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(See "Continuing Disclosure of Information" herein)

## PRELIMINARY OFFICIAL STATEMENT

Dated April 10, 2026

Rating:  
S&P: "AAA"  
(see "OTHER INFORMATION -  
Ratings" herein)

### NEW ISSUE - Book-Entry-Only

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

THE CERTIFICATES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

**\$12,195,000\***  
**CITY OF SOUTHLAKE, TEXAS**  
**(Tarrant and Denton Counties)**  
**TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)**  
**REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

**Dated Date: April 15, 2026**

**Due: February 15, as shown on Page 2**

**Interest Accrues from Delivery Date (defined below)**

**PAYMENT TERMS** . . . Interest on the \$12,195,000\* City of Southlake, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the date of initial delivery to the purchaser thereof (the "Delivery Date", estimated to be May 20, 2026), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (identified below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance to be adopted by the City Council of the City of Southlake, Texas (the "City") authorizing the issuance of the Certificates (the "Ordinance"), and constitute direct obligations of the City payable from a combination of (i) the levy and collection of an annual ad valorem tax, 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 Net Revenues from the operation of the City's combined Waterworks and Sewer System, as provided in the Ordinance (see "THE CERTIFICATES - Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (1) constructing, improving, extending and equipping the City's combined waterworks and sewer system, including the purchase of land and rights-of-way therefor, (2) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and erosion control, landscaping, screening walls, curbs, gutters, sidewalks, lighting, signage and traffic signalization incidental thereto and the acquisition of land, equipment and rights-of-way therefor and (3) professional services rendered in connection therewith.

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**CUSIP PREFIX: 84442P**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on Page 2**

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**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser of the Certificates (the "Initial Purchaser") subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the City by Norton Rose Fulbright US LLP, Dallas, Texas, Disclosure Counsel for the City.

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on May 20, 2026.

**BIDS DUE TUESDAY, APRIL 21, 2026, AT 10:00 AM, CENTRAL TIME**

\* Preliminary, subject to change.

**MATURITY SCHEDULE\***

**CUSIP Prefix<sup>(1)</sup>: 84442P**

Principal Amount	Maturity 2-15	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 340,000	2028			
350,000	2029			
355,000	2030			
1,520,000	2031			
1,595,000	2032			
1,685,000	2033			
1,770,000	2034			
1,860,000	2035			
1,950,000	2036			
140,000	2037			
145,000	2038			
155,000	2039			
160,000	2040			
170,000	2041			

(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. None of the City, the Municipal Advisor or 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 Certificates 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 CERTIFICATES – Optional Redemption").

**MANDATORY SINKING FUND REDEMPTION** . . . If two or more consecutive maturities of the Certificates are grouped into a single maturity (the "Term Certificates") by the Initial Purchaser, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Ordinance and will be described in the final Official Statement (see "THE CERTIFICATES – Mandatory Sinking Fund Redemption").

\* Preliminary, subject to change.

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

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

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

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

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

*NEITHER THE CITY, ITS MUNICIPAL ADVISOR, NOR THE INITIAL PURCHASER OF THE CERTIFICATES MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.*

*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.*

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

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

**OFFICIAL STATEMENT SUMMARY**

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates (defined below) 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 Southlake, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Tarrant and Denton Counties. The City covers approximately 23 square miles (see "INTRODUCTION - Description of City").
  
- THE CERTIFICATES** ..... The \$12,195,000\* City of Southlake, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026 (the "Certificates") are being issued as serial Certificates maturing on February 15 in each of the years 2028 through 2041 unless the initial purchaser of the Certificates (the "Initial Purchaser") designates two or more consecutive maturities as one or more term certificates (the "Term Certificates") (see "THE CERTIFICATES - Description of the Certificates").
  
- PAYMENT OF INTEREST** ..... Interest on the Certificates accrues from the date of delivery to the Initial Purchaser, and is payable on February 15, 2027, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates" and "THE CERTIFICATES - Optional Redemption").
  
- AUTHORITY FOR ISSUANCE** ..... The Certificates are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance to be adopted by the City Council of the City (the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance").
  
- SECURITY FOR THE CERTIFICATES** ..... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues from the operation of the City's combined Waterworks and Sewer System, as provided in the Ordinance (see "THE CERTIFICATES - Security and Source of Payment").
  
- REDEMPTION** ..... The City reserves the right, at its option, to redeem Certificates 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 CERTIFICATES - Optional Redemption"). If two or more consecutive maturities of the Certificates are grouped into a single maturity (the "Term Certificates") by the Initial Purchaser, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Ordinance and will be described in the final Official Statement.
  
- TAX EXEMPTION** ..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.
  
- NOT QUALIFIED TAX-EXEMPT OBLIGATIONS** ..... The Certificates will not be designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS" herein.
  
- USE OF PROCEEDS**..... Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (1) constructing, improving, extending and equipping the City's combined waterworks and sewer system, including the purchase of land and rights-of-way therefor, (2) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and erosion control, landscaping, screening walls, curbs, gutters, sidewalks, lighting, signage and traffic signalization incidental thereto and the acquisition of land, equipment and rights-of-way therefor and (3) professional services rendered in connection therewith.
  
- RATING**..... The Certificates and certain of the presently outstanding tax supported debt of the City are rated "AAA" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") without regard to any credit enhancement (see "OTHER INFORMATION - Ratings").
  
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying

Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

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

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year <sup>(8)</sup>	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	31,569	\$ 9,382,977,657 <sup>(3)</sup>	\$ 297,221	\$ 62,312,000	0.66%	\$ 1,974
2023	31,975	10,405,295,773 <sup>(4)</sup>	325,420	66,555,000	0.64%	2,081
2024	32,191	11,359,781,892 <sup>(5)</sup>	352,887	67,151,000	0.59%	2,086
2025	32,325	12,056,776,416 <sup>(6)</sup>	372,986	72,291,000	0.60%	2,236
2026	32,369	12,563,859,420 <sup>(7)</sup>	388,145	74,055,000 <sup>(9)</sup>	0.59% <sup>(9)</sup>	2,288 <sup>(9)</sup>

- (1) Source: City officials.
- (2) As reported by the Appraisal Districts on the City’s annual State Property Tax Board Reports; subject to change during the ensuing year.
- (3) Includes taxable incremental value of approximately \$508,142,995 that was not available for payment of the City’s general obligation debt.
- (4) Includes taxable incremental value of approximately \$534,104,216 that is not available for payment of the City’s general obligation debt.
- (5) Includes taxable incremental value of approximately \$594,407,828 that is not available for payment of the City’s general obligation debt.
- (6) Includes taxable incremental value of approximately \$623,822,527 that is not available for payment of the City’s general obligation debt.
- (7) Includes taxable incremental value of approximately \$628,057,854 that is not available for payment of the City’s general obligation debt.
- (8) Includes self-supporting debt. See "Table 10 – Computation of Self-Supporting Debt".
- (9) Projected. Includes the Certificates. Preliminary; subject to change.

For additional information regarding the City, please contact:

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**CITY OFFICIALS, STAFF, AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Shawn McCaskill Mayor	9 Years	May 2027	Attorney
Randy Williamson Mayor Pro-Tem	14 Years	May 2026	Executive
Kathy Talley Deputy Mayor Pro Tem	5 Years	May 2026	Retired Educator
Randy Robbins Councilmember, Place 2	4 years	May 2027	Physician
Frances Scharli Councilmember, Place 3	2 Years	May 2028	Retired Educator
Austin Reynolds Councilmember, Place 4	Newly Elected	May 2028	Real Estate
Chuck Taggart Councilmember, Place 5	Newly Elected	May 2028	Retired

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Alison Ortowski	City Manager	18 Years
Sharen Jackson	Chief Financial Officer	26 Years
Lauren LaNeave	Interim Director of Public Works	9 Years

**CONSULTANTS AND ADVISORS**

Auditors .....	Weaver and Tidwell, L.L.P. Dallas, Texas
Bond Counsel .....	Norton Rose Fulbright US LLP Dallas, Texas
Disclosure Counsel .....	Norton Rose Fulbright US LLP Dallas, Texas
Municipal Advisor .....	Hilltop Securities Inc. Dallas, Texas

**PRELIMINARY OFFICIAL STATEMENT**  
**RELATING TO**  
**\$12,195,000\***  
**CITY OF SOUTHLAKE, TEXAS**  
**TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)**  
**REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

**INTRODUCTION**

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$12,195,000\* City of Southlake, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026 (the "Certificates"). The Certificates are being authorized for issuance under an ordinance (the "Ordinance"), to be adopted by the City Council of the City. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance.

There follow in this Official Statement description of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Hilltop Securities Inc. ("HilltopSecurities"), 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, including the City's Home Rule Charter (the "City Charter"). The City Charter was adopted at an election held in the City for that purpose on April 4, 1987, and said Charter has not been amended since the date of its adoption except for elections held January 19, 1991, January 21, 1995, May 2, 1998, May 5, 2001 and November 6, 2007. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers who are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administration officer. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, culture and recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 31,265, while the estimated 2026 population is 32,369. The City covers approximately 23 square miles.

**PLAN OF FINANCING**

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (1) constructing, improving, extending and equipping the City's combined waterworks and sewer system, including the purchase of land and rights-of-way therefor, (2) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and erosion control, landscaping, screening walls, curbs, gutters, sidewalks, lighting, signage and traffic signalization incidental thereto and the acquisition of land, equipment and rights-of-way therefor and (3) professional services rendered in connection therewith.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Certificates will be applied approximately as follows:

**SOURCES OF FUNDS:**

Par Amount of Certificates	
Net Premium	_____
Total Sources	=====

**USES OF FUNDS:**

Deposit to Project Fund	
Initial Purchaser's Discount	
Cost of Issuance	_____
Total Uses	=====

\* Preliminary, subject to change.

## THE CERTIFICATES

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated April 15, 2026 and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the date of delivery (the "Delivery Date") to the initial purchaser of the Certificates (the "Initial Purchaser") and 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 Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE . . .** The Certificates are being issued pursuant to the City Charter, the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government, as amended, and the Ordinance.

**SECURITY AND SOURCE OF PAYMENT . . .** The Certificates are payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and from a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's combined Waterworks and Sewer System (the "System"), such pledge being limited to an amount of \$1,000 and subject to the prior lien on and pledge of the Net Revenues of the System to the payment and security of Prior Lien Obligations (as defined in the Ordinance).

In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations without limitation as to principal amount but subject to any applicable terms, conditions or restrictions under law or otherwise as well as the right to issue additional obligations payable from the same sources as are the Certificates.

**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 provides for a maximum ad valorem tax rate of \$2.50 per \$100 taxable assessed valuation for all City purposes. The City Charter allows 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.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates 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 of the Certificates are to be redeemed, the City may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificate, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**MANDATORY SINKING FUND REDEMPTION . . .** If two or more consecutive maturities of the Certificates are grouped into a single maturity (the "Term Certificates") by the Initial Purchaser, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Ordinance and will be described in the final Official Statement.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. **ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE.** If a Certificate (or any portion of its principal sum) shall have been duly called for redemption and any other condition to redemption satisfied, then upon the redemption date such Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys 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, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of

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

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

**DEFEASANCE . . .** The Ordinance provide for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, 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 Certificates being defeased, and thereafter, the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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

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

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

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

DTC, New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate for each maturity will be issued for the Certificates in the aggregate principal amount thereof and will be deposited with DTC.

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

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

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

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

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

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding 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 is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying

Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

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

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

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

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

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

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates 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.

Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of a Certificate.

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

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

**REMEDIES . . .** The Ordinance does not establish specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on any of the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City set forth in the Ordinance, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, conditions or obligations. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the obligations and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but it may not be arbitrarily refused. There is no acceleration of maturity of any of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or 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 Certificates.

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

Initially, the only registered owner of the Certificates will be Cede & Co., the nominee of DTC. See "THE CERTIFICATES - Book-Entry-Only System" above for a description of the duties of DTC with regard to ownership of the Certificates.

## **TAX INFORMATION**

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See "Table 1 – Assessed Valuation and Exemption" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the State Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2026 tax year, the maximum property value was increased to \$5,320,000.

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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "Table 1 – Assessed Valuation and Exemption" for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal Districts are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "TAX INFORMATION – City and Taxpayer Remedies."

**STATE MANDATED HOMESTEAD EXEMPTIONS . . .** State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to state mandated homestead exemptions.

**LOCAL OPTION HOMESTEAD EXEMPTIONS . . .** The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. Cities, counties and school districts that adopted an optional homestead exemption described in (1), above, for the 2022 tax year are prohibited from repealing or reducing the exemption through December 31, 2027. The exemption described in (2), above, may 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. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to local option homestead exemptions.

**LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . .** The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

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

inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of 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.

**FREPORT 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.

See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

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

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

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

**TAX ABATEMENT AGREEMENTS . . .** Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "TAX INFORMATION – City Application of Tax Code" for descriptions of any of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, See "TAX INFORMATION – City Application of Tax Code" herein.

**PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS . . .** The Following terms as used in this section have the meanings provided below:

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

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

"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 in the applicable preceding tax year less the unused increment rate for that preceding tax year, 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 89<sup>th</sup> 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 180<sup>th</sup> 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 Districts 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 the greater of (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax

rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

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

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

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

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

**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 AND TAXPAYER REMEDIES . . .** Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal Districts by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal Districts 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 "– Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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

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

After July, penalty remains at 12%, and interest increases at the rate of one-percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY APPLICATION OF TAX CODE . . .** The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$75,000; the disabled are also granted an exemption of \$75,000.

The City has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

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

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

**The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.**

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

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

The City does tax Freeport property.

The City does not tax Goods-in-Transit.

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

The City has adopted a tax abatement policy, and reviews applications for abatements on a case by case basis.

**TAX ABATEMENT POLICY . . .** The City has adopted a tax abatement policy (the "Policy") to encourage economic development in the City. Pursuant to the Policy, the City Council considers tax abatements for new construction, whether it is (1) new facilities or structures or (2) the expansion or modernization of existing facilities or structures. As a general guideline, to qualify for a tax abatement, a project (a) for new facilities or structures must be reasonably expected to produce a minimum added value of \$30,000,000 in real and personal property improvements within the City and create a minimum of 1,000 full-time jobs with an average annual total compensation of \$60,000, and (2) for the expansion or modernization of existing facilities or structures must be reasonably expected to produce a minimum added value of \$10,000,000 in real and personal property improvements within the City and create a minimum of 500 new full-time jobs with an average annual total compensation of \$50,000. Tax abatements are reviewed on a case-by-case basis and are granted only when the City Council determines in its sole discretion that the tax abatement is in the best interest of the citizens of the City.

The City currently has two active tax abatement agreements (together, the "Agreements"), one with TD Ameritrade Holding Corporation (now Charles Schwab Corporation) (the "TD Ameritrade Agreement"), which was approved by City Council in March 2017, and one with VariSpace Southlake LLC (the "VariSpace Agreement"), which was approved by City Council in November

2020. Each Agreement provides a ten-year tax abatement period. As of the 2025 certified tax roll (used for the fiscal year ending September 30, 2025 fiscal year), no appraisal values were exempt from taxation pursuant to the TD Ameritrade Agreement or the VariSpace Agreement.

**TAX INCREMENT FINANCE ZONES . . .** The City has established the Tax Increment Financing Reinvestment Zone Number One, comprised of approximately 408 acres in an area of the City bounded by East Highland Street, North Kimball Avenue, East Southlake Boulevard (F.M. 1709) and North Carroll Avenue. The tax increment base for the Reinvestment Zone Number One established on January 1, 1997 is \$23,267,804. Taxes assessed and collected against the base value in the Reinvestment Zone may be used for general fund purposes. However, taxes assessed and collected against the assessed valuation of real property in the Reinvestment Zone in excess of the tax increment base ("Tax Increment Revenues") are restricted to pay or finance projects within the Reinvestment Zone. The Incremental 2025/26 Taxable Assessed Value for the Reinvestment Zone Number One is \$628,057,854. The Tax Increment Revenues are not available to pay the Certificates.

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**TABLE 1 – ASSESSED VALUATION AND EXEMPTION**

2025/26 Market Valuation Established by Tarrant and Denton County Appraisal Districts (excluding totally exempt property)		\$ 16,621,817,230
Less Exemptions/Reductions at 100% Market Value:		
Over 65	\$ 200,981,219	
Disabled Persons	4,237,500	
Disabled Veterans	88,243,869	
10% Cap	854,144,425	
Circuit Breaker	36,679,108	
Prorated Absolute	656,348,642	
Agricultural Use Reductions	214,148,888	
Nominal Value	229,251	
Freeport Inventory	2,560,725	
Homestead	1,945,286,195	
Other	55,097,988	<u>4,057,957,810</u>
2025/26 Certified Taxable Assessed Valuation <sup>(1)</sup>		\$ 12,563,859,420
General Obligation Debt Payable from Ad Valorem Taxes (as of 4/15/2026) The Certificates <sup>(2)</sup>		\$ 61,860,000 <u>12,195,000</u>
Total General Obligation Debt Payable from Ad Valorem Taxes		\$ 74,055,000
Less: Self Supporting Debt (as of 4/15/2026)		
Water and Sewer System Debt	\$ 31,682,000	
Southlake Parks Development Corporation Debt	5,046,000	
Storm Water System Debt	1,950,000	
The Certificates (Storm Water System Debt) <sup>(2)</sup>	<u>1,745,000</u>	<u>\$ 40,423,000</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 33,632,000
General Obligation Interest and Sinking Fund (as of 3/1/2026)		\$ 1,225,777
2025/26 Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation		0.27%

2026 Estimated Population - 32,369

2025/26 Per Capita Taxable Assessed Valuation - \$388,145

2025/26 Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$1039

- (1) Includes the 2025/26 taxable incremental value of approximately \$628,057,854 that is not available for the City's general use.  
(2) Preliminary, subject to change.

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 12,142,562,331	73.05%	\$ 12,700,090,906	74.95%	\$ 12,003,381,633	76.21%
Real, Residential, Multi-Family	16,414,861	0.10%	6,778,412	0.04%	5,867,470	0.04%
Real, Vacant Lots/Tracts	314,050,608	1.89%	332,836,254	1.96%	286,389,330	1.82%
Real, Acreage (Land Only)	214,978,538	1.29%	218,289,345	1.29%	166,527,827	1.06%
Real, Farm and Ranch Improvements	99,616,209	0.60%	98,857,478	0.58%	94,315,112	0.60%
Real, Commercial	2,995,832,452	18.02%	2,780,146,815	16.41%	2,721,900,072	17.28%
Real, Industrial	6,510,399	0.04%	3,775,340	0.02%	2,825,630	0.02%
Real and Tangible Personal, Utilities	276,930,336	1.67%	276,433,670	1.63%	79,510,032	0.50%
Tangible Personal, Commercial	510,311,627	3.07%	492,692,051	2.91%	359,362,105	2.28%
Tangible Personal, Industrial	11,674,102	0.07%	11,745,660	0.07%	17,630,003	0.11%
Tangible Personal, Mobile Homes	1,500,453	0.01%	1,004,196	0.01%	676,705	0.00%
Real Property, Inventory	31,435,314	0.19%	21,935,344	0.13%	12,748,222	0.08%
Total Appraised Value Before Exemptions	\$ 16,621,817,230	100.00%	\$ 16,944,585,471	100.00%	\$ 15,751,134,141	100.00%
Adjustments	-		-		725,679,619	
Less: Total Exemptions/Reductions	(4,057,957,810)		(4,887,809,055)		(5,117,031,868)	
Taxable Assessed Value	\$ 12,563,859,420 <sup>(1)</sup>		\$ 12,056,776,416 <sup>(2)</sup>		\$ 11,359,781,892 <sup>(3)</sup>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 9,315,002,150	74.04%	\$ 7,788,438,290	70.93%
Real, Residential, Multi-Family	4,623,561	0.04%	3,834,007	0.03%
Real, Vacant Lots/Tracts	259,312,294	2.06%	253,102,411	2.31%
Real, Acreage (Land Only)	204,519,846	1.63%	185,238,496	1.69%
Real, Farm and Ranch Improvements	74,527,628	0.59%	56,262,471	0.51%
Real, Commercial	2,378,042,076	18.90%	2,218,538,802	20.20%
Real, Industrial	3,379,925	0.03%	3,193,306	0.03%
Real and Tangible Personal, Utilities	56,600,385	0.45%	62,700,851	0.57%
Tangible Personal, Commercial	237,308,220	1.89%	360,959,467	3.29%
Tangible Personal, Industrial	13,160,418	0.10%	13,421,014	0.12%
Tangible Personal, Mobile Homes	589,095	0.00%	652,852	0.01%
Real Property, Inventory	34,694,515	0.28%	34,089,682	0.31%
Total Appraised Value Before Exemptions	\$ 12,581,760,113	100.00%	\$ 10,980,431,649	100.00%
Adjustments	1,282,833,865		907,394,009	
Less: Total Exemptions/Reductions	(3,459,298,205)		(2,504,848,001)	
Taxable Assessed Value	\$ 10,405,295,773 <sup>(4)</sup>		\$ 9,382,977,657 <sup>(5)</sup>	

(1) Includes taxable incremental value of approximately \$628,057,854 that is not available for payment of the City’s general obligation debt.

(2) Includes taxable incremental value of approximately \$623,822,527 that is not available for payment of the City’s general obligation debt.

(3) Includes taxable incremental value of approximately \$594,407,828 that is not available for payment of the City’s general obligation debt.

(4) Includes taxable incremental value of approximately \$534,104,216 that is not available for payment of the City’s general obligation debt.

(5) Includes taxable incremental value of approximately \$508,142,995 that is not available for payment of the City’s general obligation debt.

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

**TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year <sup>(8)</sup>	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita <sup>(9)</sup>
2022	31,569	\$ 9,382,977,657 <sup>(3)</sup>	\$ 297,221	\$ 62,312,000	0.66%	\$ 1,974
2023	31,975	10,405,295,773 <sup>(4)</sup>	325,420	66,555,000	0.64%	2,081
2024	32,191	11,359,781,892 <sup>(5)</sup>	352,887	67,151,000	0.59%	2,086
2025	32,325	12,056,776,416 <sup>(6)</sup>	372,986	72,291,000	0.60%	2,236
2026	32,369	12,563,859,420 <sup>(7)</sup>	388,145	74,055,000 <sup>(9)</sup>	0.59% <sup>(9)</sup>	2,288 <sup>(9)</sup>

- (1) Source: City officials.
- (2) As reported by the Appraisal Districts on City’s annual State Property Tax Board Reports; subject to change during the ensuing year.
- (3) Includes taxable incremental value of approximately \$508,142,995 that was not available for payment of the City’s general obligation debt.
- (4) Includes taxable incremental value of approximately \$534,104,216 that is not available for payment of the City’s general obligation debt.
- (5) Includes taxable incremental value of approximately \$594,407,828 that is not available for payment of the City’s general obligation debt.
- (6) Includes taxable incremental value of approximately \$623,822,527 that is not available for payment of the City’s general obligation debt.
- (7) Includes taxable incremental value of approximately \$628,057,854 that is not available for payment of the City’s general obligation debt.
- (8) Includes self-supporting debt. See "Table 10 – Computation of Self-Supporting Debt".
- (9) Projected. Includes the Certificates. Preliminary; subject to change.

**TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY**

Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy <sup>(1)</sup>	% Current Collections	% Total Collections
2022	\$ 0.3900	\$ 0.3250	\$ 0.0650	\$ 34,526,168	98.52%	98.52%
2023	0.3600	0.2950	0.0650	34,929,247	98.51%	98.51%
2024	0.3190	0.2640	0.0550	35,165,809	98.53%	98.53%
2025	0.3050	0.2500	0.0550	36,212,175	97.99%	97.99%
2026	0.2950	0.2400	0.0550	36,923,560	90.15% <sup>(2)</sup>	90.15% <sup>(2)</sup>

- (1) Includes levy on taxable incremental values, such tax levy is not available for the City’s general use.
- (2) Collections for a portion of the year, through March 2026.

**TABLE 5 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	2025/2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
KRG Town Square Ventures LLC	Retail	\$ 356,911,914	2.84%
MCI Communications SVCS Inc.	Telephone Utility	79,525,778	0.63%
Carroll/1709 Ltd.	Strip Mall/Plaza	70,447,450	0.56%
5C SL Park Village LLC	Strip Mall/Plaza	64,455,678	0.51%
TD Ameritrade Services Company Inc.	Financial	52,519,303	0.42%
1400 Plaza Place Southlake Owner LLC	Hotel/Motel	49,225,000	0.39%
DSL Landlord II LLC/Welltower OM Group LLC	Apartments	47,879,175	0.38%
Southlake Investor LLC	Apartments	47,182,701	0.38%
BDP Southlake DST	Commercial Land	36,849,450	0.29%
Atmos Energy/Mid Tex Division	Energy/Gas	35,610,757	0.28%
		<u>\$ 840,607,206</u>	<u>6.69%</u>

Source: Appraisal Districts

**GENERAL OBLIGATION DEBT LIMITATION.** . . No general obligation debt limitation is imposed on the City under current State law or the City Charter (see "THE CERTIFICATES – Tax Rate Limitation").

**TABLE 6 – TAX ADEQUACY**

Net Principal and Interest Requirements, 2026	\$ 7,369,260 <sup>(1)</sup>
\$0.0624 Tax Rate at 98% Collections Produces	\$ 7,369,415
Average Net Principal and Interest Requirements, 2026-2036	\$ 4,239,466 <sup>(1)(2)</sup>
\$0.0359 Tax Rate at 98% Collections Produces	\$ 4,240,634
Maximum Net Principal and Interest Requirements, 2026	\$ 7,369,260 <sup>(1)</sup>
\$0.0624 Tax Rate at 98% Collections Produces	\$ 7,369,415

(1) Excludes self-supporting debt.

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

**TABLE 7 – ESTIMATED OVERLAPPING DEBT**

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

Taxing Jurisdiction	2025/2026		Total G.O. Tax Debt As of 3/31/2026 <sup>(1)</sup>	Estimated % Applicable <sup>(1)</sup>	City's
	Taxable Assessed Value <sup>(1)</sup>	2025/2026 Tax Rate <sup>(1)</sup>			Overlapping G.O. Tax Debt As of 3/31/2026 <sup>(1)</sup>
City of Southlake	\$ 12,563,859,420	\$ 0.2950	\$ 74,055,000 <sup>(2)</sup>	100.00%	\$ 74,055,000 <sup>(2)</sup>
Carroll ISD	13,651,872,106	0.9294	219,190,000	84.42%	185,040,198
Denton County	207,352,205,545	0.1862	758,115,000	0.18%	1,364,607
Grapevine-Colleyville ISD	22,322,473,907	0.8686	349,120,000	1.52%	5,306,624
Keller ISD	25,505,703,244	1.0852	627,815,000	2.43%	15,255,905
Northwest ISD	39,642,205,815	1.0841	2,942,635,000	1.04%	30,603,404
Tarrant County	298,706,022,035	0.1862	314,050,000	3.86%	12,122,330
Tarrant County Junior College District	326,653,911,760	0.1123	547,535,000	3.86%	21,134,851
Tarrant County Hospital District	299,238,327,647	0.1650	429,425,000	3.86%	16,575,805
Total Direct and Overlapping G. O. Tax Debt					\$ 361,458,724
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation					2.88%
Per Capita Overlapping G. O. Tax Debt					\$ 11,167

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

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

*[The remainder of this page left blank intentionally]*

**DEBT INFORMATION**

**TABLE 8 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Debt Service			The Certificates <sup>(1)</sup>			Less: Self-Supporting Debt Service			Net	% of
	Principal	Interest	Total D/S	Principal	Interest	Total D/S	W&S Fund	SPDC	Storm Water Fund	General	Principal
							Debt Service	Debt Service	Debt Service <sup>(2)</sup>	Obligation	Retired
2026	\$ 10,431,000	\$ 2,840,655	\$ 13,271,655	\$ -	\$ -	\$ -	\$ 4,466,423	\$ 1,209,572	\$ 226,400	\$ 7,369,260	
2027	9,891,000	2,291,034	12,182,034	-	753,719	753,719	4,465,368	1,206,350	332,626	6,931,410	
2028	10,289,000	1,891,945	12,180,945	340,000	601,250	941,250	4,465,141	1,205,553	402,775	7,048,726	
2029	10,622,000	1,476,343	12,098,343	350,000	584,000	934,000	4,383,443	1,207,938	400,775	7,040,187	
2030	10,162,000	1,062,007	11,224,007	355,000	566,375	921,375	3,921,327	789,361	398,275	7,036,419	62.07%
2031	3,676,000	797,340	4,473,340	1,520,000	519,500	2,039,500	3,621,749	627,066	395,275	1,868,750	
2032	3,330,000	664,034	3,994,034	1,595,000	441,625	2,036,625	3,376,994	391,016	396,650	1,866,000	
2033	2,880,000	536,369	3,416,369	1,685,000	359,625	2,044,625	3,189,344	-	402,150	1,869,500	
2034	2,835,000	414,575	3,249,575	1,770,000	273,250	2,043,250	3,022,050	-	401,775	1,869,000	
2035	2,655,000	294,750	2,949,750	1,860,000	182,500	2,042,500	2,722,225	-	400,650	1,869,375	90.25%
2036	1,660,000	201,206	1,861,206	1,950,000	87,250	2,037,250	1,633,106	-	399,850	1,865,500	
2037	1,725,000	129,750	1,854,750	140,000	35,000	175,000	1,630,350	-	399,400	-	
2038	1,190,000	65,413	1,255,413	145,000	27,875	172,875	1,255,413	-	172,875	-	
2039	945,000	18,900	963,900	155,000	20,375	175,375	963,900	-	175,375	-	
2040	-	-	-	160,000	12,500	172,500	-	-	172,500	-	99.80%
2041	-	-	-	170,000	4,250	174,250	-	-	174,250	-	100.00%
	<u>\$ 72,291,000</u>	<u>\$ 12,684,320</u>	<u>\$ 84,975,320</u>	<u>\$ 12,195,000</u>	<u>\$ 4,469,094</u>	<u>\$ 16,664,094</u>	<u>\$ 43,116,832</u>	<u>\$ 6,636,856</u>	<u>\$ 5,251,601</u>	<u>\$ 46,634,126</u>	

(1) Preliminary; subject to change.

