite 410, Frisco, TX 75035
Office: 972-234-3333 Fax: 972-234-3331

Dallas, TX:
9330 Lyndon B Johnson Freeway, Suite 280, Dallas, TX 75243
Office: 972-840-1516 Fax: 972-271-6778

Tom Bean, TX:
118 W Cotton Belt Road, Tom Bean, TX 75489
Office: 903-546-6975 Fax:: 903-546-6017

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 12 and Required Supplementary Information on pages 48 - 55, respectively be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City basic financial statements. The accompanying Combining Statements and Individual Fund Schedules on pages 59 – 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements and Individual Fund Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Vail + Park, P.C.

Frisco, Texas

March 18, 2026

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Glenn Heights, Texas (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City. We encourage the readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2025, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by $69,136,510 (net position). Of this amount, $22,315,624 (or 32%) was unrestricted.

- For the fiscal year ended September 30, 2025, net position increased by $4,237,348. In fiscal year, 2024 the increase was $8,588,417. The increase in fiscal year 2025 is primarily due to revenue for charges for services, property taxes, grants and contributions, and sales taxes.

- At fiscal year-end, the City's governmental funds reported combined ending fund balances of $24,045,119, of which $11,812,632 (or 49%) was available for spending at the City's discretion (unassigned balance).

- The City's noncurrent liabilities decreased by $1,448,645. This decrease is mainly the result of annual debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in *more detail* than the government-wide statements.
- *Governmental fund* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- The financial statements also include *notes to the financial statements* explaining some of the information in the financial statements and provide more detailed data.
- The report also contains other supplementary information in addition to the basic financial statements themselves.

The remainder of this overview explains the structure and contents of each of the statements.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector businesses. The statement of net position includes *all* of the government's assets and liabilities. In the statement of activities, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid, and all of the City's g*overnmental activities* and City services are combined and show how they are financed.

Both government-wide statements report the City's *net position* and how it has changed. Net position, the difference between the City's assets, deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements can be found on pages 15 - 17 of this report.

Fund Financial Statements

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

- *Governmental fund*—The City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because these funds do not encompass the additional long-term focus of the government-wide statements, additional information is provided following each fund statement that explains the relationship (or differences) between them.

- Some funds are required by State law, such as the debt service fund.

- Management may establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenue resources, such as capital project funds.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover, and the types of information they contain.

Figure A-1 - Major Features of the City's Government-wide and Fund Financial Statements

Type of Statements	**Government-Wide**	**Fund Level**	
		Governmental Funds	**Proprietary Funds**
Scope	Entire City's government, except fiduciary funds	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private business: utilities
Required financial statements	♦ Statement of Net Position ♦ Statement of Activities	♦ Balance Sheet ♦ Statement of Revenues, Expenditures & Changes in Fund Balances	♦ Statement of Net Position ♦ Statement of Revenues, Expenses & Changes in Fund Balances ♦ Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end; expenditures when goods or services have been received and payment is made during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The basic governmental fund financial statements can be found on pages 18 – 21 of this report.

The basic proprietary fund financial statements can be found on pages 22 – 25 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time net position serves as a useful indicator of a government's financial condition. As noted earlier, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows by $69,136,510.

The largest portion of the City's net position, $35,054,648 or 51%, represents the City's investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure) less any debt used to acquire assets still outstanding at year end. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another portion of the City's net position, $11,766,238 or 17%, represents resources that are subject to external restrictions on how they may be used (i.e., debt service, public safety, capital improvements, etc.). The remaining portion, $22,315,624 or 32%, may be used at the City's discretion to meet ongoing obligations to its citizens and creditors (unrestricted).

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

City of Glenn Heights, Texas - Net Position

	Governmental Activities		Business-type Activities		Totals	
	2025	As Restated 2024	2025	2024	2025	As Restated 2024
Current and other assets	$ 28,376,795	$ 28,475,395	$ 10,125,998	$ 9,648,055	$ 38,502,793	$ 38,123,450
Capital assets	34,890,957	32,841,933	13,197,814	13,555,477	48,088,771	46,397,410
Total assets	63,267,752	61,317,328	23,323,812	23,203,532	86,591,564	84,520,860
Total deferred outflows of resources	225,466	531,908	27,044	56,793	252,510	588,701
Current liabilities	1,361,346	2,390,680	1,063,638	944,783	2,424,984	3,335,463
Noncurrent liabilities	12,619,995	13,942,429	2,200,221	2,345,612	14,820,216	16,288,041
Total liabilities	13,981,341	16,333,109	3,263,859	3,290,395	17,245,200	19,623,504
Total deferred inflows of resources	426,232	548,761	36,132	38,134	462,364	586,895
Net investment in capital assets	24,005,447	19,502,973	11,049,201	11,238,402	35,054,648	30,741,375
Restricted	6,594,720	4,186,856	5,171,518	5,030,737	11,766,238	9,217,593
Unrestricted	18,485,478	21,277,537	3,830,146	3,662,657	22,315,624	24,940,194
Total net position	$ 49,085,645	$ 44,967,366	$ 20,050,865	$ 19,931,796	$ 69,136,510	$ 64,899,162

The following table provides a summary of the City's operations for the year ended September 30, 2025. Overall, the City had an increase in net position of $4,237,348. This increase is attributable to the governmental activities for $4,118,279 and business-type activities for $119,069. Revenues for business-type activities decreased by $747 when compared to prior fiscal year. Revenue associated with governmental activities decreased by $772,585 when compared to prior fiscal year. Significant changes in governmental activities revenues include the following.

- $860,095 increase in property tax revenue,
- $2,149,721 decrease in grants and contributions,
- $603,501 decrease in sales tax revenue,
- $586,250 increase in franchise fee revenue.

Total expenses for governmental activities increased by $2,990,216, and total expenses for the City's business-type activities increased by $587,521 when compared to prior fiscal year. Expenses for governmental activities and business-type activities in fiscal year 2025 compared to prior fiscal year are due to numerous factors.

City of Glenn Heights, Texas – Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2025	As Restated 2024	2025	2024	2025	As Restated 2024
Revenues:						
Program revenues:						
Charges for services	$ 3,667,634	$ 3,272,240	$ 11,245,541	$ 11,331,833	$ 14,913,175	$ 14,604,073
Operating grants & contributions	20,219	4,775	-	-	20,219	4,775
Capital grants & contributions	1,902,985	4,018,727	-	33,979	1,902,985	4,052,706
General revenues:						
Property taxes	10,223,392	9,363,297	-	-	10,223,392	9,363,297
Sales taxes	1,283,442	1,274,335	-	-	1,283,442	1,274,335
Franchise fees	670,834	697,192	-	-	670,834	697,192
Investment earnings	1,039,197	1,207,987	273,550	174,691	1,312,747	1,382,678
Miscellaneous	179,341	147,923	-	-	179,341	147,923
Gain (Loss) on sale of capital assets	-	(226,847)	20,665	-	20,665	(226,847)
Total revenues	18,987,044	19,759,629	11,539,756	11,540,503	30,526,800	31,300,132
Expenses:						
General government	3,442,246	2,248,383	-	-	3,442,246	2,248,383
Public safety	7,010,514	6,219,761	-	-	7,010,514	6,219,761
Development services	4,309,003	3,294,106	-	-	4,309,003	3,294,106
Parks and recreation	979,491	954,467	-	-	979,491	954,467
Economic development	24,995	34,226	-	-	24,995	34,226
Interest on long-term debt	286,273	311,363	-	-	286,273	311,363
Water, sewer, and drainage	-	-	10,236,930	9,649,409	10,236,930	9,649,409
Total expenses	16,052,522	13,062,306	10,236,930	9,649,409	26,289,452	22,711,715
Increase (decrease) in net position before transfers	2,934,522	6,697,323	1,302,826	1,891,094	4,237,348	8,588,417
Transfers	1,183,757	(1,658,264)	(1,183,757)	1,658,264	-	-
Increase (decrease) in net position	4,118,279	5,039,059	119,069	3,549,358	4,237,348	8,588,417
Net position, beginning	44,967,366	39,928,307	19,931,796	16,382,438	64,899,162	56,310,745
Net position, ending	$ 49,085,645	$ 44,967,366	$ 20,050,865	$ 19,931,796	$ 69,136,510	$ 64,899,162

