TSContinuingDisclosureServices
A Division of Hilltop Securities.

(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated August 11, 2026

Ratings:
Fitch: "AA" (stable outlook)
S&P: "AA+" (stable outlook)
(see "OTHER INFORMATION – Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS FOR THE TAX-EXEMPT BONDS" herein, including the alternative-minimum tax on certain corporations. Interest on the Taxable Bonds is not excludable from gross income for federal tax purposes under existing law. See "FEDERAL INCOME TAX CONSIDERATIONS FOR THE TAXABLE BONDS" herein.

CITY OF GARLAND, TEXAS
(Dallas, Collin and Rockwall Counties)

$61,185,000*	$14,190,000*
GENERAL OBLIGATION BONDS	GENERAL OBLIGATION BONDS
SERIES 2026	TAXABLE SERIES 2026

Dated Date: September 1, 2026
Interest to accrue from the date of initial delivery

Due: February 15, as shown on page 2 and page 3

PAYMENT TERMS . . . Interest on the $61,185,000* City of Garland, Texas, General Obligation Bonds, Series 2026 (the "Tax-Exempt Bonds") and the $14,190,000* City of Garland, Texas, General Obligation Bonds, Taxable Series 2026 (the "Taxable Bonds" and collectively with the Tax-Exempt Bonds, the "Bonds"), will accrue from the date of the initial delivery to the underwriters thereof (collectively, the "Underwriters"), will be payable February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption with respect to the Tax-Exempt Bonds, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or any integral multiple thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapters 1251, 1331 and 1371, as amended, and elections held on May 15, 2004, May 4, 2019 and May 3, 2025 and are direct obligations of the City of Garland, Texas (the "City"), payable from a direct and continuing annual ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as provided in an ordinance adopted by the City Council of the City on August 4, 2026 authorizing the issuance of the Bonds (the "Ordinance") which delegated to an authorized officer of the City (the "Pricing Officer") the authority to execute a pricing certificate for each series of Bonds (collectively referred to herein as the "Pricing Certificate" and together with the Ordinance, the "Bond Ordinance") that will complete the sale of the Bonds (see "THE BONDS - Authority for Issuance of the Bonds").

PURPOSE . . . Proceeds from the sale of the Tax-Exempt Bonds will be used to (i) fund parks and recreation facilities and improvements, street improvements, drainage improvements, public safety facilities and improvements, library improvements, and cultural arts facilities and improvements, and (ii) pay the costs of issuance associated with the sale of the Tax-Exempt Bonds (see "PLAN OF FINANCING – Purpose of the Tax-Exempt Bonds").

Proceeds from the sale of the Taxable Bonds will be used to (i) fund projects to promote economic development throughout the City, through planning, designing, constructing, improving, extending and expanding public street, utility, and other infrastructure facilities, including the acquisition of land therefor and through the City's programs for economic development, including the acquisition of improved and unimproved properties, the demolition of existing structures, making grants of bond proceeds and otherwise providing assistance for private commercial, industrial, retail, residential and mixed-property use development, neighborhood revitalization projects, and mixed income development and (ii) pay the costs of issuance associated with the sale of the Taxable Bonds (see "PLAN OF FINANCING – Purpose of the Taxable Bonds").

CUSIP PREFIX: 366119
MATURITY SCHEDULES & 9 DIGIT CUSIP
See Schedules on Pages 2 and 3

SEPARATE ISSUES . . . The Tax-Exempt Bonds and the Taxable Bonds are being offered by the City under a common Official Statement. The Tax-Exempt Bonds and the Taxable Bonds are sometimes referred to collectively herein as the "Bonds." The Tax-Exempt Bonds and the Taxable Bonds are separate and distinct securities offerings being issued and sold independently except for being offered through the common Official Statement, and, while the Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinions of the Attorney General of Texas and the opinions of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas, (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Bracewell, LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about September 16, 2026.

TD FINANCIAL PRODUCTS

PNC CAPITAL MARKETS LLC

* Preliminary, subject to change.