(2) Includes a portion of the Certificates. Preliminary; subject to change.

**TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION**

Net Debt Service Requirements, Fiscal Year Ending 9/30/2026		\$ 7,369,260
Interest and Sinking Fund, Fiscal Year Ended 9/30/2025	\$ 1,869,414	
Budgeted Transfers In	400,552	
Budgeted Interest and Sinking Fund Tax Levy	6,496,725	
Budgeted Administrative Expenses	(19,500)	
Estimated Investment Income	<u>85,000</u>	<u>\$ 8,832,191</u>
Estimated Balance, Fiscal Year Ending 9/30/2026		<u><u>\$ 1,462,931</u></u>

**TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT <sup>(1)</sup>**

	Water and Sewer	SPDC	Storm Water
Net System Revenue Available Fiscal Year 2025	\$ 20,527,679	\$ 8,222,714	\$ 1,074,487
Less: Requirements for Revenue Bonds for Fiscal Year 2026	<u>-</u>	<u>1,059,450</u>	<u>-</u>
Balance Available for Other Purposes	\$ 20,527,679	\$ 7,163,264	\$ 1,074,487
Self-supporting Tax Debt Requirements for Fiscal Year 2026	\$ 4,466,423	\$ 1,209,572	\$ 226,400
Percentage of Self-supporting Tax Debt Requirements to be paid from sources shown	100%	100%	100%

(1) The City considers the general obligation debt listed above to be self-supporting and payable from Net Revenues of the Water and Sewer System (the "System"), the available revenues of the Southlake Parks Development Corporation ("SPDC"), or Net Revenues of the Storm Water System ("Storm Water System") as indicated above. However, with the exception of certain limited pledges of System revenues in connection with prior certificates of obligation issues (which may or may not have been fully satisfied), the revenues described above are not pledged to the payment of such general obligation debt. The transfers of System or Storm Water System revenues to make debt service payments on the City's general obligation debt is discretionary and may be discontinued by the City, in whole or in part, at any time. The transfers of other revenues may be provided for by contract with the SPDC. In the event the City chooses to discontinue such transfer of System revenues or should any of the revenues described above be insufficient or otherwise unavailable to pay debt service on such general obligation debt, the City will be required to levy ad valorem taxes or to appropriate other lawfully available funds of the City in amounts sufficient to pay the debt service on such general obligation debt.

**TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS\***

Purpose	Date Authorized	Amount		
		Amount Authorized	Previously Issued	Unissued Balance
Street Improvements (intersections)	5/1/1999	\$ 17,300,000	\$ 10,508,179	\$ 6,791,821
Street Improvements (design enhancements)	5/1/1999	2,150,000	1,560,000	590,000
Park Improvements (hike and bike trails)	5/1/1999	<u>4,730,000</u>	<u>2,230,000</u>	<u>2,500,000</u>
		<u>\$ 24,180,000</u>	<u>\$ 14,298,179</u>	<u>\$ 9,881,821</u>

\*The City does not intend on issuing bonds using the voted authority from the May 1, 1999 election.

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . .** The City does not anticipate the issuance of additional general obligation debt within the next twelve months.

**TABLE 12 – OTHER OBLIGATIONS**

The City has entered into multiple arrangements for the purpose of financing the purchase of various equipment. The City's arrangements incur interest at 2.9% annually and have 5 year terms expiring in 2026.

The annual debt service requirement to amortize the financed purchase liabilities outstanding at September 30, 2025, are as follows:

Financed Purchase Liabilities

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	105,728	3,066	108,794
	\$ 105,728	\$ 3,066	\$ 108,794

The City has entered into multiple lease agreements as lessee for the right-to-use equipment over the term of the lease. The City is required to make periodic payments at its incremental borrowing rate or the interest rate stated or implied within the leases. Effective October 1, 2021, the City implemented GASB Statement No. 87, *Leases*. At implementation of this statement, the City initially measured the lease liability at the present value of payments expected to be made during the remaining lease term.

The City's lessee arrangements incur interest at rates of approximately 2.9% annually; all of which are accounted for within the City's governmental activities. All such arrangements range between 3 and 5 years in length.

The annual debt service requirement to amortize the other lease liabilities outstanding at September 30, 2025, are as follows:

Lease Liabilities

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	235,485	13,073	248,558
2027	158,128	7,487	165,615
2028	125,282	3,719	129,001
2029	69,417	637	70,054
	\$ 588,312	\$ 24,916	\$ 613,228

Subscription Based Information Technology Arrangements (SBITA)

The City has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The City is required to make annual or monthly payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

	Interest Rate (s)	Liability at Commencement	SBITA Terms in Months	Ending Balance
Governmental activities Software	2.240% - 3.591%	5,257,200	16 - 105	\$ 3,112,755
Total governmental activities				\$ 3,112,755
Business-type activities Software	3.591%	62,932	36	\$ 4,732
Total business-type activities				\$ 4,732

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	770,312	88,746	859,058
2027	571,537	68,483	640,020
2028	512,096	52,282	564,378
2029	522,765	37,313	560,078
2030	438,826	22,060	460,886
2031 - 2033	297,219	13,765	310,984
<b>Total governmental activities</b>	<b>\$ 3,112,755</b>	<b>\$ 282,649</b>	<b>\$ 3,395,404</b>

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	4,732	170	4,902
<b>Total business-type activities</b>	<b>\$ 4,732</b>	<b>\$ 170</b>	<b>\$ 4,902</b>

## 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 <https://www.tmr.com>.

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

### **Benefits Provided**

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

At retirement, the 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 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

*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	210
Inactive Employees Entitled to But Not Yet Receiving Benefits	337
Active Employees	359
	<u>906</u>

**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 7% of their annual compensation during the fiscal year. The contribution rates for the City were 12.57% and 13.07% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$4,410,203 and were greater than the required contributions by \$32,298.

**Net Pension Liability**

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

*Actuarial assumptions:*

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

Inflation	2.50% per year
Overall payroll growth	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 the Public Safety table used for males and 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 Scale UMP 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 Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over a 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 postretirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Other Private Markets	4.0%	7.30%
Real Estate	12.0%	6.70%
Hedge Funds	5.0%	6.40%
Private Debt	13.0%	8.20%
Infrastructure	6.0%	6.00%
Private Equity	13.0%	8.50%
Total	100.0%	

#### *Discount Rate*

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

#### *Changes in the Net Pension Liability*

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 150,050,088	\$ 134,778,811	\$ 15,271,277
Changes for the year:			
Service Cost	5,531,410	-	5,531,410
Interest	10,109,922	-	10,109,922
Difference between expected and actual experience	2,155,880	-	2,155,880
Changes of assumptions	-	-	-
Contributions - employer	-	4,172,806	(4,172,806)
Contributions - employee	-	2,323,561	(2,323,561)
Net investment income	-	14,030,968	(14,030,968)
Benefit payments, including refunds of employee contributions	(6,078,356)	(6,078,356)	-
Administrative expense	-	(89,814)	89,814
Other changes	-	(2,100)	2,100
Net changes	11,718,856	14,357,065	(2,638,209)
Balance at 12/31/2024	\$ 161,768,944	\$ 149,135,876	\$ 12,633,068

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

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

1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
\$ 37,078,829	\$ 12,633,068	\$ (7,260,632)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the internet at [www.tmr.com](http://www.tmr.com).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions**

For the year ended September 30, 2025, the City recognized pension expense of \$5,283,455. 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
Difference between expected and actual economic experience	\$ 2,647,161	\$ -
Changes in actuarial assumptions	-	(239,109.00)
Difference between projected and actual investment earnings	-	(1,666,519.00)
Contributions subsequent to the measurement date	<u>3,473,963</u>	<u>-</u>
Total	<u>\$ 6,121,124</u>	<u>\$ (1,905,628)</u>

The \$3,473,963 reported as deferred outflows of resources related to pensions resulting from contribution subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30,	
2026	\$ 1,077,178
2027	2,268,469
2028	(1,617,437)
2029	<u>(986,677)</u>
Total	<u>\$ 741,533</u>

**OTHER POST EMPLOYMENT BENEFITS** . . . The City provides for two other postemployment benefit (OPEB) plans; one provides for postemployment health insurance benefits through an agent-multiple employer defined benefit medical plan (Southlake Retiree Health Care Plan), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund, a single employer defined benefit OPEB plan. Aggregate amounts for the two OPEB plans are as follows:

	Retiree Healthcare Plan	TMRS SDBF	Total
OPEB liability (asset)	\$ (1,236,140)	\$ 864,358	\$ (371,782)
Deferred outflows of resources	533,684	132,016	665,700
Deferred inflows of resources	814,602	323,114	1,137,716
OPEB expense	68,186	29,405	97,591

For additional information regarding "Other Post Employment Benefits" provided by the City, see APPENDIX B, "Excerpts from the City's Annual Financial Comprehensive Report" – Note # 8.

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**FINANCIAL INFORMATION**

**TABLE 13 – CHANGE IN NET ASSETS**

	Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Program Revenues:					
Charges for Services	\$ 49,980,383	\$ 47,896,083	\$ 49,260,904	\$ 48,766,944	\$ 41,016,871
Operating Grants and Contributions	250,232	375,784	825,770	8,736,294	894,423
Capital Grants and Contributions	11,218,655	6,624,538	4,447,066	4,029,558	9,214,467
General Revenues:					
Taxes	93,943,756	91,590,428	93,889,807	88,105,225	82,793,407
Interest on Investments	14,342,481	14,956,532	10,528,609	-	134,018
Investment losses	-	-	-	(646,954)	-
Gain (Loss) on Sales of Fixed Assets	312,123	239,415	4,156	-	-
Miscellaneous	310,807	151,752	512,725	804,354	709,736
Transfers	-	-	-	-	-
Total Revenues	<u>\$ 170,358,437</u>	<u>\$ 161,834,532</u>	<u>\$ 159,469,037</u>	<u>\$ 149,795,421</u>	<u>\$ 134,762,922</u>
Expenses:					
General Government	\$ 27,449,966	\$ 26,994,341	\$ 26,292,171	\$ 20,685,238	\$ 20,990,841
Public Safety	29,067,535	27,798,598	26,658,917	24,915,801	23,642,969
Public Works	12,945,970	10,709,563	12,108,564	10,111,585	9,122,951
Culture and Recreation	20,390,226	19,939,371	18,657,110	16,970,272	15,367,103
Promotion of Culture and Tourism	1,818,301	871,217	-	-	-
Interest on Long-Term Debt	1,564,205	1,867,737	2,071,867	1,979,546	2,076,809
Water and Sewer	27,203,992	28,969,340	28,506,292	28,397,036	25,730,741
Total Expenses	<u>\$ 120,440,195</u>	<u>\$ 117,150,167</u>	<u>\$ 114,294,921</u>	<u>\$ 103,059,478</u>	<u>\$ 96,931,414</u>
Increase in Net Assets	\$ 49,918,242	\$ 44,684,365	\$ 45,174,116	\$ 46,735,943	\$ 37,831,508
Net Assets-Beginning of Year	829,662,667	784,978,302	739,804,186	692,665,685	654,834,177
Change in accounting principle (GASB 101)	(2,155,304)	-	-	402,558	-
Net Assets-End of Year	<u>\$ 877,425,605</u>	<u>\$ 829,662,667</u>	<u>\$ 784,978,302</u>	<u>\$ 739,804,186</u>	<u>\$ 692,665,685</u>

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**TABLE 13A – GENERAL FUND REVENUE AND EXPENDITURE HISTORY**

	Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
<u>Revenues:</u>					
Taxes	\$ 53,119,286	\$ 51,913,561	\$ 53,026,540	\$ 50,749,812	\$ 47,224,791
Licenses and Permits	1,998,868	1,924,639	2,101,778	2,855,591	1,706,685
Charges for Services	2,589,722	2,373,061	2,098,618	1,997,797	1,709,545
Fines and Forfeitures	1,053,751	860,634	795,072	973,523	843,169
Other Revenues	2,871,752	3,346,845	2,860,659	643,642	940,883
Total Revenues	<u>\$ 61,633,379</u>	<u>\$ 60,418,740</u>	<u>\$ 60,882,667</u>	<u>\$ 57,220,365</u>	<u>\$ 52,425,073</u>
<u>Expenditures:</u>					
City Administration	\$ 14,185,045	\$ 14,550,864	\$ 13,511,711	\$ 11,936,278	\$ 12,498,953
Police Department	9,195,718	8,904,349	8,263,315	4,132,359	7,059,221
Fire Department	12,702,849	12,192,174	11,798,804	6,705,764	10,059,078
Building Department	1,341,060	2,488,633	1,209,322	1,114,921	1,118,454
Streets and Drainage	1,413,045	1,479,051	1,163,500	1,006,161	1,054,849
Municipal Court	951,905	955,561	799,731	919,010	880,690
Parks	4,161,255	4,407,542	4,268,243	3,855,677	3,430,080
Public Works Department	3,681,528	2,775,504	3,585,851	3,116,786	2,986,021
Public Safety Support	1,799,979	1,702,592	1,575,064	1,494,011	1,555,409
Community Development	2,659,842	2,874,475	2,555,217	2,247,357	1,956,824
Capital Outlay	1,671,031	1,685,400	4,897,087	945,293	506,384
Debt Service	1,144,954	1,057,233	943,072	126,274	-
Total Expenditures	<u>\$ 54,908,211</u>	<u>\$ 55,073,378</u>	<u>\$ 54,570,917</u>	<u>\$ 37,599,891</u>	<u>\$ 43,105,963</u>
Excess (deficiency) of Revenues Over Expenditures	\$ 6,725,168	\$ 5,345,362	\$ 6,311,750	\$ 19,620,474	\$ 9,319,110
Sale of Capital Assets	\$ 48,854	\$ 43,351	\$ 4,156	\$ 52,124	\$ 27,288
Issuance of long-term debt	-	752,937	-	-	-
Issuance of Financed Purchases/Subscriptions	864,421	333,898	2,662,315	-	-
Insurance recoveries	77,951	-	-	-	-
Budgeted Transfers In	3,277,470	3,131,080	2,844,912	2,635,219	2,109,442
Budgeted Transfers Out	(8,400,000)	(11,033,486)	(11,967,091)	(17,288,170)	(5,375,000)
Total Other Sources (Uses)	<u>\$ (4,131,304)</u>	<u>\$ (6,772,220)</u>	<u>\$ (6,455,708)</u>	<u>\$ (14,600,827)</u>	<u>\$ (3,238,270)</u>
Net Increase (Decrease)	\$ 2,593,864	\$ (1,426,858)	\$ (143,958)	\$ 5,019,647	\$ 6,080,840
Beginning Fund Balance	47,542,607	48,969,465	49,113,423	43,725,563	37,644,723
Equity Transfer/Prior Period Adjustment	-	-	-	368,213	-
Ending Fund Balance	<u>\$ 50,136,471</u>	<u>\$ 47,542,607</u>	<u>\$ 48,969,465</u>	<u>\$ 49,113,423</u>	<u>\$ 43,725,563</u>

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**TABLE 14 - MUNICIPAL SALES TAX HISTORY**

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

Ended 9/30	1% City Collections	Ad Valorem Tax Levy	Ad Valorem Tax Rate	Per Capita
2022	\$ 20,774,176	60.17%	<sup>(1)</sup> \$ 0.2214	\$ 658.06
2023	21,275,329	60.91%	<sup>(2)</sup> 0.2045	665.37
2024	22,252,870	63.28%	<sup>(3)</sup> 0.1959	691.28
2025	22,163,159	61.20%	<sup>(4)</sup> 0.1838	685.64
2026	13,766,124 <sup>(6)</sup>	37.28%	<sup>(5)</sup> 0.1096	425.29

- (1) Includes taxable incremental value of approximately \$508,142,995 that was not available for the City’s general use.
- (2) Includes taxable incremental value of approximately \$534,104,216 that was not available for the City’s general use.
- (3) Includes taxable incremental value of approximately \$594,407,828 that is not available for the City’s general use.
- (4) Includes taxable incremental value of approximately \$623,822,527 that is not available for the City’s general use.
- (5) Includes taxable incremental value of approximately \$628,057,854 that is not available for the City’s general use.
- (6) Collections through April 2026.

**FINANCIAL POLICIES**

**BASIS OF ACCOUNTING . . .** All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

The more significant revenues which are treated as susceptible to accrual under the modified accrual basis are property taxes, intergovernmental revenues, charges for services, and interest. Other revenue sources are not considered measurable and available, and are not treated as susceptible to accrual.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

**GENERAL FUND BALANCE . . .** The City’s goal is to maintain surplus and unencumbered funds equal to 15%-25% of expenditures in the General Fund. This allows the City to avoid interim borrowing pending tax receipts.

**USE OF CERTIFICATE PROCEEDS . . .** The City’s policy is to use Certificate proceeds for capital expenditures related to the purposes specified in the Ordinance and for no other purpose. Such revenues are never to be used to fund City operations.

**BUDGETARY PROCEDURES . . .** The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year by the first of July. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 1. The City Council then holds a public hearing on the budget. The Council shall then make any changes in the budget as it deems advisable and shall adopt a budget prior to September 30.

**FUND INVESTMENTS . . .** The City investment policy parallels State law which governs investment of public funds. The City generally restricts investments to direct obligations of the United States Government and to insured or collateralized bank certificates of deposits. Both state law and the City’s investment policies are subject to change.

**INVESTMENTS**

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

**LEGAL INVESTMENTS . . .** Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City’s investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and

instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in the State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025 Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), 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 are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the value of the securities loaned under the program must be not less than 100% collateralized, including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 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, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and are invested exclusively in obligations described in this paragraph or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

**INVESTMENT POLICIES . . .** Under 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, 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 Texas Public Funds Investment Act (Texas Government Code, Chapter 2256). All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under 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 during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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.

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 City 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 January 31, 2026, the City's investable funds were invested in the following categories:

Type of Investment	Book		Market	
	Value	Percent	Value	Percent
U.S. Government Agency Securities	\$ 126,338,789	35.44%	\$ 126,338,789	35.44%
Local Gov't Investment Pool (LGIP)	224,568,484	63.00%	224,568,484	63.00%
Municipal Bonds	5,560,028	1.56%	5,560,028	1.56%
Totals	<u>\$ 356,467,301</u>	<u>100.00%</u>	<u>\$ 356,467,301</u>	<u>100.00%</u>

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

**TAX MATTERS**

**TAX EXEMPTION . . .** The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates 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 as APPENDIX B. 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 Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates 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 Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

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 Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates 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 Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates 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 Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates 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 Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Certificates 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 Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

**TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . .** The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates 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 Certificate. A portion of such original issue discount allocable to the holding period of a Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (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 Certificates 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 Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

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

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates 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 Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Certificate over the amount

payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate 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 Certificate. 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 Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

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

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance the City has made the following undertakings for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the undertakings while it remains obligated to advance funds to pay such Certificates. Under the undertakings the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 15 and in APPENDIX B. The City will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2026 and audited financial statements 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 shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced tables must be provided by March 31 in each year, and audited financial statements (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

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

For these purposes, (a) 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, and (b) the City intends the words used in events (15) and (16) in the immediately preceding paragraph to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018. The Ordinance defines "Financial Obligation" as a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation,

or (iii) guarantee of a debt obligation or any such derivate instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities and Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

## **OTHER INFORMATION**

### **RATING**

The Certificates and certain of the outstanding tax supported debt of the City are rated "AAA" by S&P. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

### **LITIGATION**

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

### **REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE**

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

### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

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

## **LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE**

The City will furnish to the Initial Purchaser, a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate, and to the effect that such Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described in "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Though it may represent the Municipal Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. 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 or the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Notice of Sale and Bidding Instructions, the Official Bid Form or the Official Statement to verify that such information conforms to the provisions of the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited the DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the City by Norton Rose Fulbright US LLP, Dallas, Texas, Disclosure Counsel for the City.

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

## **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such 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 Certificates. The Municipal Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Hilltop Securities, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

## **INITIAL PURCHASER**

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

## **CERTIFICATION OF THE OFFICIAL STATEMENT**

At the time of payment for and delivery of the Certificates, the City will furnish the Initial Purchaser 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 Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, 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 light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in 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 Certificates will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Initial Purchaser.

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

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**THE CITY**

**LOCATION**

The City is located in northeast Tarrant and Denton Counties. The City is approximately 15 miles northwest of the City of Dallas on State Highway 114 and approximately 10 miles northeast of the City of Fort Worth.

**POPULATION**

The City's 2026 estimated population is 32,369. The City's estimated population history for the past ten years is as follows:

<u>Fiscal Year</u>	<u>Estimated Population <sup>(1)</sup></u>
2016	28,290
2017	29,440
2018	29,580
2019	30,310
2020	30,370
2021	31,199
2022	31,569
2023	31,975
2024	32,376
2025	33,297

(1) Source: City of Southlake Economic Development

**ECONOMY**

The City is primarily residential with some commercial and light manufacturing companies. The City's growth is due to its proximity to the Dallas-Fort Worth Metroplex and to the Dallas-Fort Worth International Airport.

Major employers in the City are:

<u>Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
Sabre Holdings	Travel Industry	1,900
Charles Schwab	Financial Services	1,650
Carroll Independent School District	School District	1,150
Keller Williams	Real Estate	650
Verizon Wireless	Telecommunications	625
City of Southlake	Government	581
Gateway Church	Church	570

**TRANSPORTATION**

The City is located on State Highways 114 and 26 providing direct access to the Cities of Dallas and Fort Worth and to Dallas-Fort Worth International Airport. The City is approximately 5 miles northwest of Dallas-Fort Worth International Airport, 19 miles from Dallas Love Field and 10 miles from Alliance Airport.

**EDUCATION**

The City is served primarily by Carroll Independent School District, and additionally by Keller, Grapevine-Colleyville and Northwest Independent School Districts. There are four elementary schools, one junior high, two intermediate schools, one high school and one senior high school located within the City.

Higher education is provided by many institutions located within a 25-mile radius from the City, such as: Texas Christian University, University of North Texas, Southern Methodist University, Texas Woman's University, University of Texas at Arlington, University of Texas at Dallas, University of Dallas and Tarrant County Junior College.

**RECREATION**

The City has over 700 total park acres (and growing), 47 practice and game fields, 21 lighted tennis courts, lighted in-line hockey facility, 3 lighted basketball courts, 6 miles of park trails, 12 concession and/or restroom facilities, 10 ponds with aeration features, 13 pavilions, a senior activity center, a nature center, and a full service library. The City lies on the southern border of Lake Grapevine which offers additional swimming, camping, boating, and fishing opportunities. The City also provides an assortment of recreational programs with over 50,000 participants taking part annually in classes, programs, athletic leagues, concerts, and special events offered through the Recreation Division.

**HISTORICAL EMPLOYMENT (AVERAGE ANNUAL) <sup>(1)</sup>**

	December	Average Annual				
	2025	2024	2023	2022	2021	2020
Civilian Labor Force	14,858	14,552	14,153	13,894	13,616	13,283
Total Employed	14,300	13,967	13,613	13,415	13,023	12,562
Total Unemployed	558	585	540	479	593	721
Unemployment Rate	3.8%	4.0%	3.8%	3.4%	4.4%	5.4%

(1) Source: Texas Employment Commission.

**BUILDING PERMITS BY CATEGORY**

Fiscal Year Ended 9/30	Commercial		Residential		Grand Total
	Number	Amount	Number	Amount	
	2021	10	\$ 35,229,360	74	
2022	19	51,465,526	99	127,899,202	179,364,728
2023	19	35,448,093	73	104,212,653	139,660,746
2024	3	59,400,000	48	103,667,161	163,067,161
2025	11	130,966,262	66	49,010,392	179,976,654

Source: City Staff.

**TARRANT COUNTY**

Tarrant County (the "County") is located in North Central Texas with a 2026 estimated population of 2,217,138. The County, together with Dallas County, is an integral part of the Dallas-Fort Worth Metroplex, one of the largest and fastest growing metropolitan areas in the nation. The combined Metroplex area has an estimated population in excess of 4.0 million.

**APPENDIX B**

EXCERPTS FROM THE  
CITY OF SOUTHLAKE, TEXAS  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
For the Fiscal Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Southlake, Texas Annual Comprehensive Financial Report for the Fiscal 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.

The information contained in this Appendix is provided as of the respective dates, and for the periods specified herein, and is subject to change without notice, and the filing of the Appendix does not, under any circumstances, imply that there has been no change in the affairs of the City since the specified date as of which such information is provided. The historical information set forth in this Appendix is not necessarily indicative of future results or performance due to various factors, including those discussed in this Official Statement.

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CITY OF SOUTHLAKE, TEXAS

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2025



# City of Southlake, Texas

Annual Comprehensive Financial Report  
For the Fiscal Year Ended September 30, 2025



As Prepared by:

The Finance Department

Sharen Jackson, CPA, Chief Financial Officer

Nicole Bradshaw, CPA, Deputy Director of Finance



**City of Southlake**  
Annual Comprehensive Financial Report  
For the Fiscal Year Ended September 30, 2025  
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**City of Southlake**  
 Annual Comprehensive Financial Report  
 For the Fiscal Year Ended September 30, 2025  
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# Introductory Section



## Finance Department

February 23, 2026

To the Honorable Mayor, Councilmembers, and Citizens of the City of Southlake, Texas:

It is with pleasure that we submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Southlake for the fiscal year ended September 30, 2025. This report was prepared by the Finance Department in accordance with the Southlake Charter, statutes, and generally accepted accounting principles for governments. In addition to meeting legal requirements, this report reflects the City's commitment to full financial disclosure. We encourage you to thoroughly read this report and take the opportunity to discuss some of the important items it addresses.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's current system of internal controls adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the data, as presented, is accurate in all material respects and is reported in a manner designed to present the financial position and results of operations fairly. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Weaver & Tidwell, LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2025. The Independent Auditor's Report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal, and the two should be read in conjunction with each other.

### **PROFILE OF SOUTHLAKE**

#### **General Information**

Although Southlake has been a high-growth community for years, when the first settlers arrived in 1845, they found only a vast area of land and trees where the Grand Prairie and Cross Timbers merged. As the site of the first permanent settlement in Tarrant County, a portion of present-day Southlake was homesteaded in 1866, which consisted of 360 acres. Keeping with the time, the primary industry was agriculture. Farmers grew peanuts, grains, and cotton, and families raised their own livestock.