FINANCIAL ANALYSIS AND BUDGETARY HIGHLIGHTS OF CITY FUNDS

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

GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $24,045,119. Approximately 49% of the total amount constitutes unassigned fund balance, which is available for spending at the City's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $11,812,719, while total fund balance was $12,006,112. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 77% of total general fund expenditures. The net increase in fund balance during the current year in the general fund was $1,107,322. An analysis of the general fund operations in the current year is as follows:

- The City's property tax rate for maintenance and operations (M&O) decreased from $0.481680 to $0.487497 in the current fiscal year. The tax assessed values increased, therefore, M&O tax revenues increased by $779,875 as compared against prior year.
- Licenses and permit fees increased by $84,360, primarily due to large development activity within the City in current year.
- Sales and use taxes and fines and forfeitures had an increase $30,011 over the prior year as a result of increases in sales taxes and fine revenue.
- General fund expenditures increased by $3,075,551 mainly due to an increase in salary expenses related to budgeted raises for employees and capital related expenditures for construction project.

The capital projects fund had a net decrease of $885,508. Expenditures exceeded intergovernmental and investment earnings.

The majority of revenues for the City's governmental funds are generated from taxes (65%), charges for services (14%), and intergovernmental revenue (grants and contributions) (10%). The remainder (11%) is obtained from licenses and permits, fines and forfeitures, investment earnings, and other miscellaneous sources.

PROPRIETARY FUNDS

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

Unrestricted net position of the water and wastewater and drainage funds at the end of the year amounted to $2,892,060 and $938,086, respectively. The net position of the water and wastewater fund increased by $111,281 while the net position of the drainage fund increased by $7,788. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Total actual general fund revenues were more than expected, primarily due to revenues from arising sales tax and investment earnings, as well as charges for services that were in excess of budgeted amounts. Revenue sources were more than anticipated in licenses and permits, sales tax, and interest. See details of budget and actual revenues and expenditures for the general fund in the required supplementary information.

City policy requires the General unassigned fund balance to reflect no less than 60 days of general fund expenditures. At September 30, 2025, unassigned general fund balance reflected approximately 280 days of total general fund expenditures.

CAPITAL ASSETS

As of September 30, 2025, the City had invested $48,088,771 in a broad range of capital assets, including infrastructure, equipment, buildings, and vehicles. More detailed information about the City's capital assets can be found in the notes to the financial statements.

City of Glenn Heights, Texas – Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2025	As Restated 2024	2025	2024	2025	As Restated 2024
Land	$ 1,357,168	$ 1,053,583	$ 78,454	$ 35,161	$ 1,435,622	$ 1,088,744
Construction in progress	3,660,380	3,654,574	51,279	1,370,635	3,711,659	5,025,209
Buildings	15,822,220	15,725,158	295,701	295,701	16,117,921	16,020,859
Improvements	2,730,459	1,033,552	-	-	2,730,459	1,033,552
Infrastructure	11,851,977	10,583,012	18,156,127	16,334,111	30,008,104	26,917,123
Vehicles	4,515,706	4,017,180	353,406	471,689	4,869,112	4,488,869
Equipment	2,568,500	2,514,541	4,940,414	4,837,291	7,508,914	7,351,832
Right-to-use assets	595,740	595,740	-	-	595,740	595,740
Subscription based IT arrangement asset	1,440,416	1,440,416	-	-	1,440,416	1,440,416
Less accumulated depreciation and amortization	(9,651,609)	(7,775,823)	(10,677,567)	(9,789,111)	(20,329,176)	(17,564,934)
Totals	$ 34,890,957	$ 32,841,933	$ 13,197,814	$ 13,555,477	$ 48,088,771	$ 46,397,410

During the current year, significant additions to capital assets include the following:

- Construction in progress - Lin Dell Estates Waterline Extension, Top of the Hill Waterline Upsizing Project, Top of the Hill Pavement Rehabilitation Project, and Completed the All-Abilities Park Project.
- Land – Purchased 4.113 acres for future needs.
- Vehicles - Purchased two (2) new Tahoes for Public Safety and purchased two (2) new ambulances

DEBT ADMINISTRATION

At year-end, the City had $14,207,390 in outstanding debt and other long-term liabilities, as shown below. More detailed information about the City's debt is presented in the notes to the financial statements.

City of Glenn Heights, Texas – Long-term Debt

	Governmental Activities		Business-Type Activities		Totals	
	2025	As Restated 2024	2025	2024	2025	As Restated 2024
Certificates of obligation debt	$ 425,000	$ 670,000	$ -	$ -	$ 425,000	$ 670,000
General obligation debt	9,630,000	10,320,000	-	-	9,630,000	10,320,000
Premium on bonds	779,408	850,265	-	-	779,408	850,265
Notes payable	295,980	389,867	2,148,613	2,317,075	2,444,593	2,706,942
Leases payable	94,180	194,996	-	-	94,180	194,996
Subscription payable	834,209	913,832			834,209	913,832
Totals	$ 12,058,777	$ 13,338,960	$ 2,148,613	$ 2,317,075	$ 14,207,390	$ 15,656,035

Notes and certificates of obligation decreased in the current year primarily due to annual payments made. The City's bond ratings are AA- as assigned by Standard & Poor's.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The information presented in the financial statements should be viewed in the context of the City's operating environment.

The economic outlook for Glenn Heights includes projections for future land use that will guide development in specific areas, aligning with the objectives of the new comprehensive plan. This plan outlines the development strategies we prefer to shape the community's landscape in response to anticipated land-use needs.

Glenn Heights supports the strategic goal of meeting current and future community needs, including commercial, recreational, and environmental requirements and standards. Fueled by multiple new subdivision developments, taxable property values have increased by at least 7% for the sixth consecutive year, reaching $1.8 billion. Among the standout residential projects are Stewart Farms, which will construct approximately 347 homes at W Bear Creek Road & S Westmoreland Road. Another residential development, Valencia Estates, located at the southeast corner of Westmoreland Road and W Bear Creek Road, will convert 112 acres of land into a 400-unit multifamily complex, along with 402 single-family homes, starting at $430,000. Both developments will contribute to traffic signalization at that intersection.

In conjunction with ongoing housing developments, the City has initiated a plan for higher-density development to attract more retail establishments to the area. Furthermore, the vision includes plans for additional usable open spaces that connect pedestrians with local businesses and parks. The concept of mixed-use developments, incorporating multi-family residential buildings alongside neighborhood retail and open space amenities, aligns with the overall vision for future land use.

The City of Glenn Heights continues to witness increases in property tax revenue, driven by rising taxable property values. This upward trend not only reflects the city's consistent growth but also strengthens its financial foundation, enabling Glenn Heights to meet rising demand for public services and maintain a high quality of life for its residents.

Upcoming developments for Glenn Heights include a state-of-the-art data center, scheduled to begin construction in late 2026. This project will add approximately $2 billion in property value to the city's tax base, generating additional revenue to meet increasing service demands. Additionally, a couple of mixed-use commercial developments are underway, including one at the corner of S Uhl Road and Ovilla Road. This 33-acre development is slated for a grocery retailer, combined with a multi-family complex and six additional pad sites, including a corner store/fuel station. Further down Ovilla Road is a planned retail plaza comprising three commercial structures: one is a drive-through restaurant, and the other two together total over 30,000 square feet of retail space.