MATURITY SCHEDULE*

GENERAL OBLIGATION
BONDS SERIES 2026

CUSIP Prefix: 366119 (1)

Principal Amount	Maturity February 15	Interest Rate	Yield	CUSIP Suffix (1)
$ 2,635,000	2032			
2,780,000	2033			
2,930,000	2034			
3,085,000	2035			
3,250,000	2036			
3,430,000	2037			
3,610,000	2038			
3,805,000	2039			
4,010,000	2040			
4,230,000	2041			
4,455,000	2042			
4,695,000	2043			
4,950,000	2044			
5,215,000	2045			
5,500,000	2046			

(Interest to accrue from delivery date.)

(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 Underwriters or their agents or counsel assume responsibility for the selection or accuracy of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Tax-Exempt Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). If two or more consecutive serial maturities of the Tax-Exempt Bonds are grouped into a single maturity (the "Term Tax-Exempt Bonds") by the Underwriters, such Term Tax-Exempt Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Ordinance and will be described in the final Official Statement.

* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP Prefix: 366119 (1)

GENERAL OBLIGATION BONDS
TAXABLE SERIES 2026

Principal Amount	Maturity February 15	Interest Rate	Yield	CUSIP Suffix(1)
$ 7,495,000	2027			
2,160,000	2028			
2,265,000	2029			
2,270,000	2030			

(Interest to accrue from delivery date.)

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(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 Underwriters or their agents or counsel assume responsibility for the selection or accuracy of the CUSIP numbers set forth herein.

NO OPTIONAL REDEMPTION . . . The Taxable Bonds are not subject to optional redemption prior to maturity. If two or more consecutive serial maturities of the Taxable Bonds are grouped into a single maturity (the "Term Taxable Bonds") by the Underwriters, such Term Taxable Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Ordinance and will be described in the final Official Statement.

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* Preliminary, subject to change.

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

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

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

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 representation, promise, or guarantee of the Municipal Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

None of the City, its Municipal Advisor, or the Underwriters make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

The agreements of the City and others related to the Bonds is contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with a purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from future results, performance, and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Garland, Texas (the "City") is a political subdivision and home rule municipal corporation of the State of Texas (the "State"), located in Dallas, Collin and Rockwall Counties, Texas. The City covers approximately 57 square miles (see "INTRODUCTION - Description of the City").

THE BONDS .... The Tax-Exempt Bonds are issued as $61,185,000* General Obligation Bonds, Series 2026. The Tax-Exempt Bonds are anticipated to be issued as serial Bonds maturing on February 15 in each of the years 2032 through 2046, inclusive, unless the Underwriters designate two or more maturities as term bonds (the "Term Tax-Exempt Bonds") (see "THE BONDS - Description of the Bonds").

The Taxable Bonds are issued as $14,190,000* General Obligation Bonds, Taxable Series 2026. The Taxable Bonds are anticipated to be issued as serial Taxable Bonds maturing on February 15 in each of the years 2027 through 2030, inclusive, unless the Underwriters designate two or more maturities as term bonds (the "Term Taxable Bonds") (see "THE BONDS – Description of the Bonds”).

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of the initial delivery and is payable February 15, 2027, and each August 15 and February 15 thereafter until maturity or prior redemption with respect to the Tax-Exempt Bonds (see “THE BONDS – Description of the Bonds”).

AUTHORITY FOR ISSUANCE…......... The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapters 1251, 1331 and 1371, as amended, and elections held on May 15, 2004 , May 4, 2019 and May 3, 2025 and are direct obligations of the City of Garland, Texas (the "City"), payable from a direct and continuing annual ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as provided in an ordinance adopted by the City Council of the City on August 4, 2026 authorizing the issuance of the Bonds (the "Ordinance") which delegated to an authorized officer of the City (the "Pricing Officer") the authority to execute a pricing certificate for each series of Bonds (collectively referred to herein as the "Pricing Certificate" and together with the Ordinance, the "Bond Ordinance") that will complete the sale of the Bonds (see "THE BONDS - Authority for Issuance of the Bonds").

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

OPTIONAL REDEMPTION OF THE BONDS ....The City reserves the right, at its option, to redeem Tax-Exempt Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). The Taxable Bonds are not subject to optional redemption prior to maturity.