The area that would become Southlake remained a rural farming community for more than 100 years until the U.S. Army Corps of Engineers built Lake Grapevine in 1952. The lake spurred much of the area's early growth and was the beginning of dramatic change. The city was officially incorporated on September 25, 1956, by a public vote of 30 in favor and 24 against. The original city contained 1.62 square miles and had a population of just over 100. The residents chose to call this new town Southlake because it was... south of Lake Grapevine! The Southlake Fire Department was launched in 1965, and the first piece of fire equipment was a 1950 Diamond T-Military unit with a tank capacity of 1,000 gallons and an auxiliary pump. The first police chief was hired in 1966, and the city purchased its first patrol car in 1967.

The opening of the Dallas-Fort Worth International Airport in 1974 served as the next catalyst of growth in the area. Southlake residents adopted a home-rule charter in April 1987, which created the current council-manager form of government. Six Council Members and a Mayor are elected at large on a nonpartisan basis for staggered three-year terms. However, the most crucial event in bringing residential subdivision development to Southlake was the completion of water and sewer lines in the city's southern portion in the early 1990s.

By the 2000s, Southlake had become a boom-burb, with the population tripling to almost 22,000, and was well known for its picturesque countryside, exemplary school district, and luxury neighborhoods. Today, the City's population is just over 33,000 and is estimated to reach just over 34,000 residents by the year 2050.

Since then, much like the area's first settlers were attracted to the area with its endless possibilities, Southlake has continued attracting the suburban settlers desiring a high quality of life and the small-town charm preserved from Southlake's past.

**Services Provided**

The City provides a full range of municipal services established by statute or charter, including providing police, fire and ambulance services, planning, zoning and development services, engineering, streets and storm drainage, infrastructure, construction and maintenance, parks operations and maintenance, recreation programming and facilities, library services, and other general administrative services.

Water and sewer services and solid waste collection are provided under an enterprise fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments of outstanding debt.



## **Budgetary Information**

Annual budgets are legally adopted by the City Council prior to October 1, the beginning of the fiscal year, for all City operating funds. Although formal budgetary integration is not employed for proprietary funds, the City does adopt an annual budget for those funds for managerial control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police services). The City Manager may transfer budgeted funds within a department, as appropriate. Transfers of funds from one department to another or re-estimating revenues or expenditures must have City Council approval.

## **Component Units**

The financial reporting entity includes all the funds of the primary government, as well as all its component units in accordance with *GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Reporting Entity."* Component units are legally separate entities for which the primary government is financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The City's financial statements include the following blended component units:

The Southlake Parks Development Corporation ("SPDC") was formed in January 1994 pursuant to a successful election in November 1993 to adopt an additional half-cent sales tax for park and recreation facility development. SPDC is organized exclusively to act on behalf of the City for the financing, development, and operation of parks and recreation facilities.

Also included in this report is financial information for the Southlake Crime Control and Prevention District (the "District"). In November 1997, voters approved an additional half-cent sales tax for Crime Control and Prevention initiatives. The District is organized exclusively to act on behalf of the City for the financing, development, and crime control throughout the City.

In May 2015, Southlake voters overwhelmingly approved the reallocation of a portion of the District's half-cent sales tax for the purpose of constructing and operating a recreation center through the Southlake Community Enhancement and Development Corporation ("CEDC"). The District's half-cent sales tax was reduced to a one-eighth-cent tax, and the remaining three-eighths was reallocated to address recreational and economic development needs for the City, as permitted by State law, through CEDC.

This report also includes financial information for the Tax Increment Financing District (the "TIF"), which was created in 1997 to encourage quality commercial growth. The TIF was formed to finance and make public improvements under the authority of the Tax Increment Financing Act.

Additional information on these legally separate entities can be found in the notes to the financial statements (see Note 1).

## **ECONOMIC CONDITION AND OUTLOOK**

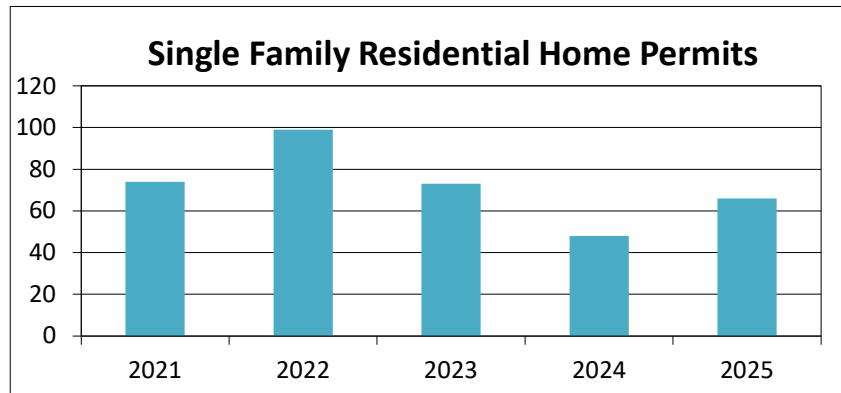
The City is in a prime location in Northeast Tarrant County, 5 minutes west of Dallas/Fort Worth International Airport and 10 minutes east of the Alliance Airport, a commercial aviation and industrial complex in north Fort Worth. State Highway 114, FM 1709, and FM 1938, the regional road arterials, serve the City.

The City of Southlake is currently 94% developed and made up of over 3,300 businesses, including 65 new businesses for FY 2025. Businesses from many industries, including professional, scientific, and technical services, healthcare and social services, hospitality, retail, and banking and financial services, have come together to make Southlake a full-service business community.

Sabre, home of Travelocity.com, is the City's largest employer, with approximately 1,900 employees. Carroll I.S.D. and Charles Schwab are the next most significant employers, with approximately 1,600 and 1,100 employees, respectively.

## Housing Permits

There were 66 single-family residential permits issued in FY 2025 with an average new home construction value, excluding land value, of approximately \$1,984,000. As noted in the following chart, the City experienced an increase in residential home construction.



## Property Taxes

Total certified taxable value for commercial and residential property was \$12 billion, an increase of \$676 million and a 5.9% percent increase from the prior year. New construction added \$150 million to the tax roll.

Tax rate management and tax relief have been guiding financial management principles that Southlake has strategically implemented over time, beginning in 2009 with the adoption of a homestead exemption. Since that time, Southlake has annually implemented tax relief, first in the form of the homestead exemption and then beginning in 2019 with tax rate reductions. New development and strong sales tax revenues, combined with expenditure management, have made it possible to implement thirteen relief initiatives since 2009.

In FY 2025, the City incorporated a total tax rate of \$0.305 per \$100 valuation, reducing the rate by \$0.014 from FY 2024. The tax rate of \$0.305 is split between General Fund operations and debt service. The allocation for FY 2025 is \$0.250 for general operations and \$0.055 for debt service.

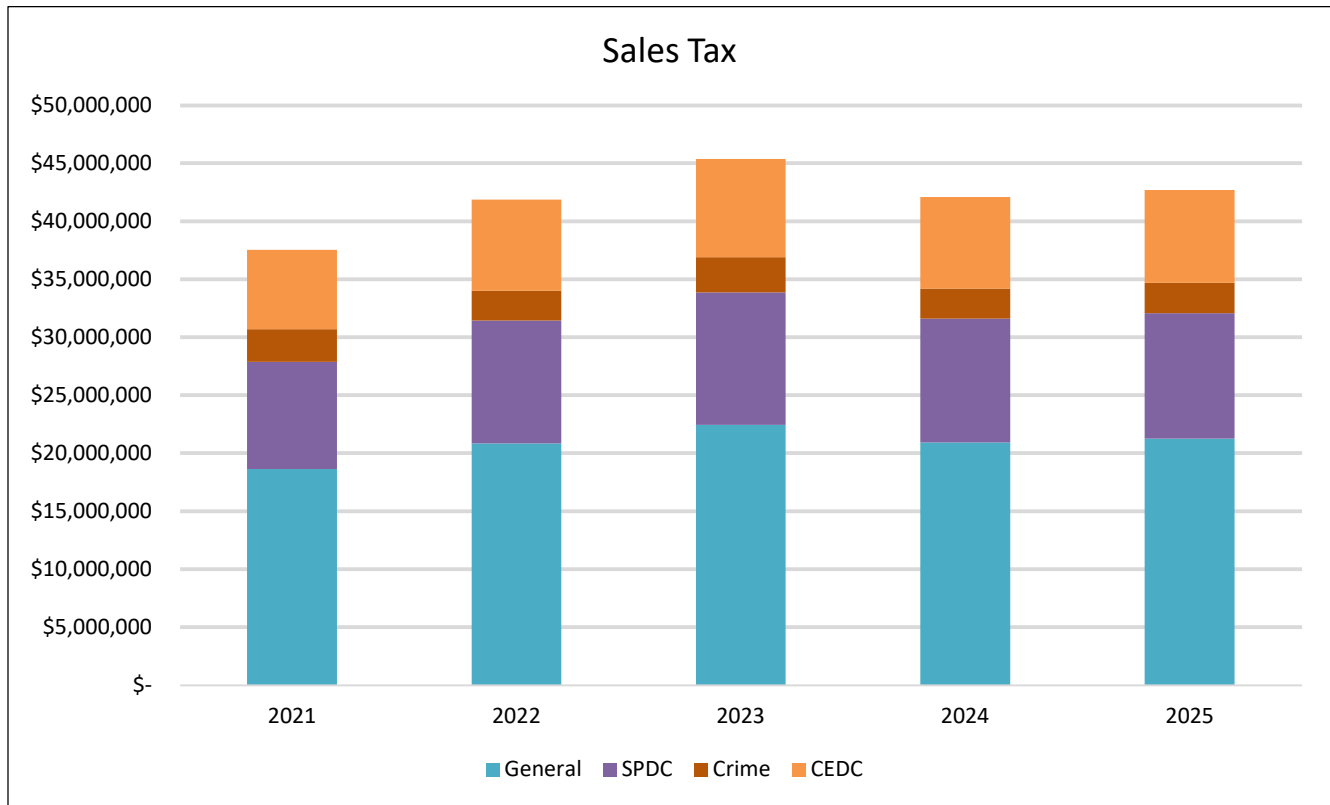
## Sales Taxes

In Southlake, the total sales tax rate is 8.25%. The City receives \$0.02 of sales tax for every dollar spent in our city limits (the remainder goes to the State). One of those pennies goes to the General Fund and can be spent on general operating costs, like supplies, salaries, and general maintenance. The other penny is split between our Crime Control and Prevention District ("CCPD"), the Southlake Parks Development Corporation ("SPDC"), and the Community Enhancement and Development Corporation ("CEDC").



Sales taxes are an essential source of revenue for the City, making up approximately 38% of total revenues. It is estimated that non-residents who shop and dine in Southlake generate up to 70% of the sales tax revenue. These monies are used to support the City's general operations, fund parks development, crime prevention and safety initiatives, construction and operations of The Marq, and economic development, and pay off the debt for these funds. Utilizing special sales tax districts has allowed the City of Southlake to maintain excellent financial conditions and reduce the property tax burden.

The City of Southlake experienced an increase in sales tax collections during the fiscal year, as indicated on the chart. Sales tax collections exceeded \$42.6 million in FY 2025, a 1.46% increase from the previous year. This increase was expected by the City.



**Future Economic Outlook**

Generating economic development is a significant consideration in the City of Southlake's future economic outlook. To that end, the City has developed the following policy statement related to public investment in economic development.

**General Purpose and Objectives of Incentives**

The City of Southlake is committed to improving the quality of life for its citizens through the attraction and retention of high-quality development that drives a dynamic and sustainable economic environment. On a case-by-case basis, Southlake will consider providing inducement packages as a stimulus for economic development activity, including business attraction, relocation, and retention.

## Public Funds Investment Guiding Principles

In carrying out its economic development objectives, the City of Southlake will adhere to the following guiding investment principles to best determine the strategic investment of its resources in eligible projects:

- Project supports comprehensive plan implementation
- Project will retain, expand, or attract targeted industries
- Project will contribute to a top-tier workforce by retaining or expanding the daytime population and preferred job types
- Project includes preferred quality of life benefits such as open space preservation and project enhancements
- Public investment is performance-based and considers reasonable return on investment via direct financial return and other indirect benefits
- Investments will be made into projects sponsored by a financially viable company in good legal standing with the City and State
- Project will make a unique or unequaled contribution to development or redevelopment efforts in the City of Southlake due to its magnitude, significance to the community, or aesthetic quality

## Criteria

Investment recommendations will be based on the evaluation of criteria, including the following:

<b>Fiscal Impact</b>	<ul style="list-style-type: none"> <li>• What is the estimated total value of capital investment for buildings, other real property improvements, furniture, fixtures, and equipment?</li> <li>• What is the value of the Real and Business Personal Property that will be added to the tax rolls?</li> <li>• How much direct sales tax will be generated?</li> <li>• Will infrastructure construction be required?</li> <li>• Will the project generate overnight stays in the community? If so, how many annually?</li> <li>• What is the estimated return on public investment?</li> </ul>
<b>Employment Impact</b>	<ul style="list-style-type: none"> <li>• How many jobs will be brought to Southlake?</li> <li>• How many jobs will be retained?</li> <li>• What types of jobs will be created?</li> <li>• What will the total annual payroll be?</li> <li>• What is the average annual salary of jobs created and/or retained?</li> </ul>
<b>Community Impact</b>	<ul style="list-style-type: none"> <li>• How compatible is the project with the City's comprehensive plan goals?</li> <li>• How does the project support goals related to the preferred quality of life benefit, such as preservation of open space and project enhancements?</li> </ul>
<b>Project Eligibility</b>	<ul style="list-style-type: none"> <li>• Does the project meet the following minimum preferred thresholds? <ul style="list-style-type: none"> <li>○ Capital investment: \$5,000,000</li> <li>○ Jobs created or retained: 100</li> <li>○ Average annual total compensation of jobs created or retained: \$50,000</li> <li>○ Average education level: 4-year degree</li> <li>○ Target industry alignment</li> </ul> </li> <li>• If the project does not meet the preferred thresholds, will it make a unique or unequaled contribution to the development or redevelopment efforts in the City? How?</li> </ul>

## Target Industries

The Southlake 2035 Economic Development Master Plan specifies these target industries:

<p><b>Niche Retail</b></p>	<ul style="list-style-type: none"> <li>• Full-service and limited-service restaurants (unique, independent, farm-to-table, chef-driven, etc.)</li> <li>• Specialty grocery (organic/local, specialty foods, dine-in or takeaway house-made prepared foods, artisanal cafe, wine and cheese from around the globe)</li> <li>• House &amp; home retail (furnishings and appliances, home design showrooms, smart home technology)</li> <li>• Health, beauty, and wellness (salons, spas, fitness training/gyms, yoga studios)</li> <li>• Culinary Hub (farm-to-table, farmers market, specialty food retailers, commercial-grade kitchens, culinary business incubator)</li> </ul>
<p><b>Office</b></p>	<ul style="list-style-type: none"> <li>• Corporate headquarters and regional offices (large-scale, build-to-suit campus office)</li> <li>• Multi-tenant garden-style (professional services: accountants, engineers/planners/architects, information technology, lawyers, advertising and media, management consulting, actuary)</li> </ul>
<p><b>Medical and Healthcare</b></p>	<ul style="list-style-type: none"> <li>• Health, beauty, and wellness (specialized facilities for cosmetic procedures, healthy living, etc.)</li> <li>• Specialized pediatric and senior clinic/outpatient facilities</li> <li>• Specialized medical facilities for surgical procedures (implanted medical devices, bariatric, etc.)</li> <li>• Medical/wellness hub along SH 114</li> <li>• Research &amp; Development Center</li> </ul>
<p><b>Finance, Insurance and Wealth Management</b></p>	<ul style="list-style-type: none"> <li>• Corporate headquarters and regional offices</li> <li>• Professional services</li> </ul>
<p><b>Information Technology and Media</b></p>	<ul style="list-style-type: none"> <li>• Corporate headquarters and regional offices</li> <li>• Professional services</li> <li>• Telecommunications</li> </ul>
<p><b>Biotechnology and Pharmaceuticals</b></p>	<ul style="list-style-type: none"> <li>• Corporate headquarters and regional offices</li> <li>• Research and development</li> </ul>

**Eligible Activities**

Investment funds may be used for one or more of the following eligible activities to assist a targeted industry in locating in the City or to facilitate a redevelopment project:

- Capital investments related to real property construction and acquisition
- Improvements to an existing building
- On-site and/or off-site infrastructure
- Site enhancements that the City may support to encourage upgraded aesthetics or amenities
- Other purposes which bring value to the community as determined by the Southlake City Council

**Exclusionary Factors**

Even though a project might meet all the minimum project qualifications, it will not be considered for public investment if any of the following factors apply:

- If the project would, for any reason, result in a net reduction of the ad valorem tax valuation of all facilities in the City owned by the company or its parent, subsidiary, or affiliated companies, assistance will not be provided.
- Investment will not be provided to companies not in good legal standing with the state or that have not met their obligations as businesses in the City of Southlake.
- No prior commitment to investment shall be binding if the company originally receiving the assistance assigns it to another company unless the City has consented to such assignment in writing, as specified in an approved investment agreement.
- The financial condition of the company receiving the assistance must not make its ability to meet its obligations uncertain.

**Available Investment Tools**

<b>Tax Abatement</b>	This is a tool whereby all or a portion of the increase in the value of real and/or business personal property can be exempted from taxation. The legal authority for tax abatements comes from Chapter 312 of the Texas Property Tax Code; therefore, cities must meet the provisions of the Code when using abatements.
<b>Chapter 380 Economic Development Grants</b>	This incentive option is authorized under Chapter 380 of the Texas Local Government Code. It is an agreement between the taxpayer and taxing entity to offer a variety of fee-based or tax-based incentives, grants (which may or may not be repaid), or rebates. This is a flexible option, but there are certain state law requirements that must be met in all cases.
<b>Infrastructure Participation</b>	The City of Southlake has a track record of facilitating development through enhancement of water, sewer, and roadway infrastructure relevant to sites selected for significant projects as needed.
<b>Tax Increment Reinvestment Zone</b>	Tax Increment Financing is a tool to finance public improvements within a defined area. The improvements should enhance the environment and attract new investment. The statutes governing tax increment financing are in Chapter 311 of the Texas Tax Code.
<b>Public Improvement Districts (PID)</b>	A PID is a defined geographical area established to provide specific types of improvements or maintenance within the area which are financed by assessments against the property owners within the area. Chapter 372 of the Texas Local Government Code authorizes the creation of PIDs by cities.
<b>Fee Waivers or Reimbursement</b>	The City of Southlake will consider a waiver or reimbursement of development fees on eligible projects.

The City entered into no new incentive agreements for FY 2025. All projects undergo this rigorous vetting process before the City enters into any agreements. Agreements also undergo periodic monitoring after inception to ensure that performance targets are being met.

## Major Development Projects

In 2025, the following projects have been approved for development in the City:

- Dakota's Southlake will include a new restaurant, event hall, and retail buildings.
- The Hideaway will include 7 single-family residential lots on approximately 8.4 acres.
- 1835 Shady Oaks Drive will include 19 residential lots and 4 office buildings on approximately 21.2 acres.
- Linmar Estates will include 10 single-family residential lots on approximately 10.85 acres.
- Liberty Commons will include 14 single-family residential lots and 5 office, retail, and/or commercial lots on approximately 15.1 acres.
- The Oaks will include 11 single-family residential lots on approximately 12.85 acres.

The City has the following development projects under construction:

- The Overlook and Willowtree Gardens will include a single-family residential component and an office building component.
- Brumlow East will include a 32.8-acre mixed-use development encompassing a single-family residential component with 56 residential homes and approximately 71,000 square feet of office and office/warehouse buildings.
- Lambert Homes will include an approximate 10,570 sq. ft. two-story building (serving as Lambert Homes' primary office, retail, and storage space), and an approximate 2,800 sq. ft. one-story building intended for future retail use.
- Southlake Municipal Service Center will support the City of Southlake Public Works Operations. The site will also include a Training Tower for the Department of Public Safety's use.
- The Wheelhouse will include 2 single-story buildings totaling approximately 19,461 sq. ft. for office showroom with retail sales and automobile and motorcycle sales and/or service uses. Additionally, The Wheelhouse will include 3 single-story buildings totaling approximately 47,629 sq. ft. with garage and storage uses, maintenance of personal vehicles, and a hobby shop for personal use.
- The Garden District Residences will include 58 residential units in 2 four-story buildings on approximately 2.24 acres.
- Next Century Health Care Plaza will include 6 single-story medical office buildings totaling approximately 50,000 sq. ft.
- The Elmore will modify the building color and add a screening wall for the existing hotel.
- Tom Thumb Gas Station—The project will convert the former Texaco establishment into a Tom Thumb Gasoline Service Station and Convenience Store at the northwest corner of the W. Southlake Blvd. and N. White Chapel Blvd. intersection.
- Tommy's Car Wash - Northeast Corner of W. Southlake Boulevard and N. Pearson Ln. will include a self-service car wash with a conceptual future retail component.
- Restoration Church will include construction of an additional 2-story building, expansion of the parking lot, and development of a dry detention pond.
- Carillon Parc Residential will include 79 residential lots and 3 commercial lots.
- Kirkwood East will include 8 buildings totaling approximately 50,000 sq. ft. at build-out - 2 are under construction.
- Highland Terrace will include 9 residential lots on 3.91 acres along White Chapel Lane.
- Rainey Estates will include 4 one-acre lots on 4.75 acres at the southwest corner of North White Chapel Blvd. and West Bob Jones Road.

During FY 2025, the following significant projects were completed, which will have an impact on the local economy in the future:

- Constellation included 4 large warehouse buildings totaling approximately 546,330 sq. ft.
- Southlake Marketplace included lighting improvements, landscape improvements, and the construction of an approximately 2,600 sq. ft. drive-thru restaurant.

The City's dedication to quality development, sound fiscal policies, and effective strategic management has made it an exemplary community in the Dallas-Fort Worth region. With impeccably built neighborhoods, a successful downtown, and a diverse business community, the City offers residents, businesses, and visitors an enhanced quality of life.

### **Financial Management Principles**

The City has strong financial management principles that provide the framework for financial sustainability.

- Tax rate management - The tax rate is allocated properly between maintenance /operations and debt service.
- Structural balance - The City's ability to weather potential economic downturns or other financial challenges is critical. The City does not use reserves to balance the operating budget.
- Reserve management - The City's fund balance policy requires a minimum of 15% and an optimum of 25%. The City uses "excess" reserves to fund one-time, "pay-as-you-go" projects.
- Multi-year financial plan - The long-term effect of today's decisions on tomorrow's financial situation is important during the budget process.
- Quality service delivery - The City is committed to meeting the needs of our community through high-quality service delivery.
- Risk management - The City supports ongoing initiatives to safeguard public trust through internal audits and other initiatives to maintain a strong control environment.

### **Multi-year Sustainability**

Executive leaders evaluate the operational impact of all identified projects and include those costs in future budget projections. The Executive Leadership Team has also begun a more formalized 5-year financial roadmap that reflects known and planned expenditures to create further predictability for future budgets.

Staff monitors trends that depict the City's long-term financial health and uses these trends to make decisions to reach financial and service goals. Thoroughly understanding economic conditions is critical for proper planning.

### **Economic Information Used for City Financial Projections**



The City has taken an additional formal step to understand and plan for the organization's financial future by adopting the Southlake Sustainability Plan as an element of the Southlake Comprehensive Plan.

It contains formal recommendations to ensure positive financial outcomes for the City. Management is working with the City Council to update this plan.

## **OTHER INFORMATION**

### **Independent Audit**

The City Charter requires an annual audit of the financial status of the City by independent Certified Public Accountants selected by the City Council. This requirement has been met, and the auditor's report has been included in this report. Additionally, the City has an Audit Committee as a subcommittee of the City Council, which hears and reviews all recommendations made by the independent auditors.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Southlake for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. This was the 25th consecutive year that the City has received this prestigious national award. To earn the Certificate of Achievement, the City published an easy-to-read and efficiently organized Annual Comprehensive Financial Report with contents that conformed to program standards. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for one year. The City believes that the current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and thus is submitting it to GFOA to determine its eligibility for another certificate.

GFOA named the City of Southlake a 2024 Triple Crown winner. GFOA's Triple Crown designation recognizes governments that have received GFOA's Certificate of Achievement for Excellence in Financial Reporting, Popular Annual Financial Reporting Award, and the Distinguished Budget Presentation Award for a fiscal year. The City has received this designation 6 years in a row.

### **Acknowledgments**

This report could not have been prepared without the dedication and efficiency of the entire staff and our independent auditor. I want to express appreciation to City employees throughout the organization, especially those staff members in the Finance Department, who were instrumental in the successful completion of this report. I would also like to thank the Mayor and members of the City Council for their support in planning and conducting the City's financial operations in a responsible and efficient manner.