As Glenn Heights continues to expand with new housing developments and a growing focus on higher-density and retail projects, the demand for public services is rising in tandem. With the population projected to reach 30,000 by the next census, the City faces the challenge of maintaining service levels amid increasing costs. Currently, property taxes account for 63.5% of general fund revenue, making diversifying revenue sources a critical priority. To reduce reliance on property taxes, the City is pursuing a commercially driven strategy—encouraging retail growth to boost sales tax revenue and streamlining permit and license processes. This proactive approach will help ensure long-term financial sustainability while supporting the infrastructure and services needed for a thriving, fast-growing community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Any questions about this report or need for additional financial information should be addressed to City of Glenn Heights, Attn: City Secretary, 1938-C South Hampton Road, Glenn Heights, TX, 75154.

BASIC FINANCIAL STATEMENTS

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City of Glenn Heights, Texas
Statement of Net Position
September 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 21,682,982	$ 2,059,724	$ 23,742,706
Cash and cash equivalents-restricted	2,428,087	5,956,173	8,384,260
Receivables, net	2,051,607	1,844,850	3,896,457
Inventory	3,140	36,331	39,471
Prepaid expenses	94,291	2,561	96,852
Leases receivable	229,521	-	229,521
Net pension asset	1,887,167	226,359	2,113,526
Capital assets:			
Non-depreciable	5,017,548	129,733	5,147,281
Depreciable, net	29,873,409	13,068,081	42,941,490
Total assets	63,267,752	23,323,812	86,591,564
DEFERRED OUTFLOWS OF RESOURCES			
Pensions related	214,652	25,747	240,399
Other post-employment benefits related	10,814	1,297	12,111
Total deferred outflows	225,466	27,044	252,510
LIABILITIES			
Accounts payable	711,727	193,587	905,314
Accrued liabilities	235,071	48,405	283,476
Accrued interest	42,077	36,991	79,068
Unearned revenue	360,841	-	360,841
Customer deposits	11,630	784,655	796,285
Noncurrent liabilities:			
Due within one year:			
Long-term debt	1,193,198	172,584	1,365,782
Compensated absences	126,158	7,919	134,077
Due in more than one year:			
Long-term debt	10,865,579	1,976,029	12,841,608
Compensated absences	281,855	25,312	307,167
Total OPEB liability	153,205	18,377	171,582
Total liabilities	13,981,341	3,263,859	17,245,200
DEFERRED INFLOWS OF RESOURCES			
Pensions related	250,651	30,064	280,715
Other post-employment benefits related	50,591	6,068	56,659
Leases related	124,990	-	124,990
Total deferred inflows	426,232	36,132	462,364
NET POSITION			
Net investment in capital assets	24,005,447	11,049,201	35,054,648
Restricted for:			
Public safety	405,574	-	405,574
Debt service	71,589	-	71,589
Municipal court	25,757	-	25,757
Capital projects	2,679,379	-	2,679,379
Street improvements	1,612,183	-	1,612,183
Park improvements	948,775	-	948,775
Housing	851,463	-	851,463
Water and sewer improvements	-	5,171,518	5,171,518
Unrestricted	18,485,478	3,830,146	22,315,624
Total net position	$ 49,085,645	$ 20,050,865	$ 69,136,510

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

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City of Glenn Heights, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 3,442,246	$ 536,984	$ -	$ 1,256,726
Public safety	7,010,514	727,885	20,219	307,901
Development services	4,309,003	2,108,472	-	338,358
Parks and recreation	979,491	294,293	-	-
Economic development	24,995	-	-	-
Interest on long-term debt	286,273	-	-	-
Total governmental activities	16,052,522	3,667,634	20,219	1,902,985
Business-type activities:				
Water and wastewater	9,803,959	10,843,529	-	-
Drainage	432,971	402,012	-	-
Total business-type activities	10,236,930	11,245,541	-	-
Total primary government	$ 26,289,452	$ 14,913,175	$ 20,219	$ 1,902,985

General revenues:
Taxes:
Property
Franchise
Sales
Investment earnings
Gain (Loss) on sale of capital assets
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position as restated - beginning of year

Net position - end of year

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,648,536)	$ -	$ (1,648,536)
(5,954,509)	-	(5,954,509)
(1,862,173)	-	(1,862,173)
(685,198)	-	(685,198)
(24,995)	-	(24,995)
(286,273)	-	(286,273)
(10,461,684)	-	(10,461,684)
-	1,039,570	1,039,570
-	(30,959)	(30,959)
-	1,008,611	1,008,611
(10,461,684)	1,008,611	(9,453,073)
10,223,392	-	10,223,392
670,834	-	670,834
1,283,442	-	1,283,442
1,039,197	273,550	1,312,747
-	20,665	20,665
179,341	-	179,341
1,183,757	(1,183,757)	-
14,579,963	(889,542)	13,690,421
4,118,279	119,069	4,237,348
44,967,366	19,931,796	64,899,162
$ 49,085,645	$ 20,050,865	$ 69,136,510

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

City of Glenn Heights, Texas
Balance Sheet
Governmental Funds
September 30, 2025

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 12,431,836	$ 4,834,572	$ 4,416,574	$ 21,682,982
Cash and cash equivalents-restricted	-	2,428,087	-	2,428,087
Receivables, net:				
Taxes	353,052	-	36,838	389,890
Accounts	613,152	272,744	8,816	894,712
Grants	-	-	286,901	286,901
Court fines	480,104	-	-	480,104
Inventory	3,140	-	-	3,140
Prepaid items	94,291	-	-	94,291
Leases receivable	229,521	-	-	229,521
Total assets	$ 14,205,096	$ 7,535,403	$ 4,749,129	$ 26,489,628
LIABILITIES				
Accounts payable	$ 640,517	$ 19,931	$ 51,279	$ 711,727
Customer deposits	11,630	-	-	11,630
Accrued liabilities	231,976	-	3,095	235,071
Unearned revenue	226,458	-	134,383	360,841
Total liabilities	1,110,581	19,931	188,757	1,319,269
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	116,242	-	36,837	153,079
Unavailable revenue - court fines	480,105	-	-	480,105
Unavailable revenue - ambulance	367,066	-	-	367,066
Leases related	124,990	-		124,990
Total deferred inflows of resources	1,088,403	-	36,837	1,125,240
FUND BALANCES				
Nonspendable:				
Prepaid item	94,291	-	-	94,291
Inventory	3,140	-	-	3,140
Restricted for:				
Public safety	6,711	-	398,863	405,574
Debt service	-	-	71,589	71,589
Municipal court	5,074	-	20,683	25,757
Capital projects	-	2,679,379	-	2,679,379
Street improvements	-	-	1,612,183	1,612,183
Park improvements	-	-	948,775	948,775
Housing	-	-	851,463	851,463
Other	84,177	-	-	84,177
Committed for:				
Capital projects	-	4,836,093	-	4,836,093
Assigned for:				
Vehicle replacement	-	-	24,508	24,508
Operating grants	-	-	595,558	595,558
Unassigned	11,812,719	-	(87)	11,812,632
Total fund balances	12,006,112	7,515,472	4,523,535	24,045,119
Total liabilities, deferred inflows of resources and fund balances	$ 14,205,096	$ 7,535,403	$ 4,749,129	$ 26,489,628