If two or more consecutive serial maturities of either series of Bonds are grouped into a single maturity by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Ordinance, and will be described in the final Official Statement.

TAX MATTERS FOR THE TAX-EXEMPT BONDS .... In the opinion of Bond Counsel, the interest on the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes under existing law subject to the matters described under "TAX MATTERS FOR THE TAX-EXEMPT BONDS" herein, including the alternative-minimum tax on certain corporations.

FEDERAL INCOME TAX CONSIDERATIONS OF THE TAXABLE BONDS.......................... In the opinion of Bond Counsel, the interest on the Taxable Bonds is not excludable from gross income for federal income tax purposes under existing law subject to the matters described under "FEDERAL INCOME TAX CONSIDERATIONS OF THE TAXABLE BONDS" herein.

* Preliminary, subject to change.

USE OF PROCEEDS .... Proceeds from the sale of the Tax-Exempt Bonds will be used to (i) fund parks and recreation facilities and improvements, street improvements, drainage improvements, public safety facilities and improvements, library improvements, and cultural arts facilities and improvements and(ii) pay the costs of issuance associated with the sale of the Tax-Exempt Bonds (see "PLAN OF FINANCING – Purpose of the Bonds")

Proceeds from the sale of the Taxable Bonds will be used to (i) fund projects to promote economic development throughout the City, through planning, designing, constructing, improving, extending and expanding public street, utility, and other infrastructure facilities, including the acquisition of land therefor, and through the City's programs for economic development, including the acquisition of improved and unimproved properties, the demolition of existing structures, making grants of bond proceeds and otherwise providing assistance for private commercial, industrial, retail, residential and mixed-use development, neighborhood revitalization projects, and mixed income development and (ii) pay the costs of issuance associated with the sale of the Taxable Bonds (see "PLAN OF FINANCING – Purpose of the Taxable Bonds")

RATINGS .... The Bonds have been rated "AA+" (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. ("S&P") and "AA" (stable outlook) by Fitch Ratings, Inc. ("Fitch") without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

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

PAYMENT RECORD .... The City has never defaulted in payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population[1]	Taxable Assessed Valuation[2]		Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year[3]		Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita	
2022	247,590	$ 17,995,346,670	(4)	$ 72,682	$ 305,120,000		1.70%	$ 1,232	
2023	248,822	20,805,425,256	(5)	83,616	361,090,000		1.74%	1,451	
2024	250,099	23,597,976,987	(6)	94,355	462,265,000		1.96%	1,848	
2025	251,932	26,267,553,219	(7)	104,264	632,740,000		2.41%	2,512	
2026	252,054	27,055,675,630	(8)	107,341	653,920,000	(9)(10)	2.42%	2,594	(9)(10)

(1) Source: City's 2025-2026 and 2026-2027 Annual Budgets.
(2) As reported by the Dallas Central Appraisal District, Collin Central Appraisal District, and Rockwall Central Appraisal District on the City's annual State Property Tax Reports, subject to change during the ensuing year.
(3) Does not include self-supporting debt. See "TABLE 1 – Valuation, Exemptions and General Obligation Debt" and "TABLE 11 - Computation of Self-Supporting Debt".
(4) Includes taxable incremental value of approximately $308,832,629 that is not available for the City's general use.
(5) Includes taxable incremental value of approximately $453,634,339 that is not available for the City's general use.
(6) Includes taxable incremental value of approximately $613,700,270 that is not available for the City's general use.
(7) Includes taxable incremental value of approximately $902,663,374 that is not available for the City's general use.
(8) Includes taxable incremental value of approximately $1,189,971,344 that is not available for the City's general use.
(9) Includes the Obligations.
(10) Does not include the City's not-to-exceed $60,000,000 of Combination Tax and Revenue Certificates of Obligations, Series 2026 expected to be issued on or after September 1, 2026. Includes $32,100,000 2026 Tax Note (the "2026 Tax Note"). The City authorized the 2026 Tax Note on August 4, 2026 as a private placement. The 2026 Tax Note is expected to be delivered on August 27, 2026. The 2026 Tax Note matures on November 15, 2027 and is callable on or after February 15, 2027.