Respectfully submitted,

*Sharen Jackson*

Sharen Jackson  
Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Southlake  
Texas**

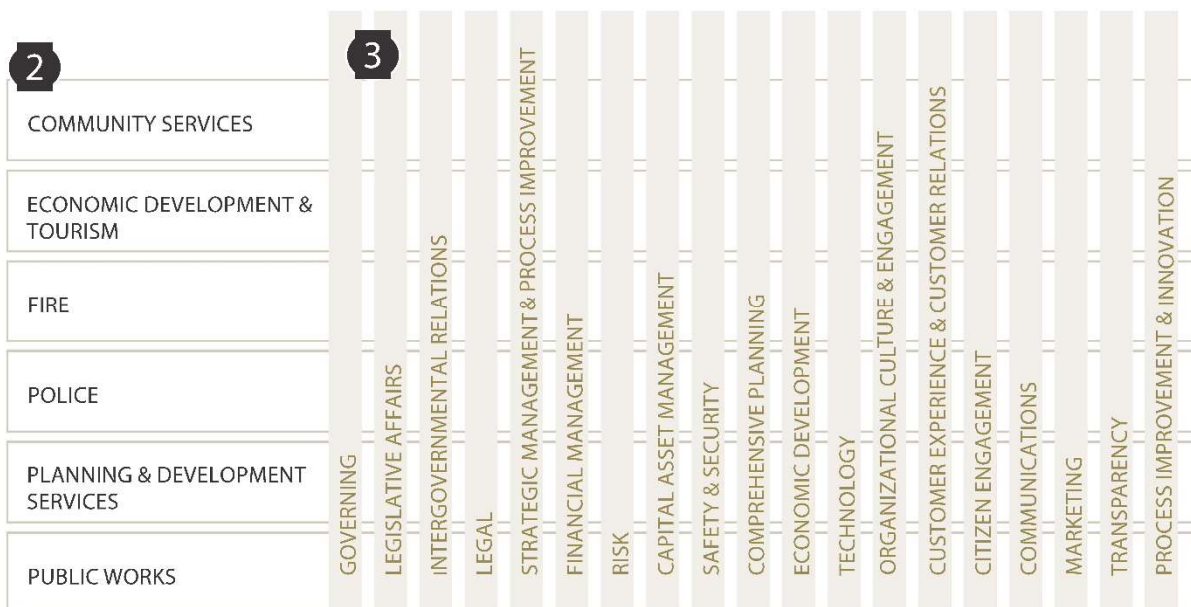
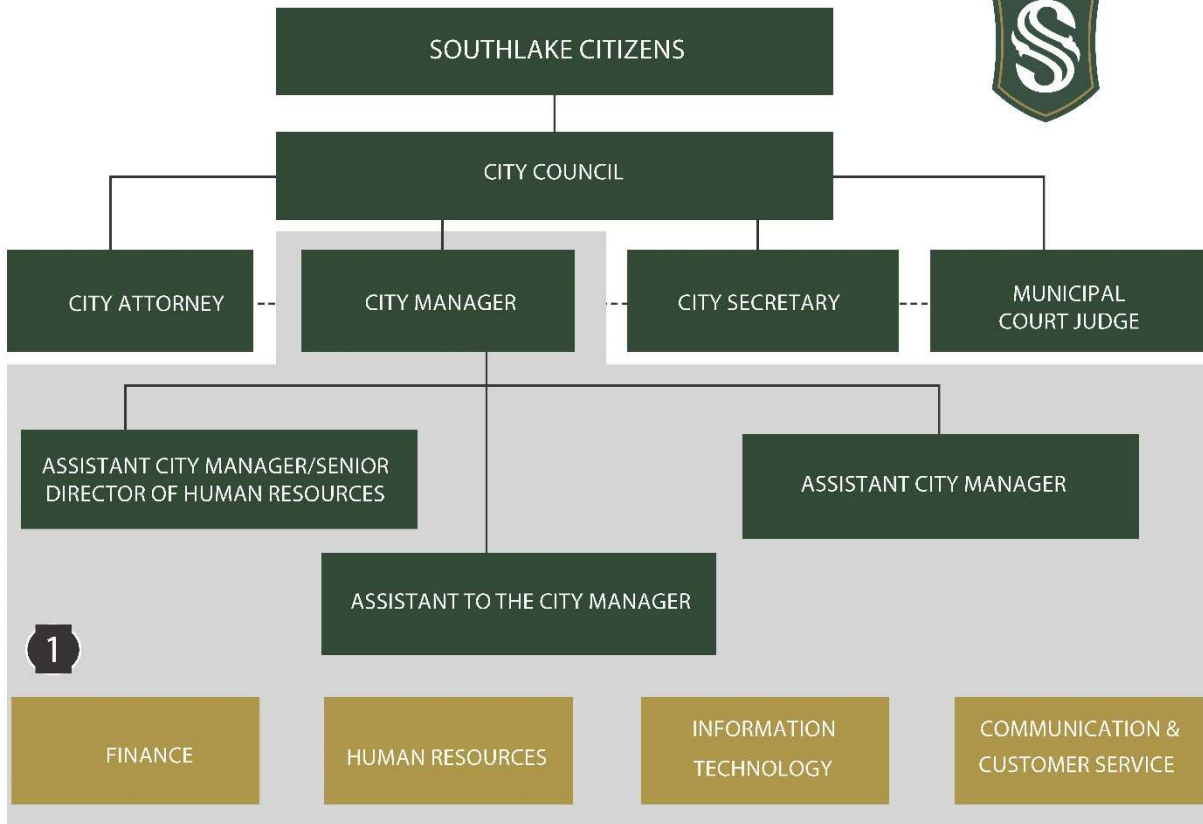
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2024

*Christopher P. Morill*

Executive Director/CEO

# City of Southlake Organizational Structure



**1** CORPORATE TEAM

**2** CITY DEPARTMENTS

**3** CORPORATE FUNCTIONAL AREAS

**City of Southlake, Texas**

List of Principal Officials

September 30, 2025

Shawn McCaskill	Mayor
Randy Williamson	Mayor Pro Tem
Kathy Talley	Deputy Mayor Pro Tem
Austin Reynolds	Council Member
Randy Robbins	Council Member
Frances Scharli	Council Member
Chuck Taggart	Council Member
Alison Ortowski	City Manager
Stacey Black	Assistant City Manager/Senior Director of Human Resources
James Brandon	Assistant City Manager
Amy Shelley	City Secretary
Sharen Jackson	Chief Financial Officer
Daniel Cortez	Economic Development & Tourism Director
Lauren LaNeave	Interim Public Works Director
David Miller	Community Services Director
Dennis Killough	Planning & Development Services Director
Pilar Schank	Communications Director
Ashleigh Casey	Police Chief
Shannon Langford	Fire Chief

# **Financial Section**



## Independent Auditor's Report

To the Honorable Mayor and Members of  
City Council and Management of the  
City of Southlake, Texas

### Report on the Audit of the Financial Statements

#### Opinions

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

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

#### Basis for Opinions

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

#### Emphasis of Matter

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

#### Responsibilities of Management for the Financial Statements

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

The Honorable Mayor and Members of  
City Council and Management of the  
City of Southlake, Texas

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and Schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2026 our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 23, 2026



# **Management's Discussion and Analysis**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Southlake's Management's Discussion and Analysis (MD&A) is designed to provide an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, and conditions. It is intended to provide a broad overview and short-term analysis of the City's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, providing an overview of the City's financial activities, identifying changes in the City's financial position (its ability to address the next and subsequent years' challenges), identifying material deviations from the approved budget, and identifying individual fund issues.

The City presents its financial statements in accordance with the reporting model required by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This reporting model significantly changes not only the presentation of financial data but also the manner in which the information is recorded.

The information contained within this MD&A is only a component of the entire financial statement report. Readers should consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-xv of this report.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Southlake exceeded its liabilities and deferred inflows of resources on September 30, 2025, by \$877,425,605 (net position). Of this amount, \$193,476,699 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.
- The net position of the City's governmental activities increased by \$33,942,106 while the net position of business-type activities increased by \$15,976,136.
- As of September 30, 2025, the City's governmental funds reported combined ending fund balances of \$236,228,550. Of this amount, \$52,557 is reported as nonspendable, \$130,370,724 is restricted by outside sources, \$2,095,138 is committed for future uses, \$85,777,498 is assigned by management for specified purposes, and \$17,932,633 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$17,932,633, or 32.6 percent of total General Fund expenditures.
- At the end of the current fiscal year, the City of Southlake's outstanding debt totaled \$125,647,396, a net increase of \$2,950,740 from the previous year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The reporting focus is on the City as a whole and on individual major funds. It is intended to present a more comprehensive view of the City's financial activities.

The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

## Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both are prepared using the economic resources measurement focus and the accrual basis of accounting, meaning that all current-year revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, including capital assets and long-term obligations. The difference between the two is reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other indicators of the City's financial position should be taken into consideration, such as the change in the City's property tax base and the condition of the City's infrastructure (i.e., roads, drainage systems, water and sewer lines, etc.), to assess the overall financial condition of the City more accurately.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. It focuses on both the gross and net costs of the government's various activities and thus summarizes the cost of providing specific government services. This statement includes all current-year revenues and expenses.

The Statement of Net Position and the Statement of Activities divide the City's activities into two types:

*Governmental activities*—Most of the City's basic services are reported here, including general administration, debt services, public safety, public works, parks and community services, public library, public events and facilities, planning and development, and finance. Property, sales, and franchise taxes provide most of the financing for these activities.

*Business-type activities*—These are activities for which the City charges customers a fee to pay most or all the costs of a service it provides. The City's business-type activities include water distribution, wastewater collection, and solid waste collection and disposal.

The government-wide financial statements are found on pages 25-26 of this report.

## Fund Financial Statements

The City of Southlake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. These statements focus on the most significant funds and may be used to find more detailed information about the City's most significant activities. All the City's funds can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds*—These funds account for the majority of the City's activities and essentially perform the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year for future spending. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of the governmental fund financial statements is narrower than that of the government-wide financial statements. Therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison. The reconciliation explains the differences between the government's activities as reported in the government-wide financial statements and the information presented in the governmental fund financial statements.

The City maintains 25 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, General Obligation Debt Service Fund, General Capital Projects Fund, Southlake Parks Development Corporation Capital Projects Fund, Southlake Parks Development Corporation Special Revenue Fund, and Community Enhancement Development Corporation Special Revenue Fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental funds financial statements can be found on pages 30-36 of this report.

*Proprietary Funds*—When the City charges customers for services it provides, the activities are generally reported in proprietary funds. The City of Southlake maintains two different types of proprietary funds: enterprise and internal service funds.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and solid waste. These services are primarily provided to outside or non-governmental customers.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for vehicle and equipment replacement. Because these services predominantly benefit the governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 38-41 of this report.

*Fiduciary funds*—the City presents one trust fund, the Southlake OPEB Liability Trust Fund, which accounts for the funding of post-employment healthcare benefits for retirees of the City and their dependents. The financial statements for the fiduciary funds can be found on pages 45-46 of this report.

### Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 49-87 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may be a useful indicator of the City's financial position. As of September 30, 2025, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$877,425,605 (net position) at the close of the most recent fiscal year.

The following analysis highlights the net position as of September 30, 2025, and 2024:

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 266,958,845	\$ 234,247,365	\$ 115,137,603	\$ 98,781,086	\$ 382,096,448	\$ 333,028,451
Capital assets	534,451,622	532,406,280	100,998,598	96,335,544	635,450,220	628,741,824
Total assets	<u>801,410,467</u>	<u>766,653,645</u>	<u>216,136,201</u>	<u>195,116,630</u>	<u>1,017,546,668</u>	<u>961,770,275</u>
Deferred outflows of resources	6,502,931	8,572,281	498,314	726,463	7,001,245	9,298,744
Long-term liabilities	86,788,950	87,183,147	38,858,446	35,513,509	125,647,396	122,696,656
Other liabilities	12,841,324	13,050,024	4,902,162	3,358,199	17,743,486	16,408,223
Total liabilities	<u>99,630,274</u>	<u>100,233,171</u>	<u>43,760,608</u>	<u>38,871,708</u>	<u>143,390,882</u>	<u>139,104,879</u>
Deferred inflows of resources	3,437,216	2,022,673	294,210	278,800	3,731,426	2,301,473
Net position:						
Net investment in capital assets	483,829,097	472,883,752	74,243,805	74,231,905	558,072,902	547,115,657
Restricted	113,078,118	111,948,381	12,797,886	11,659,020	125,876,004	123,607,401
Unrestricted	107,938,693	88,137,949	85,538,006	70,801,660	193,476,699	158,939,609
Total net position	<u>\$ 704,845,908</u>	<u>\$ 672,970,082</u>	<u>\$ 172,579,697</u>	<u>\$ 156,692,585</u>	<u>\$ 877,425,605</u>	<u>\$ 829,662,667</u>

The following analysis highlights the changes in net position for the year ended September 30, 2025 and 2024:

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 12,709,757	\$ 12,298,382	\$ 37,270,626	\$ 35,597,701	\$ 49,980,383	\$ 47,896,083
Operating grants and contributions	250,232	375,784	-	-	250,232	375,784
Capital grants and contributions	7,907,152	4,890,150	3,311,503	1,734,388	11,218,655	6,624,538
General revenues:						
Taxes	93,943,756	91,590,428	-	-	93,943,756	91,590,428
Investment earnings	10,184,249	11,116,664	4,158,232	3,839,868	14,342,481	14,956,532
Miscellaneous	310,807	151,752	-	-	310,807	151,752
Gain on sale of capital assets	283,742	143,146	28,381	96,269	312,123	239,415
Total revenues	<u>125,589,695</u>	<u>120,566,306</u>	<u>44,768,742</u>	<u>41,268,226</u>	<u>170,358,437</u>	<u>161,834,532</u>
Expenses:						
General government	27,449,966	26,994,341	-	-	27,449,966	26,994,341
Public safety	29,067,535	27,798,598	-	-	29,067,535	27,798,598
Public works	12,945,970	10,709,563	-	-	12,945,970	10,709,563
Culture and recreation	20,390,226	19,939,371	-	-	20,390,226	19,939,371
Promotion of culture and tourism	1,818,301	871,217	-	-	1,818,301	871,217
Interest on long-term debt	1,564,205	1,867,737	-	-	1,564,205	1,867,737
Water and sewer	-	-	27,203,992	28,969,340	27,203,992	28,969,340
Total expenses	<u>93,236,203</u>	<u>88,180,827</u>	<u>27,203,992</u>	<u>28,969,340</u>	<u>120,440,195</u>	<u>117,150,167</u>
Increases in net position before transfers	32,353,492	32,385,479	17,564,750	12,298,886	49,918,242	44,684,365
Transfers	1,588,614	1,608,855	(1,588,614)	(1,608,855)	-	-
Change in net position	<u>33,942,106</u>	<u>33,994,334</u>	<u>15,976,136</u>	<u>10,690,031</u>	<u>49,918,242</u>	<u>44,684,365</u>
Net position, beginning, as previously presented	<u>672,970,082</u>	<u>638,975,748</u>	<u>156,692,585</u>	<u>146,002,554</u>	<u>829,662,667</u>	<u>784,978,302</u>
Change in accounting principle (GASB 101)	<u>(2,066,280)</u>	<u>-</u>	<u>(89,024)</u>	<u>-</u>	<u>(2,155,304)</u>	<u>-</u>
Net position, beginning, as restated	<u>670,903,802</u>	<u>638,975,748</u>	<u>156,603,561</u>	<u>146,002,554</u>	<u>827,507,363</u>	<u>784,978,302</u>
Net position, ending	<u>\$ 704,845,908</u>	<u>\$ 672,970,082</u>	<u>\$ 172,579,697</u>	<u>\$ 156,692,585</u>	<u>\$ 877,425,605</u>	<u>\$ 829,662,667</u>

The largest portion of the City's net position, \$558,072,902, reflects its investment in capital assets (land and improvements, building, infrastructure, machinery and equipment, and right-to-use assets net of accumulated depreciation and amortization), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City reports its capital assets net of related debt, 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.

Governmental activities net position increased by \$33,942,106. This can be largely attributed to the City's total revenues of \$125,589,695 exceeding total expenses of \$93,236,203 by \$32,353,492. Significant changes in revenues and expenses between FY 2025 and FY 2024 include the following:

- The City received \$7.79 million in public works-related capital grants and contributions for FY 2025, including donated capital assets of \$6 million and grant funding related to replacing the North White Chapel Bridge for over \$930,000. The total increase from FY 2024 was over \$2.9 million.
- Tax revenues increased by over \$2.4 million. Sales taxes increased by over \$988,000, while property tax revenues increased by over \$1.4 million for FY 25. Property tax rates were reduced to the no-new-revenue rate, so this increase was related to additional properties being added to the tax roll and increases in total assessed property values.
- Public safety expenses increased by over \$1.2 million for FY 2025. Salary and benefit-related costs were the driving factors for this increase, which resulted from scheduled raises and increased overtime needs.
- Public works had an increase of over \$2.2 million. This increase can be largely attributed to an almost \$2 million increase in non-capital project costs for FY 2025.
- Promotion of culture and tourism increased by almost \$1 million. This increase can be attributed to an almost \$600,000 increase in non-capital project costs for FY 2025. Additionally, an increase of almost \$250,000 is attributable to added spending on City and other local events.

The net position of business-type activities increased by \$15,976,136. While revenues consistently outpace expenses in business-type activities, there were some significant increases and decreases in revenues and expenses for FY 2025.

Charges for services increased by almost \$1.7 million in FY 2025, primarily due to higher wastewater rates. Capital contributions increased by over \$1.5 million, to \$3,311,503, due to increased donations of capital assets from developers. Additionally, land purchased for the new Municipal Service Center, valued at \$4,168,934, was transferred from governmental activities to business-type activities. Investment earnings increased by over \$318,000, largely due to interest rates remaining high, while cash and investment balances increased by over \$16 million.

Business-type activity expenses decreased by almost \$1.8 million in FY 2025. This reduction was driven by lower purchased water costs and decreased wastewater treatment expenses. Wastewater treatment savings of over \$1.2 million resulted from Trinity River Authority's ability to reduce debt service costs by issuing commercial paper as needed to fund construction at the City's two treatment plants, rather than issuing traditional bonds upfront. These lower financing costs were passed through to participating cities, including Southlake.

The City also experienced a decline in contractual service costs associated with the implementation of the Environmental Protection Agency's Lead and Copper Rule Revisions (LCRR). Because the primary compliance date was October 16, 2024, most related project costs were incurred prior to FY 2025.

## **FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

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

As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$236,228,550. Approximately 7.6 percent or \$17,932,633 constitutes unassigned fund balance, which is available for spending at the government's discretion. Other portions of the fund balance are either nonspendable, restricted, committed, or assigned to indicate that it is (1) not in spendable form, \$52,557; (2) restricted for particular purposes, \$130,370,724; (3) committed for particular purposes, \$2,095,138; or (4) assigned for particular purposes, \$85,777,498.

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 \$17,932,633. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32.6 percent of total General Fund expenditures, while total fund balance represents 91.3 percent of total General Fund expenditures.

The fund balance of the General Fund increased by \$2,593,864 during the current fiscal year. This net increase was the result of several factors, including:

- Tax revenues increased overall, with property tax revenues rising by more than \$721,000 due to additional properties being added to the tax roll and continued growth in total assessed values. Sales tax revenues also increased by more than \$562,000.
- The specific change that resulted in an increase in fund balance for the General Fund was the planned reduction of transfers out to other funds for \$2.6 million. In the past, these transfers were used to fund capital projects and other initiatives, but the strategy to fund these projects changed as a part of the budget process in conjunction with the property tax strategy.

The General Obligation Debt Service Fund has a fund balance of \$1,869,414, all of which is restricted for debt service payment. The fund balance decreased during the year by \$398,804. This decrease was expected as reserves, property tax collections, and the current year's debt service requirements were all considered when determining the current property tax rate in accordance with the Texas Tax Code.

The fund balance in the General Capital Projects Fund ended the year at \$85,609,504, an increase of \$15,548,165. This increase can be attributed to interfund transfers of \$8.9 million, which were received to reimburse project expenditures for \$4,168,934, and to cash-fund upcoming roadway, drainage, and other infrastructure projects. In addition, \$9,150,000 in certificates of obligation and intergovernmental revenues of over \$1.3 million were received to fund various infrastructure projects. These inflows of resources were made available to fund various capital projects for the City, and in FY 2025, the City spent \$8.17 million of available project funding on capital outlays in the General Capital Projects Fund.

The Southlake Parks Development Corporation Capital Projects Fund significantly decreased expenditures, approximately \$12.8 million, for FY 2025. In FY 2024, a large turf replacement project was substantially completed. A \$6 million transfer was made from the Southlake Park Development Corporation Special Revenue Fund to provide additional funding for park capital projects.

The Southlake Parks Development Corporation Special Revenue Fund decreased its fund balance by \$856,544. This reduction was primarily due to an increase in capital expenditures of \$996,777, related to a Parks security camera replacement project.

The Community Enhancement Development Corporation Special Revenue Fund increased its fund balance by \$4,350,912. Revenues outpaced expenditures for the year as budgeted and planned each year. The only significant variances for the fund include an increase in sales tax revenues of over \$122,000 and a decrease in transfers out to other funds of \$234,000, primarily related to the reduction in transfers to the Community Enhancement Development Corporation Capital Projects Fund.

## **FINANCIAL ANALYSIS OF THE PROPRIETARY FUNDS**

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

Unrestricted net position reported in the Proprietary Funds included \$85,538,006 in the Water and Sewer Fund and \$15,957,924 in the Vehicle and Equipment Replacement Fund. The total net position in the Water and Sewer Fund increased by \$15,976,136, while the net position of the Vehicle and Equipment Replacement Fund increased by \$3,377,948.

Revenues consistently outpace expenses in the Water and Sewer Fund each year, which is the primary driver for the continued increase in net position. In the current year, capital contributions increased by over \$5.6 million due to the donation of \$3,311,503 in capital assets from developers, and the transfer of land purchased for the new Municipal Service Center from governmental activities, valued at \$4,168,934. Additionally, charges for services increased by almost \$1.7 million due to an increase in wastewater treatment rates. Water and Sewer Fund expenses decreased by almost \$1.9 million in FY 2025. This reduction was driven by lower purchased water costs and decreased wastewater treatment expenses.

\$4.25 million was transferred to fund vehicle and equipment purchases in FY 2025. This inflow, net of depreciation expense of almost \$1.6 million, resulted in an increase in net position in the Vehicle and Equipment Replacement Fund.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City made revisions to the original budget approved by the City Council. Actual revenues exceeded budget by \$1,108,769. The General Fund expenditure budget was amended across departments, but there was no net change in the total expenditure budget. Actual expenditures, in total, were \$2,581,757 less than final budget. This favorable variance, in conjunction with the revenue variance, resulted in the actual ending fund balance exceeding the ending budgetary fund balance by \$4,681,752.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*—As of September 30, 2025, the City's investment in capital assets for its governmental and business-type activities amounts to \$635,450,220 (net of accumulated depreciation and amortization). This investment includes land, buildings, improvements, machinery and equipment, infrastructure, construction in progress, and right-to-use assets.

The City has elected to use the modified approach for its street system in lieu of the depreciation method. An up-to-date inventory of these infrastructure assets was performed, and the annual costs to maintain and preserve these assets were established and disclosed through administrative policy.

The current condition level of the street system meets the target condition level established by the City. There were no significant changes in the condition levels of infrastructure assets, and the differences between the estimated amounts necessary to maintain and preserve the street system at target condition levels and the actual amount of expense incurred for that purpose for 2025 were not material.

Major capital projects completed during the current year included the following:

- Pearson Pump Station Residual Control Improvements
- Bicentennial Water Tower Fence and Driveway
- North White Chapel and Kirkwood Branch Bridge Replacement
- Watermere Gazebo
- Emergency Operations Center Relocation
- DPS West Public Art Project
- 8" Sewer Line on Shady Oaks to Fox Hollow

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2023
Land and improvements	\$ 112,915,198	\$ 109,622,983	\$ 27,841,307	\$ 21,646,232	\$ 140,756,505	\$ 131,269,215
Construction in progress	22,369,388	30,310,495	3,471,445	4,701,687	25,840,833	35,012,182
Buildings and improvements	107,079,329	108,497,159	47,007	77,325	107,126,336	108,574,484
Improvements	-	-	69,397,388	69,697,534	69,397,388	69,697,534
Infrastructure	275,516,892	269,447,100	-	-	275,516,892	269,447,100
Machinery and equipment	12,644,796	11,783,462	231,587	173,796	12,876,383	11,957,258
Right-to-use assets:						
Lease buildings	130,017	234,031	-	-	130,017	234,031
Lease equipment	442,331	569,408	-	-	442,331	569,408
Subscriptions	3,353,671	1,941,642	9,864	38,970	3,363,535	1,980,612
<b>Total</b>	<b>\$ 534,451,622</b>	<b>\$ 532,406,280</b>	<b>\$ 100,998,598</b>	<b>\$ 96,335,544</b>	<b>\$ 635,450,220</b>	<b>\$ 628,741,824</b>

Additional information on the City's capital assets can be found in Note 4 on pages 66-67 of this report.

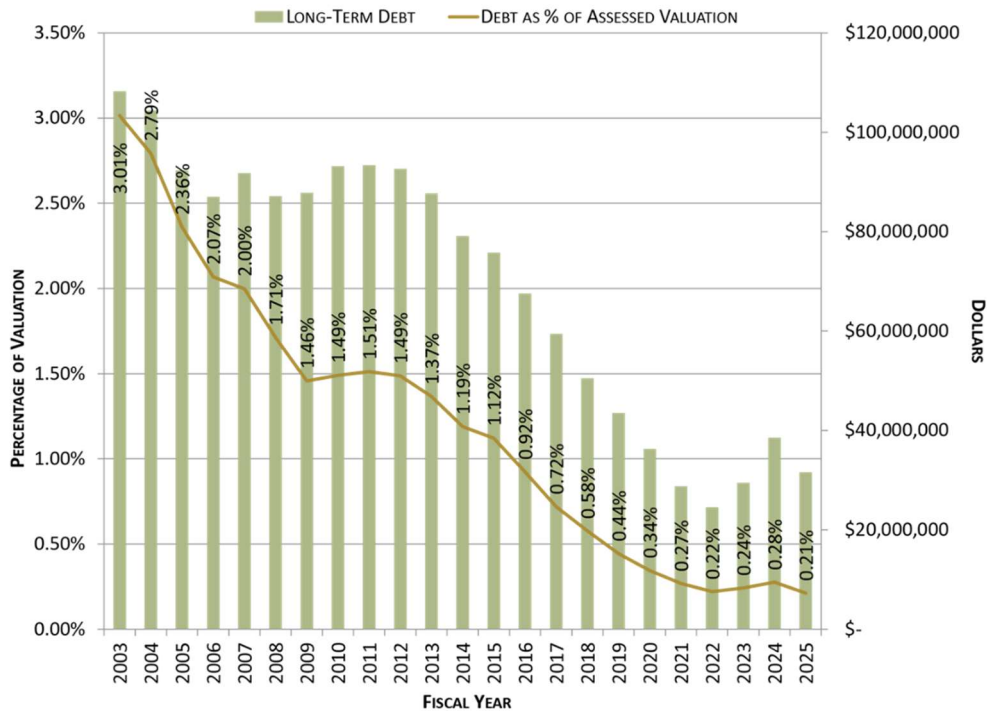
*Long-term Debt* - At the end of the current fiscal year, the governmental activities had \$65,056,556 total bonds outstanding, which were issued to finance capital improvements for roadway, parks and recreation, public buildings, and infrastructure. The business-type activities had \$37,309,801 in total bonds outstanding, issued to finance projects to increase the utility system's capacity.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Bonds Payable	\$ 65,056,556	\$ 66,351,332	\$ 37,309,801	\$ 34,118,969	\$ 102,366,357	\$ 100,470,301
Total OPEB liability	799,991	803,422	64,367	64,590	864,358	868,012
Net pension liability	11,579,778	14,056,529	1,053,290	1,214,748	12,633,068	15,271,277
Compensated absences	5,396,320	3,132,308	224,003	81,150	5,620,323	3,213,458
Financed purchases	105,728	208,476	-	-	105,728	208,476
Lease liabilities	588,312	813,519	-	-	588,312	813,519
Subscription liabilities	3,112,755	1,817,561	4,732	34,052	3,117,487	1,851,613
Arbitrage liability	149,510	-	202,253	-	351,763	-
	<b>\$ 86,788,950</b>	<b>\$ 87,183,147</b>	<b>\$ 38,858,446</b>	<b>\$ 35,513,509</b>	<b>\$ 125,647,396</b>	<b>\$ 122,696,656</b>

The City takes its debt obligation very seriously. Several years ago, the City Council, working with City staff, set goals to reduce the debt as a percentage of assessed valuation over the total long-term debt.

As you can see in the figure below, the City has reduced the percentage from 3.01 percent in 2003 to 0.21 percent in 2025, during a time of growth for the City. Our debt management strategies receive a rigorous annual review from bond rating agencies tasked with letting potential borrowers know how creditworthy the City is. The City has three AAA ratings — a strong external endorsement of the City's financial management.

## Long-term Debt as a Percentage of Assessed Valuation



It should be noted that although the total debt issued has fluctuated based on the timing of important projects, the City has generally reduced its property tax-supported obligations since 2003. The City has been able to effectively manage its debt during a period of growth using cash to partially offset borrowing needs. Additionally, managing debt amortization has been a tool used to reduce borrowing costs.

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

Additional information on the City's long-term debt can be found in Note 5 on pages 67-72 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Property taxes represent 37.7 percent of total governmental revenue, while sales tax is the largest source at 38.6 percent. The City monitors these resources closely and evaluates the need for program adjustments or fee changes as appropriate.

Maintaining structural balance remains foundational to Southlake's budgeting standards. The FY 2026 adopted budget continues to align recurring expenditures with reliable revenue streams, reinforcing financial sustainability and preserving capacity for strategic investment.

The FY 2026 budget incorporates a tax rate of \$0.295 per \$100 valuation, a reduction of one cent from the prior year. This rate is allocated between General Fund operations (\$0.240) and debt service (\$0.055), with the reduction applied to the operations portion.

In keeping with the City's commitment to tax relief, the budget retains the maximum allowable 20 percent homestead exemption, along with existing exemptions for residents over 65 and disabled homeowners. For an average-valued home, the homestead exemption lowers taxable value by approximately \$222,617, resulting in an effective tax savings of roughly 5.9 cents per \$100 valuation. After accounting for both the exemption and the adopted rate reduction, the equivalent residential tax rate is approximately \$0.236.

During the FY 2026 budget process, staff refreshed expenditure projections and identified cost growth pressures of approximately 5 percent, driven largely by compensation, benefits, contracts, utilities, and asset maintenance. The City also benchmarks organic budget growth against the Dallas/Fort Worth Consumer Price Index (CPI). For FY 2026, this guideline was calculated at 2.5 percent, below projected expenditure demands. Growth above the benchmark is primarily attributable to the City's market-leadership pay philosophy, which targets the 85th percentile for public safety and the 70th percentile for general government.

To manage cost pressures while maintaining high service standards, the City employs several operational strategies, including budget optimization, vacancy and workforce review, contract renegotiation, cooperative purchasing, process and technology improvements, lifecycle asset planning, and the targeted use of one-time funds for non-recurring needs.

Through this disciplined approach, the FY 2026 budget limits General Fund expenditure growth to approximately 3.5 percent, while continuing to support exceptional service delivery and long-term financial resilience.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Southlake's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, 1400 Main Street, 4<sup>th</sup> Floor Finance Department, Southlake, Texas 76092.