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

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

Total fund balance governmental funds	$ 24,045,119
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	34,890,957
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	
Property taxes	153,079
Court fines	480,105
Ambulance fees	367,066
Long-term assets, including the net pension asset and deferred outflows, are not current financial resources and therefore are not reported in the governmental funds balance sheet.	
Net pension asset	1,887,167
Deferred outflows of resources - pensions related	214,652
Deferred outflows of resources - other post-employment benefits related	10,814
Long-term liabilities, including bonds payable, notes payable, compensated absences, OPEB liabilities and net pension liability, as well as their related deferred inflows of resources, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Bonds payable	(10,055,000)
Notes payable	(295,980)
Bonds premium	(779,408)
Leases payable	(94,180)
Subscription payable	(834,209)
Compensated absences	(408,013)
Deferred inflows of resources - pensions related	(250,651)
Total OPEB liability	(153,205)
Deferred inflows of resources - other post-employment benefits related	(50,591)
Interest payable on long-term debt in the City's governmental activities is not payable from current resources and therefore is not reported in the governmental funds balance sheet.	(42,077)
Net position of governmental activities	$ 49,085,645

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

City of Glenn Heights, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2025

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 8,788,248	$ -	$ 1,393,876	$ 10,182,124
Franchise	670,834	-	-	670,834
Sales	1,283,442	-	-	1,283,442
Licenses and permits	757,436	-	-	757,436
Fines and forfeitures	256,493	-	10,978	267,471
Charges for services	2,368,188	-	201,314	2,569,502
Intergovernmental	-	820,930	1,102,274	1,923,204
Investment earnings	821,043	145,562	72,592	1,039,197
Miscellaneous	3,404	-	-	3,404
Total revenues	14,949,088	966,492	2,781,034	18,696,614
EXPENDITURES				
Current:				
General government	3,047,823	-	3,635	3,051,458
Public safety	6,472,364	-	1,430	6,473,794
Development services	3,443,149	-	103,686	3,546,835
Parks and recreation	893,173	-	-	893,173
Economic development	24,995	-	-	24,995
Capital outlay	1,323,600	1,851,125	938,470	4,113,195
Debt service:				
Principal	180,439	-	1,028,887	1,209,326
Interest and other	5,097	-	371,399	376,496
Total expenditures	15,390,640	1,851,125	2,447,507	19,689,272
Excess (deficiency) of revenue over expenditures	(441,552)	(884,633)	333,527	(992,658)
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	175,937	-	-	175,937
Transfers in	1,395,615	-	22,678	1,418,293
Transfers out	(22,678)	(875)	(210,983)	(234,536)
Total other financing sources (uses)	1,548,874	(875)	(188,305)	1,359,694
Net change in fund balances	1,107,322	(885,508)	145,222	367,036
Fund balances as restated - beginning of year	10,898,790	8,400,980	4,378,313	23,678,083
Fund balances - end of year	$ 12,006,112	$ 7,515,472	$ 4,523,535	$ 24,045,119

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

Net change in fund balance - total governmental funds	$	367,036
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		4,113,195
Depreciation expense		(2,064,171)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:		
Property taxes		41,268
Ambulance fees		73,225
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. The details of these differences are as follows:		
Compensated absences		20,191
Accrued interest		19,366
Net pension asset		250,624
Total OPEB liability		17,362
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while repayment of the principal 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 and similar items when debt is 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.		
Payments on bonds, notes, leases, and subscription		1,209,326
Amortization of premium on bond issuance		70,857
Change in net position of governmental activities	$	4,118,279

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

City of Glenn Heights, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

	Enterprise Funds		
	Water and Wastewater	Nonmajor Drainage	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,280,881	$ 778,843	$ 2,059,724
Cash and cash equivalents-restricted	5,956,173	-	5,956,173
Accounts receivable, net	1,718,946	125,904	1,844,850
Inventories	36,331	-	36,331
Prepaid items	344	2,217	2,561
Total current assets	8,992,675	906,964	9,899,639
Noncurrent assets:			
Net pension asset	169,082	57,277	226,359
Capital assets:			
Non-depreciable	86,440	43,293	129,733
Depreciable, net	12,904,037	164,044	13,068,081
Total noncurrent assets	13,159,559	264,614	13,424,173
Total assets	22,152,234	1,171,578	23,323,812
DEFERRED OUTFLOWS OF RESOURCES			
Pensions related	19,232	6,515	25,747
Other post-employment benefits related	969	328	1,297
Total deferred outflows of resources	20,201	6,843	27,044
LIABILITIES			
Current liabilities:			
Accounts payable	193,587	-	193,587
Accrued liabilities	37,221	11,184	48,405
Accrued interest	36,991	-	36,991
Payable from restricted assets:			
Customer deposits	784,655	-	784,655
Total current liabilities	1,052,454	11,184	1,063,638
Noncurrent liabilities:			
Due within one year:			
Loan payable	172,584	-	172,584
Compensated absences	5,402	2,517	7,919
Due in more than one year:			
Loan payable	1,976,029	-	1,976,029
Compensated absences	19,807	5,505	25,312
Total OPEB liability	13,727	4,650	18,377
Total noncurrent liabilities	2,187,549	12,672	2,200,221
Total liabilities	3,240,003	23,856	3,263,859
DEFERRED INFLOWS OF RESOURCES			
Pensions related	22,457	7,607	30,064
Other post-employment benefits related	4,533	1,535	6,068
Total deferred inflows of resources	26,990	9,142	36,132
NET POSITION			
Net investment in capital assets	10,841,864	207,337	11,049,201
Restricted for:			
Water and sewer improvements	5,171,518	-	5,171,518
Unrestricted	2,892,060	938,086	3,830,146
Total net position	$ 18,905,442	$ 1,145,423	$ 20,050,865

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

City of Glenn Heights, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Enterprise Funds		
	Water and Wastewater	Nonmajor Drainage	Total
OPERATING REVENUES			
Charges for services:			
Water sales	$ 4,771,525	$ -	$ 4,771,525
Sewer sales	5,645,741	-	5,645,741
Drainage sales	-	402,012	402,012
Service charges	311,429	-	311,429
Water and sewer connections	103,795	-	103,795
Miscellaneous	11,039	-	11,039
Total operating revenues	10,843,529	402,012	11,245,541
OPERATING EXPENSES			
Personnel services	820,451	258,479	1,078,930
Supplies	184,783	13,697	198,480
Contractual services	4,588,774	141,483	4,730,257
Waste water treatment	1,077,641	-	1,077,641
Water purchases	2,091,262	-	2,091,262
Depreciation	987,417	19,312	1,006,729
Total operating expenses	9,750,328	432,971	10,183,299
Operating income (loss)	1,093,201	(30,959)	1,062,242
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	219,028	54,522	273,550
Gain (Loss) on sale of capital assets	20,665	-	20,665
Interest expense	(53,631)	-	(53,631)
Total nonoperating revenues	186,062	54,522	240,584
Income (loss) before transfers	1,279,263	23,563	1,302,826
TRANSFERS			
Transfer in	121,983	-	121,983
Transfers out	(1,289,965)	(15,775)	(1,305,740)
Total transfers	(1,167,982)	(15,775)	(1,183,757)
Change in net position	111,281	7,788	119,069
Net position - beginning of year	18,794,161	1,137,635	19,931,796
Net position - end of year	$ 18,905,442	$ 1,145,423	$ 20,050,865