GENERAL FUND CONDENSED SCHEDULE OF REVENUE AND EXPENSE SUMMARY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Beginning Balance	$69,728,500	$63,750,573	$55,367,141	$50,978,749	$52,655,461
Total Revenues	217,216,468	212,563,943	197,431,162	179,817,807	162,426,396
Total Expenditures	(349,433,640)	(259,457,986)	(247,520,881)	(229,972,695)	(217,015,953)
Other Financing Sources	168,543,025	52,871,970	58,473,151	54,543,280	52,912,845
Ending Balance	$106,054,353	$69,728,500	$63,750,573	$55,367,141	$50,978,749

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Dylan Hedrick Mayor	7 Years[1]	May, 2027	Engineer
Jimmy Tran District 1	2 Months	May, 2028	Senior Software Engineer
Justin Caraway District 2	2 Months	May, 2028	Director of Engagement
Ed Moore District 3	5 Years	May, 2027	Insurance
Christina Segoviano District 4	2 Months	May, 2028	Probation Officer
Margaret A. Lucht District 5	4 Years	May, 2028	Allen Chamber of Commerce
Carissa Dutton Deputy Mayor Pro-Tem District 6	3 Years	May, 2027	Caretaker / Volunteering
Joe Thomas District 7	1 Year	May, 2027	Retired
Chris Ott Mayor Pro-Tem District 8	3 Years	May, 2027	Business Owner

(1) Includes prior service as a City Councilmember.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City
Mike Betz	City Manager	20 Years
Matt Watson	Assistant City Manager	18 Years
Andy Hesser	Assistant City Manager	6 Years
Crystal Owens	Assistant City Manager	4 Years
Jeffrey Bryan	Assistant City Manager	29 Years
Allyson Bell Steadman	Chief Financial Officer	10 Years
Jennifer Stubbs	City Secretary	2 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors .... Weaver & Tidwell, LLP
Dallas, Texas

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

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

OFFICIAL STATEMENT

RELATING TO

CITY OF GARLAND, TEXAS

$61,185,000*
GENERAL OBLIGATION BONDS, SERIES 2026

and

$14,190,000*
GENERAL OBLIGATION BONDS, TAXABLE SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $61,185,000* City of Garland, Texas, General Obligation Bonds, Series 2026 (the "Tax-Exempt Bonds") and $14,190,000* City of Garland, Texas, General Obligation Bonds, Taxable Series 2026 (the "Taxable Bonds" and collectively with the Tax-Exempt Bonds, the "Bonds") being offered herein. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Ordinance (as defined herein).

DESCRIPTION OF THE CITY . . . The City of Garland (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 was incorporated in 1891, and first adopted its Home Rule Charter in 1951, which Charter was last amended by election on May 5, 2018. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and eight Councilmembers. The term of office is two years with the term of office of the Mayor and four of the Councilmembers expiring in odd-numbered years and the terms of the other four Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, sanitation collection services, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2000 Census population for the City was 215,768, the 2010 Census population was 226,876, and the 2020 Census population was 246,018. The City's estimated population for 2026 is 252,054. The City covers approximately 57 square miles.

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

PLAN OF FINANCING

PURPOSE OF THE TAX-EXEMPT BONDS . . . Proceeds from the sale of the Tax-Exempt Bonds will be used to (i) fund parks and recreation facilities and improvements, street improvements, drainage improvements, public safety facilities and improvements, library improvements, and cultural arts facilities and improvements, and (ii) pay the costs of issuance associated with the sale of the Tax-Exempt Bonds.

PURPOSE OF THE TAXABLE BONDS . . . Proceeds from the sale of the Taxable Bonds will be used to (i) fund projects to promote economic development throughout the City, through planning, designing, constructing, improving, extending and expanding public street, utility, and other infrastructure facilities, including the acquisition of land therefor, and through the City's programs for economic development, including the acquisition of improved and unimproved properties, the demolition of existing structures, making grants of bond proceeds and otherwise providing assistance for private commercial, industrial, retail, residential and mixed-use development, neighborhood revitalization projects, and mixed income development and (ii) pay the costs of issuance associated with the sale of the Taxable Bonds.

(THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY)

*Preliminary, subject to change.

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

	The Tax-Exempt Bonds	The Taxable Bonds
Sources of Funds		
Par Amount		
Net Premium		
Total Sources of Funds		
Uses of Funds		
Deposit to Project Fund		
Underwriters' Discount		
Costs of Issuance		
Total Uses of Funds		

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 1, 2026. The Bonds mature on February 15 in each of the years and in the amounts shown on pages 2 and 3 hereof, respectively, unless redeemed prior to maturity with respect to the Tax-Exempt Bonds as described herein under "THE BONDS – Optional Redemption". Interest on the Bonds will accrue from the Delivery Date, will be computed on the basis of a 360-day year consisting 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 with respect to the Tax-Exempt Bonds. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

AUTHORITY FOR ISSUANCE OF THE BONDS . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapters 1251, 1331 and 1371, as amended, and elections held on May 15, 2004 , May 4, 2019 and May 3, 2025 and are direct obligations of the City of Garland, Texas (the "City"), payable from a direct and continuing annual ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as provided in an ordinance adopted by the City Council of the City on August 4, 2026 authorizing the issuance of the Bonds (the "Ordinance") which delegated to an authorized officer of the City (the "Pricing Officer") the authority to execute a pricing certificate for each series of Bonds (collectively referred to herein as the "Pricing Certificate" and together with the Ordinance, the "Bond Ordinance") that will complete the sale of the Bonds (see "THE BONDS - Authority for Issuance of the Bonds").

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

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Tax-Exempt Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of a series of the Tax-Exempt Bonds are to be redeemed, the City may select the maturities of such Tax-Exempt Bonds to be redeemed. If less than all of a series of the Tax-Exempt Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Tax-Exempt Bonds are in Book-Entry-Only form) shall determine by lot the Tax-Exempt Bonds or portions thereof, within such maturity to be redeemed. If a Tax-Exempt Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Tax-Exempt Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date. The Taxable Bonds are not subject to optional redemption prior to maturity.

MANDATORY SINKING FUND REDEMPTION . . . If two or more consecutive serial maturities of either series of Bonds are grouped into a single maturity by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Ordinance, and will be described in the final Official Statement.

NOTICE OF REDEMPTION . . . At least 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, addressed to each such registered owners of the Bonds to be redeemed, at the address shown on the registration books of the Paying Agent/Registrar; provided however, that the failure to send, mail, or received such notice described above, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond.

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

NOTICE HAVING BEEN SO GIVEN AND THE FUNDS NECESSARY TO REDEEM SUCH BONDS, HAVING BEEN PROVIDED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Bond Ordinance provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on the Bonds, plus interest accrued on such Bonds to their due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities (defined below), that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds being defeased. The Bond Ordinance provide that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligation of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Pricing Officer may modify the categories of Defeasance Securities that are eligible to defease the Bonds in the Pricing Certificate. Any such changes in Defeasance Securities will be reflected in the Official Statement. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, the Bonds shall no longer be regarded as being outstanding or unpaid. The City has reserved the option, however, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds 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 such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

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

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

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

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

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued, printed Bonds will be issued to the beneficial owners and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

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

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

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

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

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (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 an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . . The Bond Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Bond Ordinance provides that any registered owner of a Bond is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. The enforcement of such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Ordinance does not provide for the appointment of a trustee to represent the interests of the holders upon any failure of the City to perform in accordance with the terms of the Bond 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 financed by, the applicable 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 ruled in *Tooke v. City of Mexia,* 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code ("Chapter 1371") which pertains to the issuance of public securities by certain issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt obligations, but in connection with the issuance of the Bonds, the City has not waived sovereign immunity. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond

Ordinance and Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

AD VALOREM PROPERTY TAXATION

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

2025 Legislative Session. The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature ") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (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.

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

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

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

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

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

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

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

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

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of 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 debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY APPLICATION OF PROPERTY TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $60,000; the disabled are also granted an exemption of $60,000.

The City has granted an additional exemption of 11% of the appraised value of residence homesteads of persons sixty-five (65) or older and the disabled; minimum exemption of $5,000.