# **Basic Financial Statements**



# **Government-wide Financial Statements**



**City of Southlake, Texas**  
**Statement of Net Position**  
**September 30, 2025**

**Exhibit 1**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and investments	\$ 250,445,040	\$ 80,238,078	\$ 330,683,118
Receivables (net of allowance for uncollectibles)	10,796,882	6,774,016	17,570,898
Due from other governments	431,890	-	431,890
Prepaid items	2,203,435	-	2,203,435
Inventories	33,277	-	33,277
Restricted assets			
Cash and cash equivalents	1,812,181	27,825,422	29,637,603
Restricted cash for customer deposits	-	300,087	300,087
OPEB asset	1,236,140	-	1,236,140
Capital assets:			
Not being depreciated/amortized	367,726,561	31,312,752	399,039,313
Net of depreciation/amortization	166,725,061	69,685,846	236,410,907
	<u>801,410,467</u>	<u>216,136,201</u>	<u>1,017,546,668</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	149,583	64,838	214,421
Deferred outflows - TMRS pension	5,697,629	423,495	6,121,124
Deferred outflows - TMRS OPEB	122,035	9,981	132,016
Deferred outflows - OPEB Health	533,684	-	533,684
	<u>6,502,931</u>	<u>498,314</u>	<u>7,001,245</u>
<b>LIABILITIES</b>			
Accounts payable	5,389,645	3,843,829	9,233,474
Accrued liabilities	1,956,399	255,933	2,212,332
Due to other governments	2,154,494	-	2,154,494
Accrued interest payable	-	247,056	247,056
Retainage payable	765,636	91,323	856,959
Deposits payable	842,431	-	842,431
Unearned revenue	1,276,071	163,934	1,440,005
Liabilities payable from restricted assets			
Accrued interest	456,648	-	456,648
Customer meter deposits	-	300,087	300,087
Non-current liabilities:			
Due within one year	12,499,548	3,117,059	15,616,607
Due in more than one year	74,289,402	35,741,387	110,030,789
	<u>99,630,274</u>	<u>43,760,608</u>	<u>143,390,882</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred gain on refunding	49,898	184,583	234,481
Deferred inflows - leases	453,601	-	453,601
Deferred inflows - TMRS pension	1,818,055	87,573	1,905,628
Deferred inflows - TMRS OPEB	301,060	22,054	323,114
Deferred inflows - OPEB Health	814,602	-	814,602
	<u>3,437,216</u>	<u>294,210</u>	<u>3,731,426</u>
<b>NET POSITION</b>			
Net investment in capital assets	483,829,097	74,243,805	558,072,902
Restricted for:			
Debt service	4,475,582	-	4,475,582
OPEB Asset	1,236,140	-	1,236,140
Municipal court	993,658	-	993,658
Reinvestment zone	13,567,422	-	13,567,422
Police	7,066,809	-	7,066,809
Parks and recreation	65,502,673	-	65,502,673
Library	16,612	-	16,612
Storm water	9,226,800	-	9,226,800
Promotion of culture and tourism	6,431,129	-	6,431,129
Impact fees	4,561,293	12,797,886	17,359,179
Unrestricted	107,938,693	85,538,006	193,476,699
	<u>\$ 704,845,908</u>	<u>\$ 172,579,697</u>	<u>\$ 877,425,605</u>

The Notes to the Financial Statements are an integral part of this statement.

**City of Southlake, Texas**  
Statement of Activities  
For the Fiscal Year Ended September 30, 2025

**Exhibit 2**

Functions/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		TOTAL
					Governmental Activities	Business - Type Activities	
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities:							
General government	\$ 27,449,966	\$ 2,177,296	\$ 40	\$ -	\$ (25,272,630)	\$ -	\$ (25,272,630)
Public safety	29,067,535	1,444,393	94,092	-	(27,529,050)	-	(27,529,050)
Public works	12,945,970	3,368,835	-	7,793,538	(1,783,597)	-	(1,783,597)
Culture and recreation	20,390,226	5,719,233	156,100	113,614	(14,401,279)	-	(14,401,279)
Promotion of culture and tourism	1,818,301	-	-	-	(1,818,301)	-	(1,818,301)
Interest on long-term debt	1,564,205	-	-	-	(1,564,205)	-	(1,564,205)
Total governmental activities	93,236,203	12,709,757	250,232	7,907,152	(72,369,062)	-	(72,369,062)
Business-type Activities:							
Water and sewer	27,203,992	37,270,626	-	3,311,503	-	13,378,137	13,378,137
Total business-type activities	27,203,992	37,270,626	-	3,311,503	-	13,378,137	13,378,137
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 120,440,195</b>	<b>\$ 49,980,383</b>	<b>\$ 250,232</b>	<b>\$ 11,218,655</b>	<b>(72,369,062)</b>	<b>13,378,137</b>	<b>(58,990,925)</b>
General revenues and transfers:							
General revenues							
Property taxes, levied for general purposes					44,757,795	-	44,757,795
Sales taxes					45,818,639	-	45,818,639
Franchise taxes					3,367,322	-	3,367,322
Investment income					10,184,249	4,158,232	14,342,481
Gain on disposal of capital assets					283,742	28,381	312,123
Miscellaneous					310,807	-	310,807
Transfers					1,588,614	(1,588,614)	-
Total general revenues and transfers					106,311,168	2,597,999	108,909,167
Change in net position					33,942,106	15,976,136	49,918,242
Net position, beginning of year, as previously presented					672,970,082	156,692,585	829,662,667
Change in accounting principle (GASB 101)					(2,066,280)	(89,024)	(2,155,304)
Net position, beginning of year, as restated					670,903,802	156,603,561	827,507,363
<b>NET POSITION, end of year</b>					<b>\$ 704,845,908</b>	<b>\$ 172,579,697</b>	<b>\$ 877,425,605</b>

The Notes to the Financial Statements are an integral part of this statement.

# **Fund Financial Statements**



# **Governmental Funds Financial Statements**

# City of Southlake, Texas

## Balance Sheet – Governmental Funds

September 30, 2025

	GENERAL	GENERAL OBLIGATION DEBT SERVICE	CAPITAL PROJECTS	
			GENERAL CAPITAL PROJECTS	SOUTHLAKE PARKS DEVELOPMENT CORPORATION
<b>ASSETS</b>				
Cash and investments	\$ 52,524,941	\$ 1,812,181	\$ 86,612,382	\$ 19,757,208
Receivables, net of allowances for uncollectibles:				
Taxes	4,020,383	59,434	-	-
Interest	181,431	5,757	261,510	62,770
Leases	500,322	-	-	-
Other	933,711	9	82,043	-
Due from other governments	6,786	-	425,104	-
Inventories	33,277	-	-	-
Prepaid items	19,280	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 58,220,131</b>	<b>\$ 1,877,381</b>	<b>\$ 87,381,039</b>	<b>\$ 19,819,978</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3,419,794	\$ -	\$ 770,840	\$ 273,015
Accrued liabilities	1,592,578	-	-	-
Due to other governments	1,165,779	-	-	-
Retainage payable	-	-	168,018	597,618
Deposits payable	68,938	-	704,693	-
Unearned revenue	834,791	-	-	-
<b>TOTAL LIABILITIES</b>	<b>7,081,880</b>	<b>-</b>	<b>1,643,551</b>	<b>870,633</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable resources	548,179	7,967	127,984	-
Deferred inflows - leases	453,601	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,001,780</b>	<b>7,967</b>	<b>127,984</b>	<b>-</b>
<b>FUND BALANCES</b>				
Nonspendable	52,557	-	-	-
Restricted	-	1,869,414	31,983,287	18,949,345
Committed	-	-	-	-
Assigned	32,151,281	-	53,626,217	-
Unassigned	17,932,633	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>50,136,471</b>	<b>1,869,414</b>	<b>85,609,504</b>	<b>18,949,345</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 58,220,131</b>	<b>\$ 1,877,381</b>	<b>\$ 87,381,039</b>	<b>\$ 19,819,978</b>

The Notes to the Financial Statements are an integral part of this statement.

SPECIAL REVENUE			
<u>SOUTHLAKE PARKS DEVELOPMENT CORPORATION</u>	<u>COMMUNITY ENHANCEMENT DEVELOPMENT CORPORATION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 12,635,424	\$ 28,849,067	\$ 36,341,616	\$ 238,532,819
1,837,287	1,360,953	744,168	8,022,225
40,167	91,966	115,463	759,064
-	-	-	500,322
38,458	171,268	240,416	1,465,905
-	-	-	431,890
-	-	-	33,277
-	-	-	19,280
<u>\$ 14,551,336</u>	<u>\$ 30,473,254</u>	<u>\$ 37,441,663</u>	<u>\$ 249,764,782</u>
\$ 248,162	\$ 152,322	\$ 525,517	\$ 5,389,650
32,677	162,487	168,657	1,956,399
497,428	368,465	122,822	2,154,494
-	-	-	765,636
-	68,800	-	842,431
-	441,280	-	1,276,071
<u>778,267</u>	<u>1,193,354</u>	<u>816,996</u>	<u>12,384,681</u>
12,820	-	1,000	697,950
-	-	-	453,601
<u>12,820</u>	<u>-</u>	<u>1,000</u>	<u>1,151,551</u>
-	-	-	52,557
13,760,249	29,279,900	34,528,529	130,370,724
-	-	2,095,138	2,095,138
-	-	-	85,777,498
-	-	-	17,932,633
<u>13,760,249</u>	<u>29,279,900</u>	<u>36,623,667</u>	<u>236,228,550</u>
<u>\$ 14,551,336</u>	<u>\$ 30,473,254</u>	<u>\$ 37,441,663</u>	<u>\$ 249,764,782</u>

**City of Southlake, Texas****Exhibit 4**

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

Total fund balances - governmental funds	\$ 236,228,550
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet (less \$7,309,740 in assets allocated to governmental activities from the internal service fund).	527,141,882
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(456,648)
Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. This amount represents the assets less the liabilities of the internal service fund allocated to governmental activities.	23,267,664
OPEB asset has not been included in the governmental fund financial statements, as these assets do not represent current financial resources.	1,236,140
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	697,950
For debt refundings, the difference between the acquisition price and net carrying amount of the debt has been deferred and amortized in the government-wide financial statements. This amount is the net of deferred losses, \$149,583, and gains (\$49,898) on refundings.	99,689
Deferred outflows of resources related to the City's pension and OPEB liabilities result in an increase in net position in the government-wide financial statements.	6,353,348
Deferred inflows of resources related to the City's pension and OPEB liabilities result in a decrease in net position in the government-wide financial statements.	(2,933,717)
Long-term liabilities, including bonds payable and net pension and OPEB liabilities, are not due and payable in the current period and therefore are not reported in the fund financial statements.	<u>(86,788,950)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 704,845,908</u></b>

The Notes to the Financial Statements are an integral part of this statement.



# City of Southlake, Texas

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended September 30, 2025

	GENERAL	GENERAL OBLIGATION DEBT SERVICE	CAPITAL PROJECTS	
			GENERAL CAPITAL PROJECTS	SOUTHLAKE PARKS DEVELOPMENT CORPORATION
<b>REVENUES</b>				
Ad valorem taxes, penalties and interest	\$ 27,911,529	\$ 6,132,810	\$ -	\$ -
Franchise taxes	3,367,322	-	-	-
Municipal sales and mixed beverage taxes	21,840,435	-	-	-
Licenses, permits and fees	1,998,868	-	-	-
Charges for services	2,589,722	-	-	-
Fines and forfeitures	1,053,751	-	-	-
Intergovernmental revenue	130,557	-	1,309,330	-
Capital recovery fees	-	-	360,248	-
Investment income	2,366,429	123,425	3,390,652	850,000
Contributions	87,150	-	4,455	31,571
Miscellaneous	287,616	-	-	-
<b>Total revenues</b>	<b>61,633,379</b>	<b>6,256,235</b>	<b>5,064,685</b>	<b>881,571</b>
<b>EXPENDITURES</b>				
Current				
General government				
City secretary/mayor	624,870	-	-	-
City manager's office	1,220,634	-	-	-
Human resources	754,749	-	-	-
Support services	5,519,418	-	-	-
Economic development	467,201	-	-	-
Finance	2,185,679	-	-	-
Municipal court	787,438	-	-	-
Teen court	164,467	-	-	-
Information technology	3,412,494	-	-	-
Public safety				
Police services	9,195,718	-	-	-
Fire services	12,702,849	-	-	-
Public safety support	1,799,979	-	-	-
Public works				
Public works administration	2,590,077	-	-	-
Streets and drainage	1,413,045	-	3,757,161	-
Planning	1,091,451	-	-	-
Building inspection	1,341,060	-	-	-
Cultural and recreation				
Community services	1,510,113	-	-	-
Parks and recreation	4,161,255	-	472	58,196
Library services	1,149,729	-	-	-
Promotion of culture and tourism	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	1,671,031	-	4,331,976	1,130,115
Debt service:				
Principal retirement	1,104,359	6,123,304	-	-
Interest and fiscal charges	40,595	933,497	88,082	-
<b>Total expenditures</b>	<b>54,908,211</b>	<b>7,056,801</b>	<b>8,177,691</b>	<b>1,188,311</b>
Excess (deficiency) of revenues over (under) expenditures	6,725,168	(800,566)	(3,113,006)	(306,740)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term debt	-	-	9,150,000	-
Issuance of subscriptions	864,421	-	-	-
Premium on issuance of long-term debt	-	-	542,237	-
Sale of capital assets	48,854	-	-	-
Insurance recoveries	77,951	-	-	-
Transfers from other funds	3,277,470	401,762	8,968,934	6,000,000
Transfers to other funds	(8,400,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(4,131,304)</b>	<b>401,762</b>	<b>18,661,171</b>	<b>6,000,000</b>
Net change in fund balances	2,593,864	(398,804)	15,548,165	5,693,260
Fund balances, beginning of year	47,542,607	2,268,218	70,061,339	13,256,085
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 50,136,471</b>	<b>\$ 1,869,414</b>	<b>\$ 85,609,504</b>	<b>\$ 18,949,345</b>

The Notes to the Financial Statements are an integral part of this statement.

SPECIAL REVENUE			
SOUTHLAKE PARKS DEVELOPMENT CORPORATION	COMMUNITY ENHANCEMENT DEVELOPMENT CORPORATION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 10,685,868	\$ 44,730,207
-	-	-	3,367,322
10,827,190	8,020,141	5,130,873	45,818,639
-	-	268,931	2,267,799
362,810	4,481,176	1,724,932	9,158,640
-	-	123,963	1,177,714
-	-	10,881	1,450,768
-	-	-	360,248
375,479	1,098,999	1,556,234	9,761,218
-	21,221	50,879	195,276
-	2,083	21,108	310,807
<u>11,565,479</u>	<u>13,623,620</u>	<u>19,573,669</u>	<u>118,598,638</u>
-	-	-	624,870
-	-	-	1,220,634
-	-	-	754,749
-	-	700,000	6,219,418
-	-	-	467,201
-	-	-	2,185,679
-	-	73,288	860,726
-	-	-	164,467
-	-	-	3,412,494
-	-	3,053,110	12,248,828
-	-	10,881	12,713,730
-	-	-	1,799,979
-	-	421,039	3,011,116
-	-	618,891	5,789,097
-	-	-	1,091,451
-	-	-	1,341,060
2,273,752	5,993,951	57,271	9,835,087
-	-	569,442	4,789,365
-	-	14,999	1,164,728
-	-	1,237,407	1,237,407
-	-	7,216,430	7,216,430
1,069,013	282,247	763,430	9,247,812
-	15,328	4,191,506	11,434,497
-	374	1,061,547	2,124,095
<u>3,342,765</u>	<u>6,291,900</u>	<u>19,989,241</u>	<u>100,954,920</u>
<u>8,222,714</u>	<u>7,331,720</u>	<u>(415,572)</u>	<u>17,643,718</u>
-	-	-	9,150,000
-	-	-	864,421
-	-	-	542,237
-	-	-	48,854
-	-	-	77,951
-	-	5,300,820	23,948,986
<u>(9,079,258)</u>	<u>(2,980,808)</u>	<u>(1,981,372)</u>	<u>(22,441,438)</u>
<u>(9,079,258)</u>	<u>(2,980,808)</u>	<u>3,319,448</u>	<u>12,191,011</u>
<u>(856,544)</u>	<u>4,350,912</u>	<u>2,903,876</u>	<u>29,834,729</u>
<u>14,616,793</u>	<u>24,928,988</u>	<u>33,719,791</u>	<u>206,393,821</u>
<u>\$ 13,760,249</u>	<u>\$ 29,279,900</u>	<u>\$ 36,623,667</u>	<u>\$ 236,228,550</u>

**City of Southlake, Texas**

**Exhibit 6**

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

Net change in fund balances - total governmental funds	\$	29,834,729	
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount of capital assets additions recorded in the current period (does not include additions of \$1,961,541 allocated from internal service fund).			8,393,276
Depreciation and amortization expense on capital assets are reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation and amortization expenses are not reported as expenditures in the governmental funds. (does not include \$1,597,991 allocated from internal service fund).			(10,169,149)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of the following items:			
Issuance of bonds	\$	(9,150,000)	
Bond premiums		(542,237)	
Issuance of SBITAs		(864,421)	
Principal payments on debt		10,230,052	
Principal payments on financed purchases, lease and subscription liabilities		1,204,445	
Amortization of premiums and deferred gains and losses		<u>701,611</u>	
			1,579,450
The changes in net pension liability and deferred outflows/inflows from TMRS are not reported in the governmental funds. This is the net effect of the decrease in the net pension liability, \$2,476,751, increase in deferred inflows of resources, (\$1,486,598), and decrease in deferred outflows of resources, (\$1,797,781).			(807,628)
The changes in total OPEB liability and deferred outflows/inflows from TMRS are not reported in the governmental funds. This is the net effect of the decrease in the total SDBF OPEB liability \$14,485, decrease in deferred inflows of resources, \$29,314, and decrease in deferred outflows of resources, (\$43,663).			(10,918)
The changes in net OPEB liability and deferred outflows/inflows for healthcare are not reported in the governmental funds. This is the net effect of the increase in the total healthcare OPEB asset, \$370,522, increase in deferred inflows of resources, (\$197,341), and decrease in deferred outflows of resources, (\$56,440).			116,741
Current year changes for the following long-term liabilities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds:			
Compensated absences	\$	(197,732)	
Accrued interest payable		(141,721)	
Arbitrage liability		<u>(149,510)</u>	
			(488,963)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The net income of the internal service fund is allocated entirely to governmental activities.			3,377,948
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities, the fair value of those assets is recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.			6,073,564
In the statement of activities, the reassignment of capital assets between governmental activities and business-type activities would be reported as a transfer. Governmental funds would not report this transfer as there is no flow of current financial resources.			(4,168,934)
Gain on disposal of capital assets results in an increase in net position, but the net effect is not reported in governmental funds.			540
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.			<u>211,450</u>
Change in net position of governmental activities	<u>\$</u>		<u>33,942,106</u>

The Notes to the Financial Statements are an integral part of this statement.

# **Proprietary Funds Financial Statements**

# City of Southlake, Texas

## Statement of Net Position – Proprietary Funds

September 30, 2025

	<b>BUSINESS-TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND</b>	<b>GOVERNMENTAL ACTIVITIES VEHICLE AND EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 80,238,078	\$ 13,724,402
Receivables, net of allowance for uncollectibles:		
Billed and unbilled trade accounts	6,415,848	-
Interest	358,168	49,366
Prepaid expenses	-	2,184,156
Restricted assets:		
Cash restricted for capital	27,825,422	-
Restricted cash for customer deposits	300,087	-
	<u>115,137,603</u>	<u>15,957,924</u>
Total current assets		
	<u>115,137,603</u>	<u>15,957,924</u>
<b>NON-CURRENT ASSETS</b>		
Capital assets:		
Land	27,841,307	-
Buildings and improvements	935,501	-
Distribution system	163,979,838	-
Equipment	2,774,319	985,740
Vehicles	-	16,005,117
Capacity rights	9,190,988	-
Construction in progress	3,471,445	-
SBITA	87,316	-
	<u>208,280,714</u>	<u>16,990,857</u>
Total capital assets		
	<u>208,280,714</u>	<u>16,990,857</u>
Less: accumulated depreciation and amortization	<u>(107,282,116)</u>	<u>(9,681,117)</u>
Capital assets, net of accumulated depreciation and amortization	<u>100,998,598</u>	<u>7,309,740</u>
Total non-current assets	<u>100,998,598</u>	<u>7,309,740</u>
Total assets	<u>216,136,201</u>	<u>23,267,664</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred loss on refunding	64,838	-
Deferred outflows - TMRS pension	423,495	-
Deferred outflows - TMRS OPEB	9,981	-
	<u>498,314</u>	<u>-</u>
Total deferred outflows of resources	<u>\$ 498,314</u>	<u>\$ -</u>

The Notes to the Financial Statements are an integral part of this statement.

	<b>BUSINESS-TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND</b>	<b>GOVERNMENTAL ACTIVITIES VEHICLE AND EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,843,829	\$ -
Accrued liabilities	255,933	-
Retainage payable	91,323	-
Accrued interest payable	247,056	-
Unearned revenue	163,934	-
Current portion of compensated absences	50,340	-
Current portion of subscription liability	4,732	-
Current portion of total OPEB liability	1,240	-
Current portion of general obligation debt	3,060,747	-
Payable from restricted assets:		
Customer meter deposits	300,087	-
Total current liabilities	<u>8,019,221</u>	<u>-</u>
<b>NON-CURRENT LIABILITIES</b>		
Compensated absences	173,663	-
General obligation debt	34,249,054	-
Net pension liability	1,053,290	-
Total OPEB liability	63,127	-
Arbitrage liability	202,253	-
Total non-current liabilities	<u>35,741,387</u>	<u>-</u>
Total liabilities	<u>43,760,608</u>	<u>-</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred gain on refunding	184,583	-
Deferred inflows - TMRS pension	87,573	-
Deferred inflows - TMRS OPEB	22,054	-
Total deferred inflows of resources	<u>294,210</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	74,243,805	7,309,740
Restricted for impact fees	12,797,886	-
Unrestricted	85,538,006	15,957,924
<b>TOTAL NET POSITION</b>	<u>\$ 172,579,697</u>	<u>\$ 23,267,664</u>

**City of Southlake, Texas**

**Exhibit 8**

Statement of Revenues, Expenses,  
and Changes in Net Position – Proprietary Funds  
For the Fiscal Year Ended September 30, 2025

	<b>BUSINESS-TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND</b>	<b>GOVERNMENTAL ACTIVITIES VEHICLE AND EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND</b>
<b>OPERATING REVENUES</b>		
Charges for sales and services:		
Water, sewer and garbage	\$ 37,231,507	\$ -
Service charges	39,119	-
Total operating revenues	<u>37,270,626</u>	<u>-</u>
<b>OPERATING EXPENSES</b>		
Personnel services	2,965,617	-
Contractual services	2,520,189	-
Supplies	336,852	3,000
Utilities	9,515,745	-
Administrative	7,739	-
Maintenance	5,512,599	-
Professional benefits	42,438	-
Depreciation and amortization	5,386,238	1,597,991
Total operating expenses	<u>26,287,417</u>	<u>1,600,991</u>
<b>OPERATING INCOME (LOSS)</b>	<u>10,983,209</u>	<u>(1,600,991)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	4,158,232	572,541
Gain on disposal of capital assets	28,381	156,398
Interest expense and bond administration expense	(916,575)	-
Total non-operating revenues (expenses)	<u>3,270,038</u>	<u>728,939</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>14,253,247</u>	<u>(872,052)</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>		
Capital contributions - property owners	7,087,871	-
Contributions - impact fees	392,566	-
Transfers from other funds	-	4,250,000
Transfers to other funds	(5,757,548)	-
Total capital contributions and transfers	<u>1,722,889</u>	<u>4,250,000</u>
Change in net position	15,976,136	3,377,948
Net position, beginning of year, as previously presented	<u>156,692,585</u>	<u>19,889,716</u>
Change in accounting principle (GASB 101)	<u>(89,024)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>156,603,561</u>	<u>19,889,716</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 172,579,697</u>	<u>\$ 23,267,664</u>

**City of Southlake, Texas**

Statement of Cash Flows – Proprietary Funds  
For the Fiscal Year Ended September 30, 2025

**Exhibit 9**

	<b>BUSINESS-TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND</b>	<b>GOVERNMENTAL ACTIVITIES VEHICLE AND EQUIPMENT REPLACEMENT INTERNAL SERVICE FUND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 37,579,191	\$ -
Cash payments to suppliers	(16,591,167)	(3,000)
Cash payments to employees	(2,858,428)	-
Net cash provided by (used in) operating activities	<u>18,129,596</u>	<u>(3,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(2,889,285)	(2,162,744)
Principal payments on bonds	(2,507,016)	-
Proceeds from issuance of bonds	5,570,000	-
Interest paid on capital debt	(673,739)	-
Bond administrative costs	(7,286)	-
Proceeds from disposal of capital assets	28,381	215,118
Contributions - impact fees	392,566	-
Net cash provided by (used in) capital and related financing activities	<u>(86,379)</u>	<u>(1,947,626)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	-	4,250,000
Transfers to other funds	(5,757,548)	-
Net cash provided by (used in) non-capital financing activities	<u>(5,757,548)</u>	<u>4,250,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net interest received	4,098,444	534,393
Net cash provided by investing activities	<u>4,098,444</u>	<u>534,393</u>
Net change in cash and cash equivalents	16,384,113	2,833,767
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>91,979,474</u>	<u>10,890,635</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 108,363,587</u>	<u>\$ 13,724,402</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>		
Cash and cash equivalents	\$ 80,238,078	\$ 13,724,402
Cash restricted for capital	27,825,422	-
Restricted cash for customer deposits	300,087	-
Total cash and cash equivalents	<u>\$ 108,363,587</u>	<u>\$ 13,724,402</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 10,983,209	\$ (1,600,991)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,386,238	1,597,991
Decrease (increase) in assets and deferred outflows of resources		
Receivables	289,637	-
Deferred outflows of resources - pensions and OPEB	151,438	-
Increase (decrease) in liabilities and deferred outflows of resources		
Payables and accruals	1,398,224	-
Customer deposits	29,675	-
Deferred inflows of resources - pensions and OPEB	63,603	-
Decrease in pension and OPEB liabilities	(161,681)	-
Unearned revenue	(10,747)	-
Net cash provided by (used in) operating activities	<u>\$ 18,129,596</u>	<u>\$ (3,000)</u>
<b>NON-CASH CAPITAL AND RELATED FINANCING:</b>		
Contributions of capital assets from developers	\$ 2,918,938	\$ -
Transfers of capital assets from governmental activities	4,168,934	-
	<u>\$ 7,087,872</u>	<u>\$ -</u>



# **Fiduciary Fund Financial Statements**



**City of Southlake, Texas**  
 OPEB Liability Trust Fund  
 Statement of Fiduciary Net Position  
 December 31, 2024

**Exhibit 10**

	<u>Trust Fund*</u> <u>Southlake</u> <u>OPEB</u> <u>Liability</u>
<b>ASSETS</b>	
Investments	\$ 3,053,913
<b>TOTAL ASSETS</b>	<u>\$ 3,053,913</u>
<b>NET POSITION</b>	
Restricted for post employment benefits other than pensions	\$ 3,053,913
<b>TOTAL NET POSITION</b>	<u>\$ 3,053,913</u>

\* The Southlake Other Post Employment Benefit (OPEB) Liability Trust Fund is reported as of December 31, 2024.

**City of Southlake, Texas**

OPEB Liability Trust Fund

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended December 31, 2024

**Exhibit 11**

	<u>Trust Fund</u> <u>Southlake</u> <u>OPEB</u> <u>Liability</u>
<b>ADDITIONS</b>	
Employer contributions	\$ 210,489
Investment earnings, net of unrealized/realized gain/(loss)	183,435
<b>TOTAL ADDITIONS</b>	<u>393,924</u>
<b>DEDUCTIONS</b>	
Benefit payments	70,489
Administrative expenses	9,574
<b>TOTAL DEDUCTIONS</b>	<u>80,063</u>
Change in net position	313,861
Net position, beginning of year	<u>2,740,052</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,053,913</u>

The Notes to the Financial Statements are an integral part of this statement.