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

City of Glenn Heights, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Enterprise Funds		
	Water and Wastewater	Nonmajor Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 10,641,671	$ 321,355	$ 10,963,026
Payments to suppliers and service providers	(7,843,531)	(158,064)	(8,001,595)
Payments to employees for salaries and benefits	(802,438)	(264,875)	(1,067,313)
Net cash provided (used) by operating activities	1,995,702	(101,584)	1,894,118
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash paid (to) from other funds	(1,167,982)	(15,775)	(1,183,757)
Net cash provided (used) by noncapital financing activities	(1,167,982)	(15,775)	(1,183,757)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,916,194)	(89,978)	(2,006,172)
Proceeds from sale of capital assets	1,377,771	-	1,377,771
Principal paid on notes	(168,462)	-	(168,462)
Interest paid on notes	(56,698)	-	(56,698)
Net cash provided (used) by capital and related financing activities	(763,583)	(89,978)	(853,561)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	219,028	54,522	273,550
Net cash provided (used) by investing activities	219,028	54,522	273,550
Net increase (decrease) in cash, cash equivalents, and restricted cash	283,165	(152,815)	130,350
Cash, cash equivalents, and restricted cash - beginning	6,953,889	931,658	7,885,547
Cash, cash equivalents, and restricted cash - ending	$ 7,237,054	$ 778,843	$ 8,015,897

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

City of Glenn Heights, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2025
continued

	Enterprise Funds		
	Water and Wastewater	Nonmajor Drainage	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 1,093,201	$ (30,959)	$ 1,062,242
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	987,417	19,312	1,006,729
(Increase) decrease in accounts receivable	(203,388)	(80,657)	(284,045)
(Increase) decrease in inventories	(2,688)	-	(2,688)
(Increase) decrease in prepaid expenses	-	(2,217)	(2,217)
(Increase) decrease in deferred outflows	25,865	3,884	29,749
(Increase) decrease in net pension asset	(33,044)	(25,599)	(58,643)
Increase (decrease) in accounts payable	103,937	(667)	103,270
Increase (decrease) in accrued liabilities	11,783	7,659	19,442
Increase (decrease) in accrued liabilities	-	-	-
Increase (decrease) in retainage payable	(2,320)	-	(2,320)
Increase (decrease) in compensated absences	3,623	1,071	4,694
Increase (decrease) in deferred inflows	(3,941)	1,939	(2,002)
Increase (decrease) in total OPEB liability	13,727	4,650	18,377
Increase (decrease) in customer deposits	1,530	-	1,530
Total adjustments	902,501	(70,625)	831,876
Net cash provided (used) by operating activities	$ 1,995,702	$ (101,584)	$ 1,894,118

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Glenn Heights, Texas (the City) was incorporated on September 16, 1969, to operate as a general law city. In August 1987, the City amended its charter and currently operates as a home rule city. The City is regulated by the Code of State Statutes of the State of Texas and is authorized to perform the following services: public safety (police and fire), public works, planning, inspection, sanitation, water and sewer utilities, storm drainage, and general administrative services. The City operates under a council-manager form of government. The Council is comprised of seven officials including a mayor and six council members.

The City prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The Council has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Blended Component Unit

The Glenn Heights Housing Finance Corporation (GHHFC) was created in 2016 by state law for the purpose of benefiting and accomplishing public purpose of, and on behalf of, the City by financing the cost of residential ownership and development that will provide decent, safe, and sanitary housing for residents of the City at prices they can afford. The GHHFC was created as a housing finance corporation pursuant to Chapter 394 of the Texas Local Government Code.

The City Council is the governing board for the Corporation. Further, the City Council has the ability to impose its will on the entity. The Corporation is presented as a governmental fund type and has a September 30 year-end. Separately issued financial statements are not available for GHHFC.

B. Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. 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.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for interfund services provided and other charges between the City's various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The capital projects fund accounts for the acquisition of capital assets or construction of major capital projects being financed by 2015 and 2016 bond proceeds.

The City reports the following major proprietary fund:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *(continued)*

C. Basis of Presentation - Fund Financial Statements – *(continued)*

The water and wastewater fund is used to account for water and sewer improvements and operations.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities (i.e., the governmental) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfer in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current* financial *resources* or *economic* resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, court fines, 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 fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period of availability for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

Investments

Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *(continued)*

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – *(continued)*

Restricted Assets

Certain resources set aside for the repayment of customer utility deposits are classified as restricted assets on the balance sheet because their use is limited to such purpose. Also included in restricted assets are capital recovery fees (impact fees) that are, by law, restricted for future capital improvements. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

Receivables and Allowances for Doubtful Accounts

All trade and property tax receivables are shown net of an allowance for uncollectible. Property taxes are based on the appraised values provided by the Dallas County and Ellis County Appraisal Districts, as applicable. Taxes are levied by October 1 of each year, and are due in full with no discounts granted. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. 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. The City's current policy is to write-off uncollectible personal property taxes after four years.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, as well as in the proprietary fund statement of net position. Capital assets are defined by the government as assets with an initial cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

Assets	Years
Buildings	10 - 40
Infrastructure	10 - 50
Improvements	5 - 30
Equipment	3 - 10
Vehicles	2 - 10

Prepaid Items

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

<u>NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> – *(continued)*

E. <u>Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance</u> – *(continued)*

<u>Unearned Revenues</u>

Unearned revenues are reported when cash is received before the related performance or eligibility requirements are met. These relate primarily to the grant funds received in advance for the COVID-19 ARPA grants, which will be recognized in future years to the extent that funds are spent. The City also reports unearned revenues for facility rental payments received before the rental is used, DART, opioid lawsuit funds and developer agreement revenue.

<u>Compensated Absences</u>

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with GASB Statement No. 101, Compensated Absences, the City recognizes a liability for compensated absences when leave is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled in the future. These are accrued when incurred in the government-wide, and proprietary fund financial statements.

<u>Deferred Outflows/Inflows of Resources</u>

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

- Deferred charges on refunding – 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.

- Pension and other post-employment benefit (OPEB) contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

  In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Difference in expected and actual pension and OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

<u>Pensions</u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *(continued)*

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – *(continued)*

Other Post-Employment Benefits

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

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Leases

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

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 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.

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

Subscription-Based Information Technology Arrangements

The City has noncancellable contracts with subscription-based information technology arrangements (SBITA) vendors for the right to use information technology software, alone or in combination with tangible capital assets. The City recognizes a subscription liability, reported with noncurrent liabilities, and a right to use subscription asset (SBITA asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with subscription term greater than one year and no variable payments. At the commencement of SBITA, the City initially measurers 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. As of September 30, 2025, the City has no SBITA requiring capitalizing SBITA asset and related liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *(continued)*

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – *(continued)*

Net Position and Fund Balance

Net position represents the difference between assets, deferred outflows of resources and deferred inflows of resources and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. In the fund financial statements, governmental funds report fund balance categorized as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally) imposed by creditors, grantors, contributors, or laws of regulations of other governments, of (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purposes unless the City removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification includes amounts intended to be used by the City for specific purposes. The City Council has designated the City Manager or his/her designee as the official authorized person to assign fund balance. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed.

Unassigned fund balance – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Sometimes the City 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 about the order in which the resources are considered to be applied. It is the City'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, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. The City's general fund policy requires no less than 60 days of general fund expenditures in unassigned fund balance.

Net Position

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *(continued)*

F. Newly Implemented and Upcoming Accounting Standards

The GASB has issued the following statements:

GASB issued Statement No. 101, “Compensated Absences,” that clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City has implemented this statement in fiscal year 2025. The implementation of this statement resulted in no change to the beginning net position balances of the City.

GASB issued Statement No. 102, “Certain Risk Disclosures,” that clarifies the definitions & disclosure guidance for risks due to concentration or constraint. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources and a constraint as a limitation imposed by an external party or formal action of the government’s highest level of decision-making authority. The Statement requires the government to assess wither a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact, and whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin within the 12 months after the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The City has determined that there is no impact from implementing this Statement.