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

Ad valorem taxes are levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the City collects its taxes.

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

The City does not tax Freeport Property.

The City does tax Goods-in-Transit.

The City has adopted a tax abatement policy which is described below.

The City has not adopted a freeze on property taxes of an individual over 65 and disabled.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for abatement for a period of five years. See "FINANCIAL INFORMATION - Table 1 - Valuation, Exemptions and General Obligation Debt" for a listing of the amounts of the exemptions described above and other exemptions.

TAX INCREMENT FINANCE ZONES . . . The City has established three tax increment reinvestment zones ("Zones"). The Tax Increment Revenues from the Zones are not available to pay the Bonds. Taxes assessed and collected against the base value in the Zones may be used for general fund purposes. However, taxes assessed and collected against the assessed valuation of real property in the Zones in excess of the tax increment bases ("Tax Increment Revenues") are restricted to pay or finance projects within the Zones.

Tax Increment Financing Reinvestment Zone Number One ("Zone One"), comprised of approximately 412 taxable acres is an area of the City bounded by the downtown district and west along Forest Avenue to Jupiter Road. The tax increment base value for Zone One established on January 1, 2004 was $102,575,503. The Taxable Assessed Value for Zone One is $514,275,595 providing an incremental value of $329,802,209 for Zone One as of 2026. The City issued certificates of obligation on June 6, 2013, a portion of the certificates were issued in conjunction with the second phase of the transit-oriented City Center Development. The certificates funded a 330-space parking structure, public open space adjacent to the Granville Arts Center, a new exterior façade for city hall and various infrastructure improvements. A portion of the debt service on such certificates was paid from tax increment revenues available from Zone One. The Zone One tax increment revenue supported debt matured on February 15, 2025. It should be noted that on December 12th 2023, the Zone One termination date was extended to December 31, 2044 and the boundaries were slightly altered to include several new vacant or distressed areas of land. The new expansion base value established in 2023 is $81,897,883.

Tax Increment Financing Reinvestment Zone Number Two ("Zone Two") is comprised of approximately 520 taxable acres in an area of the City along Interstate Highway 30 from the City limit east to Lake Ray Hubbard. The tax increment base value for the Zone Two established on January 1, 2005 was $74,938,173. The Taxable Assessed Value for Zone Two is $923,617,610 providing an incremental value of $420,050,170 for Zone Two as of 2026. On September 1, 2005, the City issued $23,745,000 of Taxable General Obligation Bonds, Series 2005 to fund improvements and economic development for Zone Two. The Series 2005 Bonds were refunded on February 15, 2007 with City of Garland, Texas General Obligation Refunding Bonds, Taxable Series 2007B. The Series 2007B Bonds were subsequently refunded on February 19, 2015 with the issuance of City of Garland, Texas General Obligation Refunding Bonds, Taxable Series 2015B. Series 2015B Bonds were paid from a combination of the Tax Increment Revenues available from Zone Two and City-wide ad valorem taxes to the extent the Tax Increment Revenues from Zone Two are insufficient to pay all of the debt service on the Series 2015B Bonds. The Series 2015B Bonds matured on February 15, 2025.