# **Notes to the Financial Statements**



## City of Southlake, Texas

### Notes to the Financial Statements

#### Note 1. Summary of Significant Accounting Policies

##### General Statement

The City of Southlake (the City) operates under a Home Rule Council – Manager form of government. All powers of the City are vested in an elected council, which enables local legislation, adopts budgets, determines policies and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the City are described below.

##### Financial Reporting Entity

The City is governed by an elected mayor and six-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including legally separate organizations as component units within the City's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Based on these criteria, the financial information of the following entities has been blended within the reporting entity. Individual financial statements are not available for these component units.

Southlake Parks Development Corporation (SPDC) – The SPDC is a nonprofit industrial development corporation formed in January 1994 under the Development Corporation Act of 1979. The SPDC is organized exclusively to act on behalf of the City for the financing, development and operation of parks and recreation facilities. The affairs of the SPDC are managed by a seven member board of directors, of which four are members of the City Council. The annual corporate budget and issuance of debt must be approved by the City Council. Since the Board of the SPDC is substantively the same as the City Council, the SPDC has been reported as a blended component unit.

Southlake Community Enhancement and Development Corporation (CEDC) – The CEDC was formed under the Development Corporation Act of 1979, as amended, Title 12, Subtitle C1 of the Texas Local Government Code. The CEDC is organized to promote economic development within the City, including developing, implementing, providing and financing projects including a community entertainment and recreation center for the City. The CEDC is governed by a seven member board appointed by the City Council. The annual budget and issuance of debt must be approved by the City Council. Since the CEDC provides services entirely to the City, it has been reported as a blended component unit.

Southlake Tax Increment Financing District (TIF) – The TIF was formed to finance and make public improvements, under the authority of the Tax Increment Financing Act. The TIF is governed by a nine member board of directors consisting of the eight members appointed by the City Council, and one member appointed by Carroll Independent School District. Since the Board of the TIF is substantively the same as the City Council, the City has operational responsibility for the TIF and the City receives financial benefit from the TIF, the TIF has been reported as a blended component unit.

## City of Southlake, Texas

### Notes to the Financial Statements

Southlake Crime Control and Prevention District (CCD) – The CCD was formed under Chapter 363 of the Texas Local Government Code, the Crime Control and Prevention Act. The CCD is organized exclusively to act on behalf of the City for the financing, development and crime control throughout the City. The CCD is governed by a seven member board appointed by the City Council. The annual budget and issuance of debt must be approved by the City Council. Since the CCD provides services entirely to the City, it has been reported as a blended component unit.

#### **Basis of Presentation**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City, except for fiduciary funds. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### **Fund Financial Statements**

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

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

#### **Governmental Funds**

The City reports the following major governmental funds:

##### General Fund

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

##### General Obligation Debt Service Fund

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

## City of Southlake, Texas

### Notes to the Financial Statements

#### General Capital Projects Fund

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

#### Southlake Parks Development Corporation Capital Projects Fund

The Southlake Parks Development Corporation Capital Projects (SPDCCP) Fund was established to fund the acquisition and construction of park recreational facilities as approved by the SPDC board of directors. The fund has been funded primarily through the issuance of general obligation debt.

#### Southlake Parks Development Corporation

The Southlake Parks Development Corporation (SPDC) Fund (Special Revenue) was established to account for the general operations of the non-profit corporation established to finance, develop and operate park and recreational facilities. The SPDC is funded primarily through municipal sales taxes.

#### Community Enhancement and Development Corporation

The Community Enhancement and Development Corporation (CEDC) Fund (Special Revenue) was established to account for the general operations of the non-profit corporation established to finance, develop and operate a community entertainment and recreation center. The CEDC is funded primarily through municipal sales taxes and user fees.

### **Proprietary Funds**

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the Statement of Net Position.

The City reports the following major proprietary fund:

#### Water and Sewer Enterprise Fund

The Water and Sewer Enterprise Fund is used to account for the acquisition, operation and maintenance of a municipal water and sewer utility, supported primarily by user charges to the public.

Additionally, the City reports an Internal Service Fund which is used to account for vehicle and equipment replacement provided to departments of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Fiduciary Funds**

The City also presents one trust fund, Southlake OPEB Liability Trust Fund. The City's OPEB Liability Trust Fund accounts for the funding of postemployment healthcare benefits for retirees of the City and their dependents which is presented as of December 31, 2024.

### **Measurement Focus and Basis of Accounting**

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

## City of Southlake, Texas

### Notes to the Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, sales taxes, franchise taxes and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

#### **Cash, Cash Equivalents and Investments**

In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments, which have a remaining term of one year or less at the time of purchase. The term “nonparticipating” means that the investment's value does not vary with market interest rate changes. As of September 30, 2025, the investments held by the City had a remaining maturity of greater than one year from purchase and accordingly are carried at fair value.

The City's cash and cash equivalents are defined as cash on hand, cash and pooled investment demand deposits held with financial institutions, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents also includes long-term investments with maturity of greater than one year. The classification of the City's cash and cash equivalents is reported in Note 2.

The City pools idle cash from all funds for the purpose of increasing income through coordinated investment activities. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool.

Cash and cash equivalents reported as restricted are restricted for debt service, acquisition and construction of capital assets, and for utility deposits held by the City.

## City of Southlake, Texas

### Notes to the Financial Statements

#### Property Taxes

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and certain personal property located within the City. Appraised values are established by the Central Appraisal Districts at 100% of estimated market value and certified by the Appraisal Review Board. The assessed value upon which the 2024 levy was based on was \$12,035,593,743. Taxes are due on October 1 and are delinquent after the following January 31.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. The combined tax rate to finance general governmental services including the payment of principal and interest on long-term debt for the year ended September 30, 2025 was 0.305 per \$100 of assessed valuation.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values.

#### Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

#### Transactions between Funds

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services provided and used and reimbursements, are recorded as transfers. Interfund services provided and used are not eliminated in the process of consolidation.

#### Inventories

Inventories are stated at cost (first-in, first-out) and are determined annually by taking a physical inventory. Inventory in the general fund consists of gasoline held for consumption and is reported on the consumption method. Under the consumption method the cost is recorded as an expenditure at the time individual inventory items are utilized.

#### Prepaid Items

Certain payments reflect costs applicable to future periods and are recorded as prepaid items in the government-wide and fund financial statements. These items consist principally of postage and deposits for purchases and are reported on the consumption method.

#### Leases

Effective October 1, 2021, the City implemented GASB Statement No. 87, Leases, which required the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Lessee – The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary funds financial statements.

## City of Southlake, Texas

### Notes to the Financial Statements

At implementation of GASB Statement No. 87, the City initially measured the lease liabilities at the present value of payments expected to be made during the remaining lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease right-to-use asset was 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 right-to use 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 re-measurement 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.

*Lessor* – The City recognizes a lease receivable and deferred inflow of resources in the government-wide and governmental funds financial statements.

At implementation of GASB Statement No. 87, the City measured the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a re-measurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### **Subscription-Based Information Technology Arrangements (SBITAs)**

The City has noncancellable contracts with SBITA vendors for the right-to-use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

## City of Southlake, Texas

### Notes to the Financial Statements

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

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

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

### Capital Assets

Capital assets, which include property, plant, equipment, right-to-use lease assets, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated.

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

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation/amortization has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20 - 50 Years
Water and sewer distribution system	35 - 50 Years
Water hydrants	10 - 15 Years
Water tanks	35 Years
Computer equipment	5 Years
Heavy equipment and vehicles	10 - 20 Years
Light vehicles	2 - 10 Years
Vehicles	5 Years
Improvements	25 Years
Infrastructure	10 Years
Right-to-use buildings	2 - 10 Years
Right-to-use equipment	2 - 10 Years
Right-to-use subscription assets (SBITAs)	1.5 - 10 Years

## **City of Southlake, Texas**

### Notes to the Financial Statements

The street network is not depreciated. The City has elected to use the modified approach in accounting for its street infrastructure. The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network are capitalized. The City uses an asset management system to rate street condition and quantify the results of maintenance efforts.

The City has established the Vehicle and Equipment Replacement Internal Service Fund to account for City-owned vehicles and equipment. The fund receives transfers from other funds.

Right-to-use lease and subscription assets are amortized over the duration of the lease or subscription using the straight-line method.

#### **Compensated Absences**

City employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until paid upon retirement or termination. Employees with 10 to 20 year tenures of continuous employment with the City are eligible to receive payment of their unused sick leave, within certain limitations. Upon termination or retirement, an employee is reimbursed up to a maximum number of hours of vacation pay based upon the years of service. A liability for compensated absences is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured.

#### **Long-Term Obligations**

In the government-wide financial statements and proprietary 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 statement of net position. Bond premiums and discounts, as well as any deferred losses and gains on the refunding of bonds, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are recorded as expenses when incurred.

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

#### **Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension and net OPEB liabilities (assets), pension and OPEB related deferred outflows and inflows of resources and pension and OPEB 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.

Information regarding the City's Total Pension Liability and Total OPEB Liability is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

## City of Southlake, Texas

### Notes to the Financial Statements

Information regarding the City's Total OPEB Liability of its Retiree Health Care Plan is obtained from Public Agency Retirement Services (PARS) through reports prepared for the City by PARS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

#### **Deferred Outflows of Resources**

In addition to assets, the statement of financial 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, represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

*Deferred loss on refunding* – these deferred outflows result 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.

*Pensions/OPEB* – these deferred outflows result from pension/OPEB contributions after the measurement date (deferred and recognized as a reduction of the pension/OPEB liability in the following fiscal year); changes in actuarial assumptions and/or differences between expected and actual economic experience (deferred and amortized over the estimated average remaining lives of participants) and/or differences in projected and actual earnings on pension/OPEB assets (deferred and amortized over a closed five year period).

#### **Deferred Inflows of Resources**

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources, which represents acquisitions of net assets that apply to future periods.

*Deferred gain on refunding* – these deferred inflows result from the difference in the debt's reacquisition price and its carrying value that was refunded. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

*Pensions/OPEB* – Differences in expected and actual experience and differences in assumption changes are deferred and amortized over a closed period equal to the estimated average remaining lives of all employees provided pensions through the plan, while investment experience differences are amortized over a closed 5-year period.

#### **Deferred Inflows from Leases**

Collections of lease receivables are deferred in both the governmental fund and government wide financial statements. These amounts are recognized in a systematic manner over the life of the lease.

#### **Deferred Inflows from Unavailable Revenues**

In addition to liabilities, the governmental funds balance sheet reports deferred inflows from receivables that were not collected within 60 days of year-end. The deferred inflow from receivables balances and changes are reported as a reconciling amount to the statements of net position and activities.

## City of Southlake, Texas

### Notes to the Financial Statements

#### Fund Balances

The City classifies governmental fund balances as follows:

1. Nonspendable fund balance – includes amounts that are not in a spendable form or are required to be maintained intact (example – inventory or permanent funds).
2. Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation (example – court technology and court security funds).
3. Committed fund balance – includes amounts that can only be used for specific purposes determined by City Council (example – capital projects and police expenditures).
4. Assigned fund balance – comprises amounts intended to be used by the City for specific purposes. Intent can be expressed by the City Council or their designee (Chief Financial Officer). In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund (example – facility maintenance and economic investments).
5. Unassigned fund balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications.

The City has also adopted the following policies:

Committed Fund Balance - The City Council is the City's highest level of decision-making authority and approval by ordinance is required to establish, modify, or rescind a fund balance commitment. The ordinance must either be approved or rescinded, as applicable, prior to the last day of the fiscal year. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance - The City Council has authorized the City's Chief Financial Officer as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Unassigned Fund Balance - It is the goal of the City to maintain a fund balance in the General Fund, equal to a minimum of 15% of General Fund budgeted operating expenditures, with the optimum goal of 25%. The City considers a balance of less than 15% to be cause for concern, barring unusual or deliberate circumstances.

It is the goal of the City to maintain 60 days of working capital in the Water and Sewer Enterprise Fund, with the optimum goal of 90 days of working capital.

The City shall also maintain all reserve funds for all statutorily required reserve funds to guarantee debt service.

Order of Expenditure of Funds - When multiple categories of fund balance are available for expenditures, the City will start with the most restricted category and spend those funds first before moving to the next category with available funds (restricted, committed, assigned and unassigned).

During fiscal year 2006, the City began assigning funds for strategic initiatives. The source of these funds is reserves in excess of 25% of General Fund expenditures. The funds will be used for one-time high impact projects involving infrastructure maintenance, community enhancement and capital acquisition and are reported as assigned fund balance in the General Fund. The City reported an assigned fund balance in its General Capital Projects Fund of \$53,626,217 on September 30, 2025. This fund balance is assigned with the intent to cash-fund future capital projects.

**City of Southlake, Texas**  
Notes to the Financial Statements

As of September 30, 2025, the City had the governmental fund balances categorized as follows:

	GENERAL	GENERAL OBLIGATION DEBT SERVICE	GENERAL CAPITAL PROJECTS	SOUTHLAKE PARKS DEVELOPMENT CORPORATION CAPITAL PROJECTS FUND	SOUTHLAKE PARKS DEVELOPMENT CORPORATION SPECIAL REVENUE	COMMUNITY ENHANCEMENT DEVELOPMENT CORPORATION SPECIAL REVENUE	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>FUND BALANCES</b>								
Nonspendable for:								
Inventories	\$ 33,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,277
Prepaid items	19,280	-	-	-	-	-	-	19,280
Restricted for:								
Debt service	-	1,869,414	-	-	-	-	2,994,773	4,864,187
Capital projects	-	-	19,206,863	-	-	-	-	19,206,863
Municipal court	-	-	-	-	-	-	993,658	993,658
Reinvestment zone	-	-	-	-	-	-	13,567,422	13,567,422
Parks and recreation	-	-	-	18,949,345	13,760,249	29,279,900	2,631,040	64,620,534
Storm water	-	-	6,847,610	-	-	-	2,355,875	9,203,485
Police	-	-	-	-	-	-	7,039,020	7,039,020
Impact Fees	-	-	4,428,814	-	-	-	-	4,428,814
Library	-	-	-	-	-	-	16,612	16,612
Promotion of tourism	-	-	1,500,000	-	-	-	4,930,129	6,430,129
Committed for:								
Police	-	-	-	-	-	-	2,032,115	2,032,115
Parks and recreation	-	-	-	-	-	-	63,023	63,023
Assigned for:								
Teen Court	24,167	-	-	-	-	-	-	24,167
Senior Center	12,564	-	-	-	-	-	-	12,564
Recycling	84,425	-	-	-	-	-	-	84,425
Reforestation	219,205	-	-	-	-	-	-	219,205
Public art	492,663	-	-	-	-	-	-	492,663
Facility maintenance	14,326,367	-	-	-	-	-	-	14,326,367
Economic investment	3,845,657	-	-	-	-	-	-	3,845,657
Strategic initiatives	13,146,233	-	-	-	-	-	-	13,146,233
Capital projects	-	-	53,626,217	-	-	-	-	53,626,217
Unassigned	17,932,633	-	-	-	-	-	-	17,932,633
<b>TOTAL FUND BALANCES</b>	<b>\$ 50,136,471</b>	<b>\$ 1,869,414</b>	<b>\$ 85,609,504</b>	<b>\$ 18,949,345</b>	<b>\$ 13,760,249</b>	<b>\$ 29,279,900</b>	<b>\$ 36,623,667</b>	<b>\$ 236,228,550</b>

**Net Position**

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

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

**Estimates**

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

**Deficit Fund Balance**

There are no deficit fund balances reported as of September 30, 2025.

## City of Southlake, Texas

### Notes to the Financial Statements

#### New Accounting Pronouncements

The GASB pronouncements effective in fiscal year 2025 and beyond are listed as follows:

**GASB Statement No. 101**, *Compensated Absences*, will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. GASB 101 was implemented in the City's fiscal year 2025 financial statements with a restatement of (\$2,155,304) to net position as of October 1, 2024 to reflect the changes adopted to conform to the new standard.

**GASB Statement No. 102**, *Certain Risk Disclosures*, will provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The City has implemented this Statement in fiscal year 2025 with no impact to amounts or disclosures previously reported.

**GASB Statement No. 103**, *Financial Report Model Improvements*, will establish new accounting and financial reporting requirements – or modify existing requirements – related to the following:

- Management's discussion and analysis
- Unusual or infrequent items
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
- Information about major component units in basic financial statements
- Budgetary comparison information
- Financial trends information in the statistical section

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The City is currently evaluating the impact of this Statement.

**GASB Statement No. 104**, *Disclosure of Certain Capital Assets*, will establish requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. It will also establish requirements for capital assets held for sale, including additional disclosures for these capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The City is currently evaluating the impact of this Statement.

#### Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2025 through February 23, 2026, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

**City of Southlake, Texas**

Notes to the Financial Statements

**Note 2. Cash and Investments**

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2025, the carrying amount of the City's on demand deposits was \$16,517,801 and the bank balance was \$16,582,559. As of September 30, 2025, none of the City's deposits were uncollateralized.

The following legal and contractual provisions govern deposits and investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies.

Among other things, the Public Funds Investment Act (PFIA) requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) and bid solicitation preferences for certificates of deposit.

Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the table below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio
U.S. Government securities	5 years	100%
Municipal obligations	5 years	50%
Repurchase agreements	90 days	50%
Certificates of deposit	5 years	100%
Bankers acceptances	270 days	20%
Commercial paper	365 days	20%
Money Market Mutual Funds	60 days*	50%
Eligible investment pools	N/A	100%
Insured deposit accounts	N/A	20%

\*dollar weighted average maturity

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

**City of Southlake, Texas**  
Notes to the Financial Statements

Cash and investments as of September 30, 2025, are classified in the accompanying financial statements as follows:

Primary Government:	
Cash and investments	\$ 330,683,118
Restricted cash and investments	29,637,603
Restricted cash for customer deposits	<u>300,087</u>
Total primary government	<u>360,620,808</u>
Trust Fund:	
Investments at fair value	<u>3,053,913</u>
Total fiduciary funds	<u>3,053,913</u>
<b>Total cash and investments</b>	<b><u>\$ 363,674,721</u></b>

Cash and investments of the primary government as of September 30, 2025 consist of the following:

Cash on hand	\$ 4,750
Deposits with financial institutions	16,517,801
Investments at amortized cost	208,280,965
Investments at fair value	<u>135,817,292</u>
<b>Total cash and investments</b>	<b><u>\$ 360,620,808</u></b>

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2025, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
U.S. Government securities	\$ 115,836,838	N/A	AAA
Mutual funds	19,980,454	N/A	AAAm
TexStar	78,009,576	AAA / AAAm	AAAm
TexPool	43,516,601	AAA / AAAm	AAAm
Lonestar Investment Pool	43,002,344	AAA / AAAm	AAAm
Texas Class	<u>43,752,444</u>	AAA / AAAm	AAAm
<b>Total</b>	<b><u>\$ 344,098,257</u></b>		

## City of Southlake, Texas

### Notes to the Financial Statements

#### Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2025, the City investments other than external investment pools that represent 5% or more of the City's investments include mutual funds, municipal bonds, commercial paper and U.S. Government securities as described in the table in the following Custodial Credit Risk section.

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times. As of September 30, 2025, none of the City's cash deposits were uncollateralized.

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

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

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

## City of Southlake, Texas

### Notes to the Financial Statements

The City has recurring fair value measurements as presented in the table below. The City's investment balances and weighted average maturity of such investments are as follows:

	Value at 9/30/25	Fair Value Measurements			Percent of Total Investments	Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
Investments not subject to Fair Value						
Investment Pools						
TexPool	\$ 43,516,601	\$ -	\$ -	\$ -	13%	44
TexStar	78,009,576	-	-	-	23%	49
Lonestar Corporate Overnight	43,002,344	-	-	-	11%	40
Texas Class	43,752,444	-	-	-	13%	23
Investments by Fair Value Level						
Federal Farm Cr Bks	12,106,556	-	12,106,556	-	4%	360
Federal Home Loan Banks	5,041,773	-	5,041,773	-	1%	611
U.S. Treasury	98,688,509	-	98,688,509	-	29%	380
Mutual Fund	19,980,454	19,980,454	-	-	6%	28
<b>Total</b>	<b>\$ 344,098,257</b>	<b>\$ 19,980,454</b>	<b>\$ 115,836,838</b>	<b>\$ -</b>	<b>100%</b>	<b>192</b>

Mutual funds reported as level 1 are valued at the net asset value (NAV) of shares held by the City at year end. The NAV is a quoted price in an active market.

U.S. Government Securities, commercial paper and municipal bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

#### Investment in State Investment Pools

The City is a voluntary participant in four investment pools: TexPool, TexStar, Texas CLASS and Lone Star.

State Comptroller of Public Accounts exercises responsibility over TexPool. This oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized costs rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexStar is administered by Hilltop Securities and JPMorgan Chase. TexStar is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. TexStar uses amortized costs rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexStar is the same as the value of TexStar shares.

Texas CLASS is organized under the Sixth Amended and Restated Trust Agreement in accordance with all the requirements contained in section 2256.016 of the Public Funds Investment Act. Texas CLASS is administered by Public Trust Advisors, LLC and all funds are held by the custodial agent, Wells Fargo N.A. Texas CLASS may invest in obligations of the U.S. or its agencies and instrumentalities; repurchase agreements; SEC-registered money market funds rated in the highest rating category by at least one NRSRO; and commercial paper rated A-1, P-1 or equivalent by two nationally recognized rating agencies. Texas CLASS is measured at fair value (i.e., net asset value).

The Lone Star Investment Pool (the Pool) is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an 11 member Board of Trustees, consisting of individuals representing entities participating in the Pool. The fair value of the City's position in the Pool is the same as the value of the Pool shares.

**City of Southlake, Texas**  
Notes to the Financial Statements

**Note 3. Receivables**

Receivables at September 30, 2025, for the government's individual major, nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	General	General Obligation Debt Service	General Capital Projects	SPDC Capital Projects	SPDC Operating Special Revenue
Receivables:					
Property taxes	\$ 640,251	\$ 131,885	\$ -	\$ -	\$ -
Sales taxes	3,709,456	-	-	-	1,837,287
Accounts	-	-	82,043	-	38,458
Interest	181,431	5,757	261,510	62,770	40,167
Leases	500,322	-	-	-	-
Ambulance	455,835	-	-	-	-
Other	477,876	9	-	-	-
Gross receivables	5,965,171	137,651	343,553	62,770	1,915,912
Less: allowance	329,324	72,451	-	-	-
<b>Net total receivables</b>	<b>\$ 5,635,847</b>	<b>\$ 65,200</b>	<b>\$ 343,553</b>	<b>\$ 62,770</b>	<b>\$ 1,915,912</b>
	CEDC Special Revenue	Non-Major Governmental	Water and Sewer	Internal Service	Primary Government Total
Receivables:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 772,136
Sales taxes	1,360,953	744,168	-	-	7,651,864
Accounts	171,268	242,727	6,409,105	-	6,943,601
Interest	91,966	115,463	358,168	49,366	1,166,598
Leases	-	-	-	-	500,322
Ambulance	-	-	-	-	455,835
Other	-	-	75,962	-	553,847
Gross receivables	1,624,187	1,102,358	6,843,235	49,366	18,044,203
Less: allowance	-	2,311	69,219	-	473,305
<b>Net total receivables</b>	<b>\$ 1,624,187</b>	<b>\$ 1,100,047</b>	<b>\$ 6,774,016</b>	<b>\$ 49,366</b>	<b>\$ 17,570,898</b>

The Water and Sewer Fund and the Storm Water Utility Fund accounts receivable include unbilled charges for services rendered through September 30, 2025, of \$2,978,456.

**Lease Receivables**

The City is a lessor for non-cancelable leases of the right-to-use of land, buildings, and infrastructure for which the City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. The interest rates for the leases approximate 2.9% annually, and the terms range from 5 to 25 years. The lease receivables that exist at September 30, 2025, relate to leases whose terms expire between December 2024 and January 2028.

**City of Southlake, Texas**  
Notes to the Financial Statements

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The City has \$500,322 remaining in lease receivables and \$453,601 remaining in deferred inflow as of September 30, 2025. The City recorded lease revenue including interest of \$243,254 in the fiscal year.

As of September 30, 2025, the expected lease receipts through the expiration of all leases for which the City is a lessor is as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2026	\$ 239,670	\$ 13,331	\$ 253,001
2027	213,636	6,016	219,652
2028	47,016	284	47,300
<b>Total</b>	<b>\$ 500,322</b>	<b>\$ 19,631</b>	<b>\$ 519,953</b>

**Note 4. Capital Assets**

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

	Beginning Balance	Capital Acquisitions	Sales or Disposals	Adjustments/ Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated/amortized:					
Land	\$ 97,561,246	\$ 4,923,976	\$ -	\$ -	\$ 102,485,222
Street infrastructure	235,604,673	529,271	-	6,738,007	242,871,951
Construction-in-progress	30,310,495	5,262,341	-	(13,203,448)	22,369,388
Total capital assets not being depreciated/amortized	<u>363,476,414</u>	<u>10,715,588</u>	<u>-</u>	<u>(6,465,441)</u>	<u>367,726,561</u>
Capital assets being depreciated/amortized:					
Land improvements	41,914,608	-	-	180,600	42,095,208
Buildings and building improvements	147,464,249	-	-	1,872,370	149,336,619
Public art	1,956,720	-	-	163,988	2,120,708
Equipment	43,753,052	4,429,260	(2,638,721)	-	45,543,591
Drainage infrastructure	68,694,406	620,317	-	79,549	69,394,272
Right-to-use assets:					
Lease buildings	312,041	-	-	-	312,041
Lease equipment	726,812	-	-	-	726,812
Subscriptions	3,531,488	2,404,313	(765,915)	-	5,169,886
Total capital assets being depreciated/amortized	<u>308,353,376</u>	<u>7,453,890</u>	<u>(3,404,636)</u>	<u>2,296,507</u>	<u>314,699,137</u>
Accumulated depreciation/amortization:					
Land improvements	(29,852,871)	(1,812,361)	-	-	(31,665,232)
Buildings and building improvements	(39,546,102)	(3,359,926)	-	-	(42,906,028)
Public art	(1,377,708)	(94,262)	-	-	(1,471,970)
Equipment	(31,969,590)	(3,509,205)	2,580,000	-	(32,898,795)
Drainage infrastructure	(34,851,979)	(1,897,352)	-	-	(36,749,331)
Right-to-use assets:					
Lease buildings	(78,010)	(104,014)	-	-	(182,024)
Lease equipment	(157,404)	(127,077)	-	-	(284,481)
Subscriptions	(1,589,846)	(862,943)	636,574	-	(1,816,215)
Total accumulated depreciation/amortization	<u>(139,423,510)</u>	<u>(11,767,140)</u>	<u>3,216,574</u>	<u>-</u>	<u>(147,974,076)</u>
Total capital assets being depreciated/amortized, net	<u>168,929,866</u>	<u>(4,313,250)</u>	<u>(188,062)</u>	<u>2,296,507</u>	<u>166,725,061</u>
<b>Governmental activities capital assets, net</b>	<b>\$ 532,406,280</b>	<b>\$ 6,402,338</b>	<b>\$ (188,062)</b>	<b>\$ (4,168,934)</b>	<b>\$ 534,451,622</b>

**City of Southlake, Texas**  
Notes to the Financial Statements

	Beginning Balance	Capital Acquisitions	Sales or Disposals	Adjustments/ Transfers	Ending Balance
<b>Business Type Activities:</b>					
Capital assets not being depreciated/amortized:					
Land	\$ 21,646,232	\$ 2,026,141	\$ -	\$ 4,168,934	\$ 27,841,307
Construction-in-progress	4,701,687	2,852,872	-	(4,083,114)	3,471,445
<b>Total capital assets not being depreciated/amortized</b>	<b>26,347,919</b>	<b>4,879,013</b>	<b>-</b>	<b>85,820</b>	<b>31,312,752</b>
Capital assets being depreciated/amortized:					
Buildings and building improvements	935,501	-	-	-	935,501
Equipment	2,891,880	108,550	(226,111)	-	2,774,319
Capacity rights	9,190,988	-	-	-	9,190,988
Distribution system	159,003,927	892,797	-	4,083,114	163,979,838
Subscriptions	87,316	-	-	-	87,316
<b>Total capital assets being depreciated/amortized</b>	<b>172,109,612</b>	<b>1,001,347</b>	<b>(226,111)</b>	<b>4,083,114</b>	<b>176,967,962</b>
Accumulated depreciation/amortization:					
Buildings and building improvements	(858,176)	(30,318)	-	-	(888,494)
Equipment	(2,718,084)	(50,759)	226,111	-	(2,542,732)
Capacity rights	(5,358,415)	(183,820)	-	-	(5,542,235)
Distribution system	(93,138,966)	(5,092,237)	-	-	(98,231,203)
Subscriptions	(48,346)	(29,106)	-	-	(77,452)
<b>Total accumulated depreciation/amortization</b>	<b>(102,121,987)</b>	<b>(5,386,240)</b>	<b>226,111</b>	<b>-</b>	<b>(107,282,116)</b>
<b>Total capital assets being depreciated/amortized, net</b>	<b>69,987,625</b>	<b>(4,384,893)</b>	<b>-</b>	<b>4,083,114</b>	<b>69,685,846</b>
<b>Business type activities capital assets, net</b>	<b>\$ 96,335,544</b>	<b>\$ 494,120</b>	<b>\$ -</b>	<b>\$ 4,168,934</b>	<b>\$ 100,998,598</b>

Depreciation/amortization expenses were charged as a direct expense to functions of the primary government as follows:

Governmental activities:	
General government	\$ 2,808,611
Public safety	2,484,211
Public works	2,326,238
Culture and recreation	4,148,080
<b>Total depreciation/amortization expense - governmental activities</b>	<b>\$ 11,767,140</b>
Business-type activities:	
Water and Sewer	\$ 5,386,240

**Note 5. Long-Term Debt**

The City issues general obligation bonds, combination tax and revenue certificates of obligation and tax notes to provide for the acquisition and construction of major capital facilities and infrastructure. Combination tax and revenue certificates of obligation are issued for both governmental and business-type activities. General obligation bonds, governmental revenue bonds and tax notes pledge the full faith and credit of the City. Combination tax and revenue certificates of obligation are payable from the net revenues of the water and sewer system and general debt service tax.