GASB issued Statement No. 103, “Financial Reporting Model Improvements,” that attempts to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement expands requirements for the management discussion & analysis, presentation of proprietary fund statement of revenues, expenses & changes in fund net position, and information related to major component units & budgetary comparisons. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 104, “Disclosure of Certain Capital Assets,” to clarify the disclosure requirements related to capital assets. This Statement requires separate disclosure of capital assets arising from leases, public-private & public-public partnerships & availability payment arrangements, and subscription-based information technology arrangements, and additional disclosures for capital assets held for sale. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

NOTE 2: DEPOSITS AND INVESTMENTS

The City may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon’s Civil Statutes).

The Texas Short-Term Asset Reserve Investment Pool (“TexSTAR”) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. J.P. Morgan Investment Management Inc. serves as investment advisor and co-administrator with First Southwest. TexSTAR invests in treasury and agency securities and repurchase agreements fully collateralized by government securities. The pool maintains a weighted average maturity of 60 days or less. The pool seeks to maintain a constant dollar objective. The reported value of the pool is the same as the fair value of the pool shares. Due to its short-term, highly liquid nature, investments in TexSTAR have been reported as cash equivalents.

TexSTAR has a redemption notice period of one day and may redeem daily. The investment pool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool’s liquidity.

NOTE 2: DEPOSITS AND INVESTMENTS *(continued)*

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

Custodial Credit Risk – Deposits: 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 the City. The City's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The City is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

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.

Credit Risk: This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the City's policy to limit its investments to those investments rated at least AAAm. The credit quality rating for TexSTAR at year end was AAAm by Standard & Poor's.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy requires management to minimize risk of loss due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. It is the City's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent (5%) disclosure requirement. The City is not exposed to concentration of credit risk.

As of September 30, 2025, the fair value of the City's TexStar investments was $12,841,007 and the investments have a weighted average maturity of 49 days.

NOTE 3: RECEIVABLES

Receivables as of year-end for the City's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water & Wastewater Fund	Nonmajor Drainage Fund	Totals
Receivables:						
Property taxes	$ 216,502	$ -	$ 40,314	$ -	$ -	$ 256,816
Sales taxes	222,187	-	-	-	-	222,187
Ambulance	711,834	-	-	-	-	711,834
Grant	-	-	286,901	-	-	286,901
Garbage	328,811	-	-	-	-	328,811
Court fines	584,780	-	-	-	-	584,780
Utility fees	-	-	-	2,874,740	166,575	3,041,315
Other	110,884	272,744	8,816	-	-	392,444
Gross receivables	2,174,998	272,744	336,031	2,874,740	166,575	5,825,088
Less: allowance for uncollectibles	(728,690)	-	(3,476)	(1,155,794)	(40,671)	(1,928,631)
Total receivables, net	$ 1,446,308	$ 272,744	$ 332,555	$ 1,718,946	$ 125,904	$ 3,896,457

NOTE 4: CAPITAL ASSETS

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

	As Restated Beginning Balance	Additions / Transfers in	Disposals / Transfers out	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated & amortized:				
Land	$ 1,053,583	$ 303,585	$ -	$ 1,357,168
Construction in progress	3,654,574	1,969,986	(1,964,180)	3,660,380
Total capital assets, not being depreciated & amortized	4,708,157	2,273,571	(1,964,180)	5,017,548
Capital assets, being depreciated & amortized:				
Buildings	15,725,158	97,062	-	15,822,220
Parks and improvements	1,033,552	1,696,907	-	2,730,459
Infrastructure - streets	10,583,012	1,268,965	-	11,851,977
Vehicles	4,017,180	686,911	(188,385)	4,515,706
Equipment	2,514,541	53,959	-	2,568,500
Right-to-use assets	595,740	-	-	595,740
Subscription based IT arrangement asset	1,440,416	-	-	1,440,416
Total capital assets, being depreciated & amortized	35,909,599	3,803,804	(188,385)	39,525,018
Less: accumulated depreciation & amortization				
Buildings	(240,755)	(412,870)	-	(653,625)
Parks and improvements	(829,503)	(81,398)	-	(910,901)
Infrastructure - streets	(3,056,798)	(712,260)	-	(3,769,058)
Vehicles	(1,811,404)	(357,565)	188,385	(1,980,584)
Equipment	(1,061,445)	(273,814)	-	(1,335,259)
Right-to-use assets	(479,231)	(99,726)	-	(578,957)
Subscription based IT arrangement asset	(296,687)	(126,538)	-	(423,225)
Total accumulated depreciation & amortization	(7,775,823)	(2,064,171)	188,385	(9,651,609)
Total capital assets being depreciated & amortization, net	28,133,776	1,739,633	-	29,873,409
Governmental activities capital assets, net	$ 32,841,933	$ 4,013,204	$ (1,964,180)	$ 34,890,957
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 35,161	$ 43,293	$ -	$ 78,454
Construction in Progress	1,370,635	1,759,763	(3,079,119)	51,279
Total capital assets, not being depreciated	1,405,796	1,803,056	(3,079,119)	129,733
Capital assets, being depreciated:				
Buildings	295,701	-	-	295,701
Infrastructure - water	10,230,711	1,737,987	-	11,968,698
Infrastructure - sewer	5,842,307	64,705	-	5,907,012
Infrastructure - drainage	261,093	19,324	-	280,417
Vehicles	471,689	-	(118,283)	353,406
Equipment	4,837,291	103,123	-	4,940,414
Total capital assets, being depreciated	21,938,792	1,925,139	(118,283)	23,745,648
Less: accumulated depreciation				
Buildings	(224,185)	(9,655)	-	(233,840)
Infrastructure - water	(5,591,871)	(342,115)	-	(5,933,986)
Infrastructure - sewer	(2,768,119)	(163,692)	-	(2,931,811)
Infrastructure - drainage	(167,110)	(6,248)	-	(173,358)
Vehicles	(422,746)	(19,532)	118,273	(324,005)
Equipment	(615,080)	(465,487)	-	(1,080,567)
Total accumulated depreciation	(9,789,111)	(1,006,729)	118,273	(10,677,567)
Total capital assets being depreciated, net	12,149,681	918,410	(10)	13,068,081
Business-type activities capital assets, net	$ 13,555,477	$ 2,721,466	$ (3,079,129)	$ 13,197,814

NOTE 4: CAPITAL ASSETS

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

Government activities:	
General government	$ 439,699
Public safety	729,209
Development services	794,987
Parks and recreation	100,276
Total	$ 2,064,171
Business-type activities:	
Water and sewer	$ 987,417
Drainage	19,312
Total	$ 1,006,729

NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund activity for the year ended September 30, 2025 is as follows:

Transfer Out	Transfer In	Amount	Purpose
Water and wastewater	General fund	$ 1,289,965	Payment in lieu of taxes
Drainage	General fund	15,775	Payment in lieu of taxes
Capital projects fund	General fund	875	Subsidize project
Nonmajor governmental	General fund	89,000	Subsidize project
General fund	Nonmajor governmental	22,678	Subsidize project
Nonmajor governmental	Water and wastewater	121,983	Payment in lieu of taxes & grants
Total		$ 1,540,276	

NOTE 6: LONG-TERM LIABILITIES

Changes in the City's long-term liabilities for the year ended September 30, 2025 are as follows:

	As Restated Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation debt	$ 670,000	$ -	$ (245,000)	$ 425,000	$ 135,000
General obligation debt	10,320,000	-	(690,000)	9,630,000	710,000
Premium on bonds	850,265	-	(70,857)	779,408	70,855
Notes payable	389,867	-	(93,887)	295,980	96,234
Leases payable	194,996	-	(100,816)	94,180	94,180
Subscription payable	913,832	-	(79,623)	834,209	86,929
Total OPEB liability	175,265	-	(22,060)	153,205	-
Compensated absences	428,204	-	(20,191)	408,013	126,158
Total governmental activities	$ 13,942,429	$ -	$ (1,322,434)	$ 12,619,995	$ 1,319,356
Business-type activities:					
Notes payable	$ 2,317,075	$ -	$ (168,462)	$ 2,148,613	$ 172,584
Total OPEB liability	-	18,377	-	18,377	-
Compensated absences	28,537	4,694	-	33,231	7,919
Total business-type activities	$ 2,345,612	$ 23,071	$ (168,462)	$ 2,200,221	$ 180,503