Tax Increment Financing Reinvestment Zone Number Three ("Zone Three") was approved by City Council on April 3, 2018 and is generally located at the intersection of Buckingham Road and Shiloh Road. The Tax Increment base value for Zone Three established as of January 1, 2018 was $25,150,851. This zone was expanded on January 1, 2021 to include the Veterans Affair Hospital site with a base value of $42,324,717 and again on January 1, 2023 to include sites north and south of Shiloh Road with a base value of $890,242,399. On December 2, 2025, the Zone Two termination date was extended to December 31, 2045 and the boundaries were amended to include several new vacant or distressed areas of land, consistent with the Harbor Point Small Area Plan. The new expansion base value established in 2025 is $428,629,267. The Taxable Assessed Value for Zone Three is $1,784,454,981 providing an incremental value of $826,737,014 for Zone Three as of 2026.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2026/2027 Market Valuation Established by the Collin, Dallas and Rockwall Central Appraisal Districts		$ 35,582,492,430
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead	$ 1,377,606,919	
Over 65	953,562,487	
Disabled Persons	73,733,800	
Disabled Veterans	163,837,519	
Pollution Control	8,961,294	
Freeport	364,330,210	
Circuit Breaker Limitations	310,522,302	
10% Homestead Cap	423,834,758	
Prorated Total Exempt	3,686,222	
Productivity Loss	88,094,656	
Miscellaneous	700	
Total Exempt	2,214,004,465	
Miscellaneous Personal Property	297,007,473	6,279,182,805
2026/2027 Taxable Assessed Valuation		$ 29,303,309,625
General Obligation Debt Payable from Ad Valorem Taxes (as of September 1, 2026) (1)		$ 602,255,000
The Tax-Exempt Bonds(2)		61,185,000
The Taxable Bonds(2)		14,190,000
Total General Obligation Debt Payable from Ad Valorem Taxes (as of September 1, 2026)		$ 677,630,000
Less: Self Supporting Debt Balance (as of September 1, 2026)(3)		
Communications	$ 45,000	
Customer Service	4,755,000	
Sanitation	12,175,000	
Fleet Services	1,105,000	
Information Technology Services	4,390,000	
Stormwater	1,240,000	$ 23,710,000
Net General Obligation Debt Payable from Ad Valorem Taxes (as of September 1, 2026)		$ 653,920,000
General Obligation Interest and Sinking Fund (unaudited as of August 1, 2026)		$ 1,765,267
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation		2.23%

2026 Estimated Population - 252,054

Per Capita Taxable Assessed Valuation - $116,258

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $2,594

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(1) Includes $32,100,000 Tax Note, Series 2026, expected to be delivered on August 27, 2026.
(2) Preliminary; subject to change.
(3) The City currently pays debt service on a portion of its outstanding general obligation debt from other available revenue of the City as set forth in "TABLE 11- Computation of Self-Supporting Debt." The amount of self-supporting debt is based on the percentages of revenue support as shown in TABLE 11. It is the City's current policy to provide these payments from such revenues; provided this policy is subject to change in the future. In the event payment is not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments. See "TABLE 11- Computation of Self-Supporting Debt" for additional information.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,								
	2027			2026			2025		
Category	Amount		% of Total	Amount		% of Total	Amount		% of Total
Real, Residential, Single-Family	$ 18,653,826,956		52.34%	$ 18,654,381,481		55.94%	$ 19,618,372,166		59.28%
Real, Residential, Multi-Family	3,218,970,100		9.03%	2,901,212,770		8.70%	2,970,351,980		8.98%
Real, Vacant Lots/Tracts	464,102,122		1.30%	443,222,480		1.33%	411,855,626		1.24%
Real, Acreage (Land Only)	89,070,567		0.25%	73,313,589		0.22%	82,148,109		0.25%
Real, Farm and Ranch Improvements	1,165,790		0.00%	1,157,360		0.00%	1,174,140		0.00%
Real, Commercial	7,728,567,743		21.69%	6,903,191,253		20.70%	5,953,150,170		17.99%
Real, Industrial	426,720,270		1.20%	397,540,320		1.19%	329,455,150		1.00%
Real, Oil, Gas and Other Mineral Reserves	700		0.00%	700		0.00%	700		0.00%
Real and Tangible Personal, Utilities	193,541,459		0.54%	186,191,995		0.56%	177,864,963		0.54%
Tangible Personal, Commercial	3,505,142,503		9.83%	2,377,708,510		7.13%	2,187,653,758		6.61%
Tangible Personal, Industrial	1,285,156,200		3.61%	1,331,454,960		3.99%	1,295,648,690		3.91%
Tangible Personal, Other	410,530		0.00%	322,580		0.00%	289,080		0.00%
Real Property, Inventory	6,123,390		0.02%	9,199,390		0.03%	3,792,000		0.01%
Special Inventory	67,136,152		0.19%	65,449,679		0.20%	62,922,510		0.19%
Total Appraised Value Before Exemptions	$ 35,639,934,482	(1)	100.00%	$ 33,344,347,067	(1)	100.00%	$ 33,094,679,042	(1)	100.00%
Less: Total Exemptions/Reductions	6,283,740,017			6,288,671,437			6,827,125,823		
Taxable Assessed Value	$ 29,356,194,465	(2)		$ 27,055,675,630	(3)		$ 26,267,553,219	(4)	