In prior years, the City has legally defeased certain outstanding general obligation and revenue debt by placing funds into irrevocable trusts pledged to pay all future debt service payments of the refunded debt. Accordingly, a liability for the defeased debt issues is not included in the City's financial statements. As of September 30, 2025, the City had no additional outstanding bonds that were legally defeased.

As of September 30, 2025, the City had \$9,881,821 in authorized but unissued general obligation bonds. The City does not anticipate the issuance of additional general obligation debt within the next twelve months.

## City of Southlake, Texas

### Notes to the Financial Statements

General obligation bonds, certificates of obligation, tax notes, and governmental revenue bonds are as follows as of September 30, 2025:

<u>General Obligation Bonds and Certificates of Obligation</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Governmental</u>	<u>Business-Type</u>
\$11,300,000 Series 2012, Tax and Waterworks and Sewer System (Limited Pledge) Certificates of Obligation	2032	3.0 - 4.25%	\$ 2,460,000	\$ 1,155,000
\$9,965,000 Series 2012, General Obligation Refunding Bonds	2026	3.0 - 4.25%	820,000	-
\$14,250,000 Series 2013, Tax and Waterworks and Sewer System (Limited Pledge) Certificates of Obligation	2033	2.0 - 5.0%	-	1,190,000
\$22,295,000 Series 2013, General Obligation Refunding Bonds	2026	2.0 - 5.0%	2,160,000	-
\$21,330,000 Series 2014, General Obligation Refunding Bonds	2026	2.0 - 5.0%	65,000	120,000
\$8,780,000 Series 2014, Tax and Waterworks and Sewer System (Limited Pledge) Certificates of Obligation	2034	2.0 - 3.5%	-	1,920,000
\$3,295,000 Series 2015, Tax and Waterworks and Sewer System (Limited Pledge) Certificates of Obligation	2035	2.75 - 4.0%	-	2,300,000
\$7,910,000 Series 2017, General Obligation Refunding Bonds	2028	3.0 - 4.0%	1,312,173	1,397,825
\$5,400,000 Series 2017, Tax and Waterworks and Sewer System (Limited Pledge) Certificates of Obligation	2037	2.25 - 5.0%	-	3,760,000
\$4,205,000 Series 2018, Tax and Waterworks and Sewer System (Limited Pledge) Certificates of Obligation	2038	3.0 - 4.0%	-	3,070,000
\$17,290,000 Series 2019, General Obligation Refunding Bonds	2030	3.0 - 5.0%	2,365,000	3,075,000
\$4,240,000 Series 2021, General Obligation Refunding Bonds	2031	1.21%	1,245,000	1,384,000
\$8,595,000 Series 2022, Tax and Waterworks and Sewer System (Limited Pledge) Certificates of Obligation	2037	4.0 - 5.0%	4,020,000	-
\$9,805,000 Series 2024, Tax and Waterworks and Sewer System (Limited Pledge) Certificates of Obligation	2039	4.0-5.0%	-	9,805,000
\$14,720,000 Series 2025, Tax and Waterworks and Sewer System (Limited Pledge) Certificates of Obligation	2035	5.0%	9,150,000	5,570,000
			\$ 23,597,173	\$ 34,746,825

**City of Southlake, Texas**  
Notes to the Financial Statements

Governmental Revenue Bonds	Final Maturity	Interest Rates	Governmental
\$16,000,000 Series 2014, Southlake Parks Development Corporation, Sales Tax Revenue Refunding Bonds	2027	3%	\$ 1,825,000
\$24,450,000 Series 2016, Southlake Community Enhancement and Development Corporation, Sales Tax Revenue Bonds	2036	3.00 - 5.00%	16,270,000
\$9,945,000 Series 2017, Southlake Community Enhancement and Development Corporation, Sales Tax Revenue Bonds	2036	2.00 - 5.00%	<u>6,575,000</u>
			<u><u>\$ 24,670,000</u></u>

Governmental Tax Notes	Final Maturity	Interest Rates	Governmental
\$3,753,000 Series 2021, Tax Notes	2026	0.83%	\$ 680,000
\$13,397,000 Series 2023, Tax Notes	2030	3.48%	<u>13,267,000</u>
			<u><u>\$ 13,947,000</u></u>

During 2025, the City issued \$14,720,000 of Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2025 used for improving, extending and equipping the City's combined waterworks and sewer system.

The following is a summary of long-term liability transactions for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds and certificates of obligation	\$ 20,745,477	\$ 9,150,000	\$ (6,298,304)	\$ 23,597,173	\$ 6,560,251
Sales tax revenue bonds	27,695,000	-	(3,025,000)	24,670,000	2,790,000
Tax notes	14,751,000	-	(804,000)	13,947,000	810,000
Bond premiums (discounts)	3,159,855	542,237	(859,709)	2,842,383	-
Total bonds payable	<u>66,351,332</u>	<u>9,692,237</u>	<u>(10,987,013)</u>	<u>65,056,556</u>	<u>10,160,251</u>
Total OPEB liability - SDBF	803,422	-	(3,431)	799,991	18,633
Net pension liability	14,056,529	-	(2,476,751)	11,579,778	-
Compensated absences*	3,132,308	2,264,012	-	5,396,320	1,209,139
Financed purchase liabilities	208,476	-	(102,748)	105,728	105,728
Right-to-use lease liability	813,519	-	(225,207)	588,312	235,485
Subscription liability	1,817,561	2,404,313	(1,109,119)	3,112,755	770,312
Arbitrage liability	-	149,510	-	149,510	-
<b>Total governmental activities</b>	<u><u>\$ 87,183,147</u></u>	<u><u>\$ 14,510,072</u></u>	<u><u>\$ (14,904,269)</u></u>	<u><u>\$ 86,788,950</u></u>	<u><u>\$ 12,499,548</u></u>

**City of Southlake, Texas**  
Notes to the Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Business-type activities:					
General obligation bonds and certificates of obligation	\$ 31,654,520	\$ 5,570,000	\$ (2,477,695)	\$ 34,746,825	\$ 3,060,747
Bond premiums	2,464,449	538,488	(439,961)	2,562,976	-
Total bonds payable	34,118,969	6,108,488	(2,917,656)	37,309,801	3,060,747
Total OPEB liability - SDBF	64,590	-	(223)	64,367	1,240
Net pension liability	1,214,748	-	(161,458)	1,053,290	-
Compensated absences*	81,150	142,853	-	224,003	50,340
Subscription liability	34,052	-	(29,320)	4,732	4,732
Arbitrage liability	-	202,253	-	202,253	-
<b>Total business-type activities</b>	<b>\$ 35,513,509</b>	<b>\$ 6,453,594</b>	<b>\$ (3,108,657)</b>	<b>\$ 38,858,446</b>	<b>\$ 3,117,059</b>

\*Compensated absences are reported as a net change for the year as allowed under the provisions of GASB 101, para. 30.

Typically, liquidation of the liabilities for compensated absences, total OPEB, and net pension occurs within the General Fund, Community Enhancement Development Corporation Special Revenue Fund, and the Water and Sewer Enterprise Fund where the payroll costs are incurred.

Typically, liquidation of bonds payable occurs from the General Obligation Debt Service Fund, Southlake Parks Development Corporation Debt Service Fund, and Community Enhancement Development Corporation Debt Service Fund.

The annual aggregate maturities for each bond type are as follows:

General Obligation Bonds and Certificates of Obligation

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 6,560,251	959,508	\$ 7,519,759
2027	3,527,198	694,722	4,221,920
2028	3,685,724	526,456	4,212,180
2029	3,857,000	348,452	4,205,452
2030	3,614,000	172,558	3,786,558
2031-2035	1,918,000	232,737	2,150,737
2036-2040	435,000	17,500	452,500
<b>Total</b>	<b>\$ 23,597,173</b>	<b>\$ 2,951,933</b>	<b>\$ 26,549,106</b>

Sales Tax Revenue Bonds

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 2,790,000	\$ 706,256	\$ 3,496,256
2027	2,640,000	618,506	3,258,506
2028	1,890,000	550,556	2,440,556
2029	1,950,000	492,956	2,442,956
2030	2,005,000	433,631	2,438,631
2031-2035	10,990,000	1,212,463	12,202,463
2036-2040	2,405,000	36,509	2,441,509
<b>Total</b>	<b>\$ 24,670,000</b>	<b>\$ 4,050,877</b>	<b>\$ 28,720,877</b>

**City of Southlake, Texas**  
Notes to the Financial Statements

Tax Notes

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 810,000	\$ 462,252	\$ 1,272,252
2027	3,115,000	402,967	3,517,967
2028	3,225,000	292,651	3,517,651
2029	3,339,000	178,437	3,517,437
2030	3,458,000	60,169	3,518,169
<b>Total</b>	<b>\$ 13,947,000</b>	<b>\$ 1,396,476</b>	<b>\$ 15,343,476</b>

General Obligation Bonds and Certificates of Obligation

Fiscal Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 3,060,747	\$ 1,404,538	\$ 4,465,285
2027	3,248,802	1,218,472	4,467,274
2028	3,378,276	1,089,175	4,467,451
2029	3,426,000	957,443	4,383,443
2030	3,090,000	831,327	3,921,327
2031-2035	13,458,000	2,474,362	15,932,362
2036-2040	5,085,000	397,769	5,482,769
<b>Total</b>	<b>\$ 34,746,825</b>	<b>\$ 8,373,086</b>	<b>\$ 43,119,911</b>

The City has entered into multiple arrangements for the purpose of financing the purchase of various equipment. The City's arrangements incur interest at 2.9% annually, and have 5 year terms expiring in 2026.

The annual debt service requirement to amortize the financed purchase liabilities outstanding at September 30, 2025, are as follows:

Financed Purchase Liabilities

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	105,728	3,066	108,794
<b>Total</b>	<b>\$ 105,728</b>	<b>\$ 3,066</b>	<b>\$ 108,794</b>

The City has entered into multiple lease agreements as lessee for the right-to-use equipment over the term of the lease. The City is required to make periodic payments at its incremental borrowing rate or the interest rate stated or implied within the leases. Effective October 1, 2021, the City implemented GASB Statement No. 87, Leases. At implementation of this statement, the City initially measured the lease liability at the present value of payments expected to be made during the remaining lease term.

The City's lessee arrangements incur interest at rates of approximately 2.9% annually; all of which are accounted for within the City's governmental activities. All such arrangements range between 3 and 5 years in length.

**City of Southlake, Texas**  
Notes to the Financial Statements

The annual debt service requirement to amortize the other lease liabilities outstanding at September 30, 2025, are as follows:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	235,485	13,073	248,558
2027	158,128	7,487	165,615
2028	125,282	3,719	129,001
2029	69,417	637	70,054
<b>Total</b>	<b>\$ 588,312</b>	<b>\$ 24,916</b>	<b>\$ 613,228</b>

**Subscription Based Information Technology Arrangements (SBITA)**

The City has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The City is required to make annual or monthly payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

	Interest Rate(s)	Liability at Commencement	SBITA Term in Months	Ending Balance
Governmental activities Software	2.240% - 3.591%	5,257,200	16 - 105	\$ 3,112,755
<b>Total governmental activities</b>				<b>\$ 3,112,755</b>
Business-type activities Software	3.591%	62,932	36	\$ 4,732
<b>Total business-type activities</b>				<b>\$ 4,732</b>

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

Fiscal Year Ending	Principal	Interest	Total
2026	\$ 770,312	\$ 88,746	\$ 859,058
2027	571,537	68,483	640,020
2028	512,096	52,282	564,378
2029	522,765	37,313	560,078
2030	438,826	22,060	460,886
2031 - 2033	297,219	13,765	310,984
<b>Total governmental activities</b>	<b>\$ 3,112,755</b>	<b>\$ 282,649</b>	<b>\$ 3,395,404</b>
Fiscal Year Ending	Principal	Interest	Total
2026	\$ 4,732	\$ 170	\$ 4,902
<b>Total business-type activities</b>	<b>\$ 4,732</b>	<b>\$ 170</b>	<b>\$ 4,902</b>

The value of the governmental activities subscription assets as of the end of the current fiscal year was \$5,169,886 with accumulated amortization of \$1,816,215. The value of the business-type activities subscription assets as of the end of the current fiscal year was \$87,316 with accumulated amortization of \$77,452.

**City of Southlake, Texas**  
Notes to the Financial Statements

**Note 6. Transfers**

All interfund transfers between the various funds are approved supplements to the operations of those funds. Individual fund transfers for fiscal year 2025 were as follows:

	Transfers in:						Total transfers
	General Fund	General Obligation Debt Service Fund	General Capital Projects Fund	Southlake Parks Development Corp - CPF	Nonmajor Governmental Funds	Vehicle and Equipment Replacement Fund	
Transfers out:							
General Fund	\$ -	\$ -	\$ 3,900,000	\$ -	\$ 250,000	\$ 4,250,000	\$ 8,400,000
Southlake Parks Development Corporation Fund	473,469	-	-	6,000,000	2,605,789	-	9,079,258
Community Enhancement and Development Corporation Fund	535,777	-	-	-	2,445,031	-	2,980,808
Nonmajor Governmental Funds	679,610	401,762	900,000	-	-	-	1,981,372
Water and Sewer Enterprise Fund	1,588,614	-	4,168,934	-	-	-	5,757,548
<b>Total transfers</b>	<b>\$ 3,277,470</b>	<b>\$ 401,762</b>	<b>\$ 8,968,934</b>	<b>\$ 6,000,000</b>	<b>\$ 5,300,820</b>	<b>\$ 4,250,000</b>	<b>\$28,198,986</b>

During the year, interfund transfers were used for the following recurring items:

- To allocate indirect charges from the General Fund to the Southlake Parks Development Corporation, Water and Sewer Enterprise Fund, and other nonmajor governmental funds.
- To move revenues from the fund with collection authorization to the General Obligation Debt Service Fund and other nonmajor debt service funds as debt service principal and interest payments become due.
- To move funding for vehicle and equipment replacement to the internal service fund.
- To fund the annual subsidy for commercial vehicle enforcement.

Further, during the year ended September 30, 2025, the City made the following one-time transfers:

- Transfer of \$3,500,000 from the General Fund to the General Capital Projects Fund for infrastructure projects.
- Transfer of \$400,000 from the General Fund to the General Capital Projects Fund for public art projects.
- Transfer of \$6,000,000 from the Southlake Parks Development Corporation Special Revenue Fund to the Southlake Parks Development Corporation Capital Projects Fund for parks projects.
- Transfer of \$200,000 from the Hotel Occupancy Tax Fund to the General Capital Projects Fund for parks projects.
- Transfer of \$300,000 from the Park Dedication Special Revenue Fund to the General Capital Projects Fund for parks projects.
- Transfer of \$400,000 from the Storm Water Utility Fund to the Drainage Capital Projects Fund for drainage projects.
- Transfer of \$4,168,934 from the Water and Sewer Enterprise Fund to the General Capital Projects Fund for reimbursement of capital project expenditures.

Capital assets of \$4,168,934 were transferred out of the General Capital Projects Fund to the Water and Sewer Enterprise Fund during the year ended September 30, 2025. In the statement of activities, the reassignment of capital assets between governmental activities and business-type activities is reported as a transfer.

**City of Southlake, Texas**  
Notes to the Financial Statements

**Note 7. Retirement Plan**

**A. 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](http://tmrs.com).

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

**B. 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

*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	210
Inactive employees entitled to but not yet receiving benefits	337
Active employees	<u>359</u>
	<u><u>906</u></u>

## City of Southlake, Texas

### Notes to the Financial Statements

#### C. 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 7% of their annual compensation during the fiscal year. The contribution rates for the City were 12.57% and 13.07% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$4,410,203 and were greater than the required contributions by \$32,298.

#### D. Net Pension Liability

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

##### Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, 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 the Public Safety table used for males and 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 Scale UMP 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 Scale UMP to account for future mortality improvements subject to the floor.

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

## City of Southlake, Texas

### Notes to the Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Other private markets	4.0%	7.30%
Real Estate	12.0%	6.70%
Hedge funds	5.0%	6.40%
Private Debt	13.0%	8.20%
Infrastructure	6.0%	6.00%
Private Equity	13.0%	8.50%
Total	100.0%	

#### Discount Rate

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

**City of Southlake, Texas**  
Notes to the Financial Statements

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 150,050,088	\$ 134,778,811	\$ 15,271,277
Changes for the year:			
Service Cost	5,531,410	-	5,531,410
Interest	10,109,922	-	10,109,922
Change of benefit terms	-	-	-
Difference between expected and actual experience	2,155,880	-	2,155,880
Changes of assumptions	-	-	-
Contributions - employer	-	4,172,806	(4,172,806)
Contributions - employee	-	2,323,561	(2,323,561)
Net investment income	-	14,030,968	(14,030,968)
Benefit payments, including refunds of employee contributions	(6,078,356)	(6,078,356)	-
Administrative expense	-	(89,814)	89,814
Other changes	-	(2,100)	2,100
Net Changes	<u>11,718,856</u>	<u>14,357,065</u>	<u>(2,638,209)</u>
<b>Balance at 12/31/2024</b>	<u><u>\$ 161,768,944</u></u>	<u><u>\$ 149,135,876</u></u>	<u><u>\$ 12,633,068</u></u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	\$ 37,078,829	\$ 12,633,068	\$ (7,260,632)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [tmrs.com](http://tmrs.com).

## City of Southlake, Texas

### Notes to the Financial Statements

#### E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$5,283,455. 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	\$ 2,647,161	\$ -
Changes in actuarial assumptions	-	(239,109)
Difference between projected and actual investment earnings	-	(1,666,519)
Contributions subsequent to the measurement date	<u>3,473,963</u>	<u>-</u>
Total	<u>\$ 6,121,124</u>	<u>\$ (1,905,628)</u>

The \$3,473,963 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30,	
2026	\$ 1,077,178
2027	2,268,469
2028	(1,617,437)
2029	<u>(986,677)</u>
<b>Total</b>	<b>\$ 741,533</b>

#### Note 8. Other Postemployment Benefits (OPEB)

The City of Southlake provides for two other postemployment benefit (OPEB) plans; one provides for postemployment health insurance benefits through an agent-multiple employer defined benefit medical plan (Southlake Retiree Health Care Plan), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund, a single employer defined benefit OPEB plan. Both plans are described in detail below. Aggregate amounts for the two OPEB plans are as follows:

	Retiree Healthcare Plan	TMRS SDBF	Total
OPEB liability (asset)	\$ (1,236,140)	\$ 864,358	\$ (371,782)
Deferred outflows of resources	533,684	132,016	665,700
Deferred inflows of resources	814,602	323,114	1,137,716
OPEB expense	68,186	29,405	97,591

## City of Southlake, Texas

### Notes to the Financial Statements

#### City of Southlake Retiree Health Care Plan

##### Plan Description

The City provides other postemployment healthcare benefits in accordance with City policy. Administration of the City of Southlake Retiree Healthcare Plan trust is through Public Agency Retirement Services (PARS) with an IRC Section 115 Irrevocable Exclusive Benefit Trust. Trustee for the plan is US Bank. Ultimate authority for investment decisions and actions necessary to maintain the City's participation in the program resides with the City Manager, appointed as Plan Administrator through a 2009 resolution of the City Council. Investment strategy is currently through the City's selection of PARS Moderately Conservative High Mark Plus.

A third-party administrator is utilized to provide claims administration and payment of claims. Insurance is purchased to provide specific stop loss and aggregate stop loss protection. A separate financial statement is not issued for the plan.

##### Benefits Provided

Regular full-time employees retiring from the City of Southlake have the option to continue medical insurance coverage until the retiree becomes eligible for Medicare or is eligible to be covered under another medical plan. The City contributes \$125 per month towards the premium for retiree insurance coverage or \$225 towards the premium for retirees and dependents. Recommendations for plan benefits are presented to City Council for their approval during the annual budget process.

##### Employees Covered by Benefit Terms

The following table provides a summary of the number of participants in the plan as of December 31, 2024:

Inactive employees currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	<u>349</u>
	<u><u>352</u></u>

##### Contributions

The City's contributions during the fiscal year ending September 30, 2025 were \$184,927 and were greater than the required contributions by \$77,921. The benefit payments were determined in a manner similar to how the benefit payments for the measurement period were developed. The City, through its budgeting process, determines the annual contributions to the Plan based on the actuarially determined contribution and the availability of funds.

##### Net OPEB Asset

The City's total OPEB asset is based on an actuarial valuation performed as of December 31, 2024.

## City of Southlake, Texas

### Notes to the Financial Statements

#### Actuarial Assumptions

The total OPEB asset in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Individual Entry-Age Normal
Single Discount Rate	5.00% as of December 31, 2024
Inflation rate	2.50% per year
Salary Increases	3.60% to 11.85% including inflation
Demographic Assumptions	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct Municipal Retirees of Texas mortality tables were used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Healthcare Cost trend rates	Initial rate of 7.50% declining to ultimate rates of 4.25% after 15 years.
Participation Rates	30% of employees who retire at age 55 or older, or retire through disability retirement at any age, were assumed to maintain their health coverage after retirement.

*Single Discount Rate.* Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 5.0%; the municipal bond rate is 4.08% (based on the daily rate closest to but not later than the measurement date of the Bond Buyer "20-Bond GO Index"); and the resulting Single Discount Rate is 5.0%.

The City's has consistently funded the actuarially determined employer contribution, which is based on a closed amortization policy. As a result, the plan's fiduciary net position is projected to be sufficient to pay benefits for all future years.

**City of Southlake, Texas**  
Notes to the Financial Statements

**Changes in the Net OPEB Asset**

	Total OPEB (Asset) Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balance at 12/31/2023	\$ 1,874,434	\$ 2,740,052	\$ (865,618)
Changes for the year:			
Service Cost	135,113	-	135,113
Interest	95,337	-	95,337
Difference between expected and actual experience	(330,311)	-	(330,311)
Changes of assumptions	113,689	-	113,689
Contributions - employer	-	210,489	(210,489)
Net investment income	-	183,435	(183,435)
Benefit payments, including refunds of employee contributions	(70,489)	(70,489)	-
Administrative expense	-	(9,574)	9,574
Net Changes	<u>(56,661)</u>	<u>313,861</u>	<u>(370,522)</u>
<b>Balance at 12/31/2024</b>	<u><u>\$ 1,817,773</u></u>	<u><u>\$ 3,053,913</u></u>	<u><u>\$ (1,236,140)</u></u>

Consistent with the requirements of GASB Statements No. 74, the employer contributions include "amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets." The \$70,489 in benefit payments was paid by the City using its own assets.

The plan fiduciary net position is 168% of the total OPEB liability as of the measurement date, resulting in the net OPEB asset.

The benefit payments during the measurement period were determined as follows:

City's explicit subsidy	\$ 9,100
City's implicit subsidy (explicit subsidy *6.746)	<u>61,389</u>
Total benefit payments	<u><u>\$ 70,489</u></u>

The 6.746 implicit factor equals the ratio of the expected implicit subsidy to the expected explicit subsidy.

**Sensitivity of the Net OPEB Asset to Changes in the Discount Rate and Healthcare Cost Trend Rates**

Regarding the sensitivity of the net OPEB asset to changes in the Single Discount Rate, the following presents the plan's net OPEB asset, calculated using a discount rate of 5.00%, as well as what the plan's net OPEB asset would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate (4.00%)	Discount Rate (5.00%)	1% Increase in Discount Rate (6.00%)
Net OPEB asset	\$ (1,063,175)	\$ (1,236,140)	\$ (1,390,911)

## City of Southlake, Texas

### Notes to the Financial Statements

Regarding the sensitivity of the net OPEB asset to changes in the healthcare cost trend rates, the following presents the plan's net OPEB asset, calculated using the assumed trend rates as well as what the plan's net OPEB asset would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	Current Healthcare Cost Rate		
	<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
Net OPEB asset	\$ (1,422,090)	\$ (1,236,140)	\$ (951,064)

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2024, the City recognized OPEB expense of \$68,186. At September 30, 2025, the reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Economic Experiences	\$ 8,799	\$ (573,028)
Changes in Assumptions	293,011	(241,574)
Investment Experience	65,538	-
Contributions subsequent to the measurement date	<u>166,336</u>	<u>-</u>
	<u>\$ 533,684</u>	<u>\$ (814,602)</u>

The \$166,336 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will increase the net OPEB asset during the year ending September 30, 2026. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended Sept. 30</u>	
2026	\$ (11,918)
2027	(11,623)
2028	(107,581)
2029	(107,920)
2030	(79,794)
Thereafter	<u>(128,418)</u>
<b>Total</b>	<u>\$ (447,254)</u>

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

The expected remaining service lives of all active employees in the plan were approximately 3,119 years. Additionally, the total plan membership (active employees and inactive employees) was 352. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 8.8618 years.

## City of Southlake, Texas

### Notes to the Financial Statements

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

#### Other Post Employment Benefits Supplemental Death Benefit Fund

##### Plan Description

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

##### Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

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

Inactive employees currently receiving benefits	147
Inactive employees entitled to but not yet receiving benefits	79
Active Employees	<u>359</u>
	<u><u>585</u></u>

##### Contributions

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

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

## City of Southlake, Texas

### Notes to the Financial Statements

The retiree portion of contribution rates to the SDBF for the City was 0.06% and 0.05% in fiscal years 2024 and 2025, respectively. The City's contributions to the SDBF for the year ended September 30, 2025 were \$17,042, and were equal to the required contributions.

#### Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

#### Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount rate	4.08%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of 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.)

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Mortality rates for disabled retirees were based on 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 with scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2024 valuation 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. They were first adopted in 2023 and first used in the December 31, 2023 actuarial valuation.

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

**City of Southlake, Texas**  
Notes to the Financial Statements

**Changes in Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balances as of 12/31/2023	\$ 868,012
Changes for the year:	
Service cost	43,059
Interest	33,161
Difference between expected and actual experience	(8,459)
Changes of assumptions	(51,542)
Contributions - employer	(19,873)
Net Changes	<u>(3,654)</u>
<b>Balances as of 12/31/2024</b>	<b><u>\$ 864,358</u></b>

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

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

	<u>1% Decrease (3.08%)</u>	<u>Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
Total OPEB liability	\$ 1,047,495	\$ 864,358	\$ 722,619

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$29,405. At September 30, 2025, the City reported deferred outflows and inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experiences	\$ 13,670	\$ (36,631)
Changes in actuarial assumptions	105,056	(286,483)
Contributions subsequent to the measurement date	13,290	-
	<u>\$ 132,016</u>	<u>\$ (323,114)</u>

The \$13,290 reported as deferred outflows of resources related to the OPEB plan resulting from contributions subsequent to the measurement date will reduce the Total OPEB liability during the year ending September 30, 2026.