NOTE 6: LONG-TERM LIABILITIES *(continued)*

Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. All of the City's general obligation bonds and contractual obligation-private placement are direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law. The City's certificates of obligation issues are direct obligations of the city, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of the surplus net revenues of the City's water and wastewater system. Should the City default on its outstanding bonds, any registered owner of the certificates is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring specific performance from the City. Bonds payable at September 30, 2025 are comprised of the following issues:

2008 Certificates of Obligation, original issue $2,050,000, dated September 1, 2008, due in annual installments through February 15, 2028, at 4.04% interest.	$ 425,000
2016 General Obligation Refunding Bonds, original issue $13,820,000, dated August 23, 2016, due in annual installments through February 15, 2036, at 2.65% interest.	9,630,000
Total	$ 10,055,000

The debt service requirements for the City's certificates of obligation and general obligations are as follows:

	Certificates of Obligation		
Fiscal Year	Principal	Interest	Total
2026	$ 135,000	$ 14,443	$ 149,443
2027	140,000	8,888	148,888
2028	150,000	3,030	153,030
Total	$ 425,000	$ 26,361	$ 451,361

	General Obligations		
Fiscal Year	Principal	Interest	Total
2026	$ 710,000	$ 308,800	$ 1,018,800
2027	740,000	287,050	1,027,050
2028	765,000	264,475	1,029,475
2029	810,000	240,850	1,050,850
2030	835,000	216,175	1,051,175
2031-2035	4,715,000	656,175	5,371,175
2036	1,055,000	21,100	1,076,100
Total	$ 9,630,000	$ 1,994,625	$ 11,624,625

Notes Payable

In 2017, the City entered into a state infrastructure bank loan agreement in the amount of $1,500,000. The proceeds will be used to relocate utility lines for road construction. In 2021, the City entered into a capital loan agreement in the amount of $2,800,000, to partially fund an automated meter reader (AMR) project. Should the City default on the notes, the lender may, by all legal and equitable means, require the City to remedy any default under the use and filing of mandamus proceedings. These notes payable are direct obligations of the City. Notes payable at September 30, 2025 are as follows:

Governmental Activities:	
2017 State Infrastructure Bank Loan Agreement, original issue $1,500,000, dated September 25, 2017, due in annual installments through October 02, 2027, at 2.50% interest.	$ 295,980
Business-Type Activities:	
2021 Capital Loan Agreement, original issue $2,800,000, dated January 5, 2021, due in annual installments through January 15, 2036, at 2.45% interest.	$ 2,148,613

<u>NOTE 6: LONG-TERM LIABILITIES</u> - Notes Payable *(continued)*

The debt service requirements for the City's notes payable are as follows:

Notes Payable - Governmental Activities			
Fiscal Year	Principal	Interest	Total
2026	$ 96,234	$ 6,197	$ 102,431
2027	98,640	3,761	102,401
2028	101,106	1,264	102,370
Total	$ 295,980	$ 11,222	$ 307,202

Notes Payable - Business-type Activities			
Fiscal Year	Principal	Interest	Total
2026	$ 172,584	$ 52,577	$ 225,161
2027	176,807	48,353	225,160
2028	181,134	44,027	225,161
2029	185,566	39,595	225,161
2030	190,107	35,054	225,161
2031-2035	1,022,632	103,172	1,125,804
2036	219,783	5,378	225,161
Total	$ 2,148,613	$ 328,156	$ 2,476,769

<u>NOTE 7: LEASES</u>

Lessee

The City has entered into multiple lease agreements as lessee. The leases allow lease assets of equipment over the term of the lease. The City is required to make periodic payments at its incremental borrowing rate stated or implied with the leases. The leases carries a weighted average interest rate of 4.81% with the final payments in November 2025. Annual payments to maturity for the leases are as follows:

Leases Payable			
Fiscal Year	Principal	Interest	Total
2026	$ 94,180	$ 759	$ 94,939
Total	$ 94,180	$ 759	$ 94,939

Lessor

The City has entered into multiple lease agreements as lessor. Buildings are leased over the term of the lease. The City is required to receive periodic payments at its incremental borrowing rate stated or implied with the leases. The leases carries a weighted average interest rate of 4.50% with the final payments in August 2027 and June 2035. The future lease receivable payments are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 24,323	$ 9,831	$ 34,154
2027	24,138	8,716	32,854
2028	18,586	7,768	26,354
2029	19,440	6,914	26,354
2030	21,217	6,016	27,233
Thereafer	121,817	13,465	135,282
Total	$ 229,521	$ 52,710	$ 282,231

<u>NOTE 8: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS</u>

GASB had previously issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96). GASB 96 provides guidance on financial reporting for SBITA for government end users. SBITA results in a right-to-use subscription asset and related liability. The City has entered into a SBITA that allows the right to use the SBITA vendor's data storage over the subscription term. The City is required to make annual payments for the SBITA. As of September 30, 2025, SBITA assets, net of accumulated amortization, and SBITA liabilities were $1,017,191. SBITA cost is $79,623 and amortization of SBITA assets is $126,538. The interest rate is 4.50% with final payment in September 2032.

NOTE 8: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS *(continued)*

The following table presents Annual payments to maturity as of September 30, 2025.

	Subscription Payable		
Fiscal Year	Principal	Interest	Total
2026	$ 86,929	$ 33,271	$ 120,200
2027	94,680	29,126	123,806
2028	105,480	24,516	129,996
2029	117,099	19,397	136,496
2030	129,590	13,731	143,321
2031-2032	300,431	8,067	308,498
Total	$ 834,209	$ 128,108	$ 962,317

NOTE 9: RETIREMENT SYSTEM - DEFINED BENEFIT PENSION

Plan Description - The City participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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

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

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

	Plan Year 2024	Plan Year 2023
Employee deposit rate	6%	6%
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, 0/20	60/5, 0/20

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	77
Inactive employees entitled to but not yet receiving benefits	150
Active employees	102
Total	329

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

NOTE 9: RETIREMENT SYSTEM - DEFINED BENEFIT PENSION - Contributions *(continued)*

Employees for the City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.44% and 3.97% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $320,285 and were equal to required contributions.

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

Actuarial Assumptions – The TPL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	7.10%
Core fixed income	6.00%	5.00%
Non-core fixed income	6.00%	6.80%
Infrastructure	6.00%	6.00%
Private debt	13.00%	8.20%
Other private markets	4.00%	7.30%
Real estate	12.00%	6.70%
Hedge funds	5.00%	6.40%
Private equity	13.00%	8.50%
Total	100.00%	

NOTE 9: RETIREMENT SYSTEM - DEFINED BENEFIT PENSION *(continued)*

Discount Rate – The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position (FNP) was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c)
Balance at 12/31/23	$ 11,142,374	$ 12,750,393	$ (1,608,019)
Changes for the year:			
Service cost	807,504	-	807,504
Interest	762,922	-	762,922
Changes in benefit terms	-		-
Difference between expected and actual experience	2,284	-	2,284
Changes in assumptions	-	-	-
Contributions - employer	-	324,169	(324,169)
Contributions - employee	-	438,067	(438,067)
Net investment income	-	1,324,675	(1,324,675)
Benefit payments, including refunds			-
of employee contributions	(487,162)	(487,162)	-
Administrative expense	-	(8,497)	8,497
Other changes	-	(197)	197
Net changes	1,085,548	1,591,055	(505,507)
Balance at 12/31/24	$ 12,227,922	$ 14,341,448	$ (2,113,526)

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset)	$ (352,073)	$ (2,113,526)	$ (3,551,540)

Pension Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2025, the City recognized pension gain in the amount of $270,151. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 117,310
Changes in actuarial assumptions	-	12,545
Difference between projected and actual investment earnings	-	150,860
Contributions subsequent to the measurement date	240,399	-
Total	$ 240,399	$ 280,715

NOTE 9: RETIREMENT SYSTEM - DEFINED BENEFIT PENSION *(continued)*

Pension Expense and Deferred Outflows and Inflows of Resources *(continued)*

$240,399 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the subsequent year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year Ended December 30,		
2025	$	(126,405)
2026		139,094
2027		(200,600)
2028		(92,804)
2029		-
Thereafter		-
Total	$	(280,715)

NOTE 10: RETIREMENT SYSTEM - DEFINED OTHER POST-EMPLOYMENT BENEFIT

Plan Description - TMRS administers an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single employer OPEB plan (i.e. no assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB 75).