## City of Southlake, Texas

### Notes to the Financial Statements

The other amounts reported as deferred outflows and inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

Fiscal Year	
<u>Ended Sept. 30</u>	
2026	\$ (36,891)
2027	(61,109)
2028	(74,554)
2029	(23,280)
2030	<u>(8,554)</u>
<b>Total</b>	<b>\$ <u>(204,388)</u></b>

#### **Note 9. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust or under one or more annuity contracts described in Internal Revenue Code Section 401 (f). Except as may otherwise be permitted or required by law, no assets or income of the plan shall be used for, or diverted to, purposes other than for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan. In accordance with GASB 97, the plans as amended are not included in the City's financial statements.

#### **Note 10. Risk Financing and Insurance**

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. During the fiscal year 1990, the City joined the Texas Municipal League Workers Compensation Joint Insurance Fund ("the Pool") for risks related to employees. Premiums are paid to the Pool, which retains a limit of loss. Reinsurance companies insure the risks beyond those limits. The City retains, as a risk, only the deductible amount of each policy. The City continues to carry commercial insurance with Texas Municipal League provided by Mutual of Omaha for other risks including general liability, property, and errors and omissions. There were no significant reductions in coverage in the past year and there were no settlements exceeding insurance coverage in any of the past three years.

#### **Note 11. Commitments and Contingencies**

The City has entered into various contracts with the Trinity River Authority (TRA) and other cities. Terms of the agreements provide the City will pay an amount equal to its proportional share of maintenance and operations and debt service based upon volumes of wastewater transported, treated, or disposed of. The City's proportional share of future costs under these contracts is indeterminable and has not been recorded. Payments to the TRA under these contracts for the year ended September 30, 2025 were \$4,568,218.

## **City of Southlake, Texas**

### Notes to the Financial Statements

The City has authorized various contracts obligating future funds of the City as the contracted services are performed. Significant amounts unexpended under such contracts at year-end are reflected as reserves for authorized contracts in the applicable funds.

The City has certain claims and litigation pending with respect to matters arising in the normal course of operations. City management is of the opinion that the settlement of these matters will not have a material adverse impact on the City's financial statements.

#### **Note 12. Tax Abatement**

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property and/or sales taxes and may include other incentive payments such as fee reductions or construction cost reimbursements. Economic development agreements are considered on a case-by-case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

Chapter 380 of the Texas Local Government Code allows the City to provide grants for the purpose of promoting local economic development. These grants are based on a percentage of property and/or sales tax received by the City. For the fiscal year ending September 30, 2025, the City rebated \$53,374 in sales taxes and \$664,337 in hotel occupancy taxes. The City also refunded \$700,000 in public improvement reimbursement for the fiscal year ending September 30, 2025.



## **Required Supplementary Information**



# **Budgetary Comparison Schedules**

**City of Southlake, Texas**

**Exhibit A-1**

General Fund

Budgetary Comparison Schedule (GAAP Basis)

For the Fiscal Year Ended September 30, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
<b>REVENUES</b>				
Ad valorem taxes, penalties and interest	\$ 28,487,889	\$ 27,487,889	\$ 27,911,529	\$ 423,640
Franchise taxes	3,453,329	3,330,744	3,367,322	36,578
Municipal sales and mixed beverage tax	21,978,469	22,325,000	21,840,435	(484,565)
License, permits and fees	1,414,100	1,653,100	1,998,868	345,768
Charges for services	2,142,237	2,163,377	2,589,722	426,345
Fines and forfeitures	798,500	978,000	1,053,751	75,751
Intergovernmental revenue	72,000	345,000	130,557	(214,443)
Investment income	1,987,500	1,984,500	2,366,429	381,929
Contributions	5,000	72,000	87,150	15,150
Miscellaneous	185,000	185,000	287,616	102,616
<b>Total revenues</b>	<b>60,524,024</b>	<b>60,524,610</b>	<b>61,633,379</b>	<b>1,108,769</b>
<b>EXPENDITURES</b>				
General government				
City secretary/mayor	672,400	672,400	624,870	47,530
City manager's office	1,282,875	1,282,875	1,220,634	62,241
Human resources	1,074,739	924,739	754,749	169,990
Support services	5,832,004	5,849,004	5,519,418	329,586
Economic development	583,626	583,626	467,201	116,425
Finance	2,265,952	2,265,952	2,185,679	80,273
Municipal court	794,143	844,143	787,438	56,705
Teen court	184,485	184,485	164,467	20,018
Information technology	5,311,331	5,211,331	3,412,494	1,798,837
Public safety				
Police services	9,372,390	9,226,390	9,195,718	30,672
Fire services	12,640,044	13,040,394	12,702,849	337,545
Public safety support	1,865,056	1,865,056	1,799,979	65,077
Public works				
Public works administration	2,906,101	2,908,801	2,590,077	318,724
Streets and drainage	1,466,904	1,526,904	1,413,045	113,859
Planning	1,227,780	1,225,030	1,091,451	133,579
Building inspection	1,436,730	1,440,730	1,341,060	99,670
Culture and recreation				
Community services	1,612,877	1,613,377	1,510,113	103,264
Parks and recreation	4,660,415	4,513,915	4,161,255	352,660
Library services	1,265,886	1,276,586	1,149,729	126,857
Capital Outlay	1,034,230	1,034,230	1,671,031	(636,801)
Debt Service				
Principal	-	-	1,104,359	(1,104,359)
Interest	-	-	40,595	(40,595)
<b>Total expenditures</b>	<b>57,489,968</b>	<b>57,489,968</b>	<b>54,908,211</b>	<b>2,581,757</b>
Excess of revenues over expenditures	3,034,056	3,034,642	6,725,168	3,690,526
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of subscriptions	-	-	864,421	864,421
Sale of capital assets	-	-	48,854	48,854
Insurance recoveries	-	-	77,951	77,951
Transfers from other funds	3,228,755	3,277,470	3,277,470	-
Transfers to other funds	(7,150,000)	(8,400,000)	(8,400,000)	-
<b>Total other financing sources (uses)</b>	<b>(3,921,245)</b>	<b>(5,122,530)</b>	<b>(4,131,304)</b>	<b>991,226</b>
Net change in fund balance	(887,189)	(2,087,888)	2,593,864	4,681,752
Fund balances, beginning of year	47,542,607	47,542,607	47,542,607	-
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 46,655,418</b>	<b>\$ 45,454,719</b>	<b>\$ 50,136,471</b>	<b>\$ 4,681,752</b>

The Notes to the Budgetary Comparison Schedules are an integral part of this statement.

**City of Southlake, Texas**

**Exhibit A-2**

Southlake Parks Development Corporation Operating Fund  
 Budgetary Comparison Schedule (GAAP Basis)  
 For the Fiscal Year Ended September 30, 2025

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Municipal sales tax	\$ 10,962,603	\$ 11,200,000	\$ 10,827,190	\$ (372,810)
Charges for services	288,869	311,729	362,810	51,081
Investment income	420,000	325,000	375,479	50,479
Total revenues	<u>11,671,472</u>	<u>11,836,729</u>	<u>11,565,479</u>	<u>(271,250)</u>
<b>EXPENDITURES</b>				
Community services	2,537,522	2,546,892	2,273,752	273,140
Capital outlay	1,082,000	1,082,000	1,069,013	12,987
Total expenditures	<u>3,619,522</u>	<u>3,628,892</u>	<u>3,342,765</u>	<u>286,127</u>
Excess of revenues over expenditures	<u>8,051,950</u>	<u>8,207,837</u>	<u>8,222,714</u>	<u>14,877</u>
<b>OTHER FINANCING USES</b>				
Transfers to other funds	<u>(9,072,648)</u>	<u>(9,079,258)</u>	<u>(9,079,258)</u>	<u>-</u>
Total other financing uses	<u>(9,072,648)</u>	<u>(9,079,258)</u>	<u>(9,079,258)</u>	<u>-</u>
Net change in fund balance	(1,020,698)	(871,421)	(856,544)	14,877
Fund balances, beginning of year,	<u>14,616,793</u>	<u>14,616,793</u>	<u>14,616,793</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 13,596,095</u>	<u>\$ 13,745,372</u>	<u>\$ 13,760,249</u>	<u>\$ 14,877</u>

The Notes to the Budgetary Comparison Schedules are an integral part of this statement.

**City of Southlake, Texas**

**Exhibit A-3**

Community Enhancement Development Corporation Special Revenue Fund  
 Budgetary Comparison Schedule (GAAP Basis)  
 For the Fiscal Year Ended September 30, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
<b>REVENUES:</b>				
Municipal sales tax	\$ 8,146,612	\$ 8,300,000	\$ 8,020,141	\$ (279,859)
Charges for services	4,587,766	4,389,490	4,481,176	91,686
Investment income	770,000	900,000	1,098,999	198,999
Contributions	4,933	4,933	21,221	16,288
Miscellaneous	-	-	2,083	2,083
Total revenues	13,509,311	13,594,423	13,623,620	29,197
<b>EXPENDITURES:</b>				
Community services	8,100,770	6,792,654	5,993,951	798,703
Capital outlay	1,634,180	1,634,180	282,247	1,351,933
Debt Service				
Principal	-	-	15,328	(15,328)
Interest	-	-	374	(374)
Total expenditures	9,734,950	8,426,834	6,291,900	2,134,934
Excess of revenues over expenditures	3,774,361	5,167,589	7,331,720	2,164,131
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(2,978,603)	(2,980,808)	(2,980,808)	-
Total other financing uses	(2,978,603)	(2,980,808)	(2,980,808)	-
Net changes in fund balance	795,758	2,186,781	4,350,912	2,164,131
Fund balances, beginning of year	24,928,988	24,928,988	24,928,988	-
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 25,724,746</b>	<b>\$ 27,115,769</b>	<b>\$ 29,279,900</b>	<b>\$ 2,164,131</b>

The Notes to the Budgetary Comparison Schedules are an integral part of this statement.

## City of Southlake, Texas

### Notes to Budgetary Comparison Schedules

#### Budgetary Data

The City Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Each year the City Manager is required to submit to the City Council, between sixty and ninety days prior to the beginning of each fiscal year, a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayers' comments.
3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4. Annual budgets are legally adopted for the General Fund, the Tax Increment Financing District, Community Enhancement Development Corporation, Crime Control District, Parks Dedication, Hotel Occupancy, Storm Water Utility, Red Light Camera, Police Special Revenue, Parks and Recreation, Court Security and Technology, Library, Commercial Vehicle Enforcement, and Southlake Parks Development Corporation Special Revenue Funds and all Debt Service Funds on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary integration is not employed for proprietary funds. However, the City does adopt an annual budget for those funds for managerial control.
5. During the fiscal year, the City Council may transfer funds allocated to a department to another department or re-estimate revenues or expenditures. The City Manager may transfer budgeted funds within a department. Expenditures should not exceed appropriations at the department level.
6. Budgetary data for the Municipal Jury, Oil and Gas, Truancy Prevention, Disaster Recovery, and all Capital Projects Funds are not presented, as such funds are budgeted over the life of the respective project, and not on an annual basis. Budgetary information for the Proprietary Funds has not been presented since reporting on such budgets is not legally required.
7. General Fund reported expenditures in excess of appropriations for the year ended September 30, 2025 as follows:
  - Capital outlay (\$636,801) - Due to GASB 87 and 96, not a true cash flow expenditure over budget.
  - Debt service: Principal (\$1,104,359) - Due to GASB 87 and GASB 96, not a true cash flow expenditure over budget.
  - Debt service: Interest (\$40,595) - Due to GASB 87 and GASB 96, not a true cash flow expenditure over budget.



## **Required Pension and OPEB Schedules**

# City of Southlake, Texas

## Schedule of Changes in Net Pension Liability and Related Ratios Texas Municipal Retirement System Last Ten Measurement Years

	Measurement Year 2024	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021
Total pension liability:				
Service cost	\$ 5,531,410	\$ 5,197,252	\$ 4,838,653	\$ 4,328,436
Interest	10,109,922	9,435,242	8,750,754	8,133,486
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	2,155,880	1,315,727	1,059,885	426,450
Change in assumptions	-	(467,923)	-	-
Benefit payments, including refunds of employee contributions	(6,078,356)	(5,225,884)	(4,150,172)	(3,847,375)
Net change in total pension liability	11,718,856	10,254,414	10,499,120	9,040,997
Total pension liability - beginning	150,050,088	139,795,674	129,296,554	120,255,557
Total pension liability - ending (a)	161,768,944	150,050,088	139,795,674	129,296,554
Plan fiduciary net position:				
Contributions - employer	4,172,806	3,967,997	3,714,760	3,348,713
Contributions - employee	2,323,561	2,229,213	2,070,328	1,871,403
Net investment income	14,030,968	13,917,389	(9,335,205)	14,591,844
Benefit payments, including refunds of employee contributions	(6,078,356)	(5,225,884)	(4,150,172)	(3,847,375)
Administrative expense	(89,814)	(88,341)	(80,641)	(67,416)
Other	(2,100)	(617)	96,229	462
Net change in plan fiduciary net position	14,357,065	14,799,757	(7,684,701)	15,897,631
Plan fiduciary net position - beginning	134,778,811	119,979,054	127,663,755	111,766,124
Plan fiduciary net position - ending (b)	149,135,876	134,778,811	119,979,054	127,663,755
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 12,633,068</b>	<b>\$ 15,271,277</b>	<b>\$ 19,816,620</b>	<b>\$ 1,632,799</b>
Plan fiduciary net position as a percentage of total pension liability	92.19%	89.82%	85.82%	98.74%
Covered payroll	\$ 33,122,218	\$ 31,845,904	\$ 29,576,118	\$ 26,441,262
Net pension liability as a percentage of covered payroll	38.14%	47.95%	67.00%	6.18%

Exhibit A-4

Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015
\$ 4,289,132	\$ 4,190,311	\$ 3,919,389	\$ 3,579,734	\$ 3,482,384	\$ 3,222,126
7,554,362	6,945,183	6,379,342	5,865,601	5,393,997	5,090,308
-	-	-	-	-	-
39,572	250,630	537,249	213,937	179,076	102,364
-	324,280	-	-	-	760,500
<u>(2,798,825)</u>	<u>(2,671,062)</u>	<u>(2,506,166)</u>	<u>(1,930,078)</u>	<u>(2,304,726)</u>	<u>(1,921,361)</u>
9,084,241	9,039,342	8,329,814	7,729,194	6,750,731	7,253,937
<u>111,171,316</u>	<u>102,131,974</u>	<u>93,802,160</u>	<u>86,072,966</u>	<u>79,322,235</u>	<u>72,068,298</u>
120,255,557	111,171,316	102,131,974	93,802,160	86,072,966	79,322,235
3,322,051	3,212,690	2,992,110	2,682,629	2,595,919	2,425,455
1,829,612	1,773,541	1,673,450	1,520,518	1,480,965	1,409,008
7,731,319	13,337,326	(2,598,044)	10,284,603	4,588,256	97,252
(2,798,825)	(2,671,062)	(2,506,166)	(1,930,078)	(2,304,726)	(1,921,361)
(49,969)	(75,264)	(50,164)	(53,258)	(51,781)	(59,224)
<u>(1,950)</u>	<u>(2,262)</u>	<u>(2,623)</u>	<u>(2,699)</u>	<u>(2,790)</u>	<u>(2,925)</u>
10,032,238	15,574,969	(491,437)	12,501,715	6,305,843	1,948,205
101,733,886	86,158,917	86,650,354	74,148,639	67,842,796	65,894,591
<u>111,766,124</u>	<u>101,733,886</u>	<u>86,158,917</u>	<u>86,650,354</u>	<u>74,148,639</u>	<u>67,842,796</u>
<u>\$ 8,489,433</u>	<u>\$ 9,437,430</u>	<u>\$ 15,973,057</u>	<u>\$ 7,151,806</u>	<u>\$ 11,924,327</u>	<u>\$ 11,479,439</u>
92.94%	91.51%	84.36%	92.38%	86.15%	85.53%
\$ 26,137,309	\$ 25,334,408	\$ 23,710,761	\$ 21,721,689	\$ 21,156,637	\$ 20,113,150
32.48%	37.25%	67.37%	32.92%	56.36%	57.07%

## City of Southlake, Texas

### Schedule of Pension Contributions Texas Municipal Retirement System Last Ten Fiscal Years

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Actuarially determined contribution	\$ 4,377,905	\$ 4,105,607	\$ 3,792,064	\$ 3,547,858	\$ 3,244,987
Contribution in relation of the actuarially determined contribution	<u>4,410,203</u>	<u>4,151,701</u>	<u>3,879,580</u>	<u>3,610,307</u>	<u>3,297,682</u>
Contribution deficiency (excess)	<u>\$ (32,298)</u>	<u>\$ (46,094)</u>	<u>\$ (87,516)</u>	<u>\$ (62,449)</u>	<u>\$ (52,695)</u>
Covered payroll	\$ 34,084,513	\$ 33,106,641	\$ 31,070,964	\$ 28,738,669	\$ 26,156,402
Contributions as a percentage of covered payroll	12.94%	12.54%	12.49%	12.56%	12.61%

**Exhibit A-5**

<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
\$ 3,131,667	\$ 3,101,504	\$ 2,829,615	\$ 2,580,380	\$ 2,508,791
<u>3,201,451</u>	<u>3,182,749</u>	<u>2,894,219</u>	<u>2,654,303</u>	<u>2,632,209</u>
<u>\$ (69,784)</u>	<u>\$ (81,245)</u>	<u>\$ (64,604)</u>	<u>\$ (73,923)</u>	<u>\$ (123,418)</u>
\$ 25,202,798	\$ 25,156,408	\$ 23,132,172	\$ 21,525,552	\$ 21,551,426
12.70%	12.65%	12.51%	12.33%	12.21%

## City of Southlake, Texas

### Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios Southlake Net OPEB Liability (Asset) for Health Insurance Last Eight Measurement Years

	Measurement Year 2024	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021
Total OPEB liability (asset):				
Service cost	\$ 135,113	\$ 128,267	\$ 120,612	\$ 80,561
Interest	95,337	95,803	92,533	97,367
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(330,311)	(16,206)	(163,080)	6,855
Change in assumptions	113,689	(150,440)	89,089	(217,142)
Benefit payments, including refunds of employee contributions	(70,489)	(69,818)	(85,370)	(83,319)
Net change in total OPEB liability (asset)	(56,661)	(12,394)	53,784	(115,678)
Total OPEB liability (asset) - beginning	1,874,434	1,886,828	1,833,044	1,948,722
Total OPEB liability (asset) - ending (a)	1,817,773	1,874,434	1,886,828	1,833,044
Plan fiduciary net position:				
Contributions - employer	210,489	209,818	225,370	323,319
Net investment income	183,435	269,081	(343,355)	117,346
Benefit payments, including refunds of employee contributions	(70,489)	(69,818)	(85,370)	(83,319)
Administrative expense	(9,574)	(8,145)	(7,980)	(7,918)
Net change in plan fiduciary net position	313,861	400,936	(211,335)	349,428
Plan fiduciary net position - beginning	2,740,052	2,339,116	2,550,451	2,201,023
Plan fiduciary net position - ending (b)	3,053,913	2,740,052	2,339,116	2,550,451
<b>Net OPEB liability (asset)- ending (a) - (b)</b>	<b>\$ (1,236,140)</b>	<b>\$ (865,618)</b>	<b>\$ (452,288)</b>	<b>\$ (717,407)</b>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	168.00%	146.18%	123.97%	139.14%
Covered payroll	\$ 33,824,780	\$ 32,671,598	\$ 30,420,420	\$ 27,287,214
Net OPEB liability (asset) as a percentage of covered payroll	-3.65%	-2.65%	-1.49%	-2.63%

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Exhibit A-6

Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
\$ 73,365	\$ 66,950	\$ 53,239	\$ 55,061
114,848	108,953	87,706	84,496
-	-	-	-
(337,496)	(1,262)	16,549	(3,965)
87,222	8,001	297,855	-
(81,362)	(75,967)	(75,843)	(76,779)
(143,423)	106,675	379,506	58,813
2,092,145	1,985,470	1,605,964	1,547,151
1,948,722	2,092,145	1,985,470	1,605,964
321,362	165,967	172,843	116,779
201,804	207,145	(38,598)	121,500
(81,362)	(75,967)	(75,843)	(76,779)
(6,098)	(5,348)	(4,389)	(3,483)
435,706	291,797	54,013	158,017
1,765,317	1,473,520	1,419,507	1,261,490
2,201,023	1,765,317	1,473,520	1,419,507
\$ (252,301)	\$ 326,828	\$ 511,950	\$ 186,457
112.95%	84.38%	74.22%	88.39%
\$ 26,994,043	\$ 26,143,074	\$ 22,468,011	\$ 20,607,676
-0.93%	1.25%	2.28%	0.90%

**City of Southlake, Texas**

Schedule of Contributions

Southlake Net OPEB Liability (Asset) for Health Insurance

Last Eight Fiscal Years

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022
Actuarially determined contribution	\$ 107,006	\$ 41,843	\$ 39,085	\$ 144,728
Contribution in relation of the actuarially determined contribution	<u>184,927</u>	<u>209,480</u>	<u>211,408</u>	<u>229,678</u>
<b>Contribution deficiency (excess)</b>	<u>\$ (77,921)</u>	<u>\$ (167,637)</u>	<u>\$ (172,323)</u>	<u>\$ (84,950)</u>
Covered payroll	\$ 34,620,184	\$ 33,925,759	\$ 31,894,347	\$ 29,572,038
Contributions as a percentage of covered payroll	0.53%	0.62%	0.66%	0.78%

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Exhibit A-7**

Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
\$ 142,458	\$ 140,254	\$ 89,240	\$ 89,240
<u>332,082</u>	<u>301,318</u>	<u>177,639</u>	<u>168,167</u>
<u>\$ (189,624)</u>	<u>\$ (161,064)</u>	<u>\$ (88,399)</u>	<u>\$ (78,927)</u>
\$ 25,882,453	\$ 24,988,882	\$ 24,537,271	\$ 23,132,172
1.28%	1.21%	0.72%	0.73%

## City of Southlake, Texas

### Schedule of Changes in the Total OPEB Liability and Related Ratios

#### Texas Municipal Retirement System – Supplemental Death Benefits Last Eight Measurement Years

	Measurement 2024	Measurement 2023	Measurement 2022	Measurement 2021
Total OPEB liability:				
Service cost	\$ 43,059	\$ 35,030	\$ 79,856	\$ 66,103
Interest	33,161	32,232	21,624	21,646
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(8,459)	(12,044)	26,255	(26,578)
Change in assumptions	(51,542)	44,005	(467,745)	38,907
Contributions - employer	(19,873)	(19,108)	(14,788)	(13,221)
Net change in total pension liability	(3,654)	80,115	(354,798)	86,857
Total OPEB liability - beginning	868,012	787,897	1,142,695	1,055,838
<b>Total OPEB liability - ending (a)</b>	<b>\$ 864,358</b>	<b>\$ 868,012</b>	<b>\$ 787,897</b>	<b>\$ 1,142,695</b>
Covered employee payroll	\$ 33,122,218	\$ 31,845,904	\$ 29,576,118	26,441,273
Net pension liability as a percentage of covered employee payroll	2.61%	2.73%	2.66%	4.32%

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Exhibit A-8

Measurement 2020	Measurement 2019	Measurement 2018	Measurement 2017
\$ 52,275	\$ 38,002	\$ 42,679	\$ 34,755
24,403	25,388	23,155	21,919
-	-	-	-
(37,301)	(13,112)	(18,599)	-
156,506	149,523	(56,421)	62,407
<u>(2,614)</u>	<u>(5,067)</u>	<u>(2,371)</u>	<u>(4,344)</u>
193,269	194,734	(11,557)	114,737
<u>862,569</u>	<u>667,835</u>	<u>679,392</u>	<u>\$ 564,655</u>
<u>\$ 1,055,838</u>	<u>\$ 862,569</u>	<u>\$ 667,835</u>	<u>\$ 679,392</u>
26,137,309	25,334,408	23,710,761	\$ 21,721,689
4.04%	3.40%	2.82%	3.13%

**City of Southlake, Texas**

Schedule of OPEB Contributions

Texas Municipal Retirement System – Supplemental Death Benefits

Last Eight Fiscal Years

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022
Actuarially determined contribution	\$ 17,042	\$ 19,864	\$ 15,327	\$ 21,326
Contribution in relation of the actuarially determined contribution	17,042	19,864	15,327	21,326
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered employee payroll	\$ 34,084,513	\$ 33,106,641	\$ 31,070,964	\$ 28,738,669
Contributions as a percentage of covered employee payroll	0.05%	0.06%	0.05%	0.07%

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Note: There are no assets accumulated in a trust that meet the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the plan.

**Exhibit A-9**

Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
\$ 10,272	\$ 3,206	\$ 3,965	\$ 2,846
<u>10,272</u>	<u>3,206</u>	<u>3,965</u>	<u>2,846</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 26,156,403	\$ 25,202,798	\$ 25,156,408	\$ 23,132,172
0.04%	0.01%	0.02%	0.01%

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>City Required Minimum</u>
International Roughness Index (IRI)	74.3	79.7	73.6	
Pavement Condition Index (PCI)	86.9	80.0	81.2	
Pavement Quality Index (PQI)	87.3	81.2	81.8	78.0

	<u>Needed</u>	<u>Actual</u>	<u>Difference</u>
2021	\$ 1,200,000	\$ 1,336,244	\$ 136,244
2022	1,900,000	1,706,384	(193,616)
2023	1,900,000	1,982,896	82,896
2024	2,500,000	911,077	(1,588,923)
2025	3,333,000	3,600,613	267,613

The City hired a consultant to implement a pavement management system (PMS) to cover all public streets within the City. The condition of street pavement is measured using the Standard for Roads Pavement Condition Index (SRPCI) as developed by the American Society for Testing and Materials (ASTM). The SRPCI is based on a weighted average of thirteen defects found in pavement surfaces. The consultant conducted a pavement condition survey on all City-owned streets. This consisted of a roughness survey and a surface distress survey, along with a deflection survey of selected roads. A present status analysis was conducted using data obtained from pavement condition survey to determine the International Roughness Index (IRI) and the Pavement Condition Index (PCI). These indices were then combined into the composite Pavement Quality Index (PQI). Values of PQI can range from 0 to 100. Typical values for a newly constructed pavement range from 95.0 to 100.0. The PQI level at which a pavement becomes in need of rehabilitation is typically in the 50.0 to 70.0 range. It was the City's policy to maintain a PQI of 73.0 until 2012 when the City increased the minimum PQI to 78.0. Needed maintenance is calculated based upon inspections and the PQI.

In accordance with GASB Statement No. 34, the City is required to report at least three complete condition assessments at transition using the modified approach. The condition assessments were completed by the City and concluded that the eligible infrastructure assets are being preserved at or above the condition level established by the City. Half of the City's public streets will be assessed annually to ensure all public streets are assessed every two years.

The City calculates needed maintenance of its street system annually. However, the scheduling of these road projects often crosses fiscal years. Therefore, actual maintenance may be less than the calculated needed maintenance in one fiscal year and greater than the calculated needed maintenance in the subsequent fiscal year.

**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 Southlake, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026,” dated April 15, 2026, in the principal amount of \$\_\_\_\_\_ (the “Certificates”), we have examined into their issuance by the City of Southlake, Texas (the “City”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates 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 Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates 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 Certificates (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates 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 Certificates, including the Ordinance and an examination of the initial Certificate 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 Certificates 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 Certificates, 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 Certificates 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, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City’s Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, 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.

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of Southlake, Texas, Tax and Waterworks and Sewer System (Limited Pledge)  
Revenue Certificates of Obligation, Series 2026"

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 Certificates 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 Certificates. Ownership of tax-exempt obligations such as the Certificates 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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