OPEB Plan Fiduciary Net Position - Detailed information about the TMRS SDBF's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. This report may be obtained at www.tmrs.com.

Benefits Provided – SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another post-employment benefit and is a fixed amount of $7,500.

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

Employees for the City were not required to contribute to the SDBF. The contribution rates for the City were 0.24% and 0.20% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $16,429 and were equal to required contributions.

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	24
Inactive employees entitled to but not yet receiving benefits	17
Active employees	102
Total	143

NOTE 10: RETIREMENT SYSTEM - DEFINED OTHER POST-EMPLOYMENT BENEFIT *(continued)*

Actuarial Assumptions - The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate*	4.08%
Retirees' share of benefit related costs	$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - disabled retirees	2019 Municipal Retirees of TexasMortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.
Note: The actuarial assumption used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Total OPEB Liability - The City's total OPEB liability was determined by an actuarial valuation as of December 31, 2024.

	Total OPEB Liability
Balance at 12/31/23	$ 175,265
Changes for the year:	
Service cost	14,602
Interest	6,800
Changes of benefit terms including TMRS plan participation	-
Difference between expected and actual experience	(10,701)
Changes of assumptions	(10,003)
Benefit payments	(4,381)
Net changes	(3,683)
Balance at 12/31/24	$ 171,582

Discount Rate Sensitivity Analysis - 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 have been 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 in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB liability	$ 207,093	$ 171,582	$ 144,104

OPEB Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2025, the City recognized OPEB gain in the amount of $43,104. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 19,432
Changes in actuarial assumptions	-	37,227
Contributions subsequent to the measurement date	12,111	-
Total	$ 12,111	$ 56,659

NOTE 10: RETIREMENT SYSTEM - DEFINED OTHER POST-EMPLOYMENT BENEFIT *(continued)*

OPEB Expense and Deferred Outflows and Inflows of Resources *(continued)*

$12,111 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the subsequent year. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year Ended December 30,		
2025	$	(13,923)
2026		(19,233)
2027		(17,998)
2028		(2,901)
2029		(2,604)
Thereafter		-
Total	$	(56,659)

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The City pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and the Property-Liability Fund are considered self-sustaining risk pools that provide coverage for their members for up to $2,000,000 per insured event. There were no significant reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage in any of the past three years.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Water and Sewer Contracts

The City has separate contracts with the City of Dallas Utilities and Services (DUS) and the Trinity River Authority of Texas (TRA) for the purchase of treated water and for the transportation, treatment, and disposal of wastewater. The DUS agreement expires in 2039. The contracts require the City to pay varying amounts based on the costs associated with water purchased and wastewater transported and/or treated and disposed. The costs include the City's proportionate share of TRA's operating and maintenance expenses, related debt service costs, and certain other miscellaneous charges.

Payments during fiscal year 2025 for the purchase of treated water from DUS were $1,949,260 and payments made for the transportation, treatment, and disposal of wastewater by TRA were $1,095,660. If the City were unable to fulfill its obligations under the contracts, the only liability for future payment would be its proportionate share of debt service requirements. In addition, the City does not retain an ongoing financial interest in TRA and has no representation on the TRA Board of Directors; therefore, the TRA contracts are not considered to be joint venture agreements.

Contingencies

The City is a defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City. The City also participates in a number of federal and state grant programs. These programs are subject to compliance audits by the grantors or their representatives. Any liability that may arise as of the result of these audits is not believed to be estimable or probable.

NOTE 13: TAX ABATEMENTS

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code.

Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, demolishing and redeveloping outdated properties, expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has one category of economic development:

General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes or sales tax received by the City, may result in fee reductions such as utility charges or building inspection fees, or make lump sum payments to offset moving expenses, infrastructure reimbursements, redevelopment costs or other expenses. For fiscal year 2025, the City did not rebate any taxes.

NOTE 14: GLENN HEIGHTS HOUSING FINANCE CORPORATION

The Glenn Heights Housing Finance Corporation (GHHFC) was created in 2016 by state law for the purpose of benefiting and accomplishing public purpose of, and on behalf of, the City by financing the cost of residential ownership and development that will provide decent, safe, and sanitary housing for residents of the City at prices they can afford.

The GHHFC is sole owner of Glenn Heights Housing Development Corporation (GHHDC). The GHHDC owns a 1% stake in an apartment complex in Glenn Heights, named Palladium Glenn Heights. As a minority owner of Palladium Glenn Heights, GHHDC receives distributions on a quarterly basis.

NOTE 15: RESTATEMENTS

During fiscal year 2025, certain errors were identified in the fiscal year 2024 financial statements related to the reporting of expenditures, revenues, GASB 87 balances, and GASB 96 balances in the general fund, grants fund, and the governmental activities.

There was an error in GASB 87 leases as a lessee calculation in the prior year. This resulted in an understatement of right of use (ROU) assets, lease payable, and net position of governmental activities and overstatement of accumulated amortization of ROU assets as of September, 2024.

There was an error in not reporting GASB 87 leases as a lessor in the prior year. This resulted in an understatement of lease receivable, deferred inflows of leases, and fund balance of the general fund and net position of governmental activities as of September, 2024.

There was an error in not reporting GASB 96 SBITA in the prior year. This resulted in an understatement of SBITA assets, SBITA accumulated amortization, subscription payable, and net position of governmental activities as of September, 2024.

$364,088 related to intergovernmental revenue were understated at the end of the prior fiscal year. This resulted in an understatement of revenues in the governmental funds, the governmental activities, and the enterprise fund as of September 30, 2024.

As a result of these errors, the City's financial statements for the fiscal year ended September 30, 2024, have been restated. The correction has been applied retroactively to properly reflect the financial position and changes in financial position.

NOTE 15: RESTATEMENTS *(continued)*

Summary of the correction of the prior period errors is as follows:

Fund Balance Restatement	General Fund	Grants Fund
Fund balance - as originally reported	$ 10,789,600	$ (24,694)
Leases receivable and deferred inflows - leases, net understatement	109,190	-
Intergovernmental grant revenue understatement	-	364,088
Fund balance as of September 30, 2024 - restated	$ 10,898,790	$ 339,394

Net Position Restatement	Governmental Activities
Net position - as originally reported	$ 44,158,552
Leases receivable and deferred inflows - leases, net understatement	109,190
Intergovernmental grant revenue understatement	364,088
ROU assets and liability, net understatement	105,639
SBITA assets and liability, net understatement	229,897
Net position as of September 30, 2024 - restated	$ 44,967,366

NOTE 16: SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 18, 2026, the date which the financial statements were available to be issued. There are no matters to report with the evaluation.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Closing Date]

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

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

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

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

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

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions

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

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

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

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