	Taxable Appraised Value for Fiscal Year Ended September 30,								
	2024			2023			2022		
Category	Amount		% of Total	Amount		% of Total	Amount		% of Total
Real, Residential, Single-Family	$ 17,693,945,185		59.76%	$ 16,048,884,183		60.71%	$ 13,149,570,594		59.48%
Real, Residential, Multi-Family	2,709,552,210		9.15%	2,412,116,410		9.12%	1,856,927,050		8.40%
Real, Vacant Lots/Tracts	411,801,843		1.39%	386,254,126		1.46%	369,039,930		1.67%
Real, Acreage (Land Only)	83,875,877		0.28%	92,226,350		0.35%	99,162,140		0.45%
Real, Farm and Ranch Improvements	1,159,430		0.00%	1,035,970		0.00%	971,120		0.00%
Real, Commercial	5,246,820,160		17.72%	4,615,041,450		17.46%	4,098,966,840		18.54%
Real, Industrial	237,507,040		0.80%	203,327,270		0.77%	174,805,810		0.79%
Real, Oil, Gas and Other Mineral Reserves	700		0.00%	700		0.00%	700		0.00%
Real and Tangible Personal, Utilities	172,313,984		0.58%	163,017,602		0.62%	155,152,773		0.70%
Tangible Personal, Commercial	1,691,033,700		5.71%	1,353,297,139		5.12%	1,238,214,463		5.60%
Tangible Personal, Industrial	1,278,830,790		4.32%	1,089,838,880		4.12%	910,830,400		4.12%
Tangible Personal, Other	306,200		0.00%	195,170		0.00%	191,810		0.00%
Real Property, Inventory	12,675,030		0.04%	7,379,030		0.03%	10,915,570		0.05%
Special Inventory	66,336,290		0.22%	63,930,890		0.24%	44,305,160		0.20%
Total Appraised Value Before Exemptions	$ 29,606,158,439	(1)	100.00%	$ 26,436,545,170	(1)	100.00%	$ 22,109,054,360	(1)	100.00%
Less: Total Exemptions/Reductions	6,008,181,452			5,631,119,914			4,113,707,690		
Taxable Assessed Value	$ 23,597,976,987	(5)		$ 20,805,425,256	(6)		$ 17,995,346,670	(7)	

NOTE: All valuations shown are certified taxable assessed values reported by the Appraisal Districts to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts update records.

(1) Includes Totally Exempt property as reported by Dallas Central Appraisal District, Collin Central Appraisal District and Rockwall Central Appraisal District.

(2) Includes taxable incremental value of approximately $1,576,589,393 that is not available for the City's general use.

(3) Includes taxable incremental value of approximately $1,189,971,344 that is not available for the City's general use.

(4) Includes taxable incremental value of approximately $902,663,374 that is not available for the City's general use.

(5) Includes taxable incremental value of approximately $613,700,270 that is not available for the City's general use .

(6) Includes taxable incremental value of approximately $453,634,339 that is not available for the City's general use.

(7) Includes taxable incremental value of approximately $308,862,629 that is not available for the City's general use.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]		Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year[(3)]		Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita	
2022	247,590	$ 17,995,346,670	(4)	$ 72,682	$ 305,120,000		1.70%	$ 1,232	
2023	248,822	20,805,425,256	(5)	83,616	361,090,000		1.74%	1,451	
2024	250,099	23,597,976,987	(6)	94,355	462,265,000		1.96%	1,848	
2025	251,932	26,267,553,219	(7)	104,264	632,740,000		2.41%	2,512	
2026	252,054	27,055,675,630	(8)	107,341	653,920,000	(9)(10)	2.42%	2,594	(9)(10)

(1) Source: City's 2025-2026 and 2026-2027 Annual Budgets.
(2) As reported by the Appraisal District on the City's annual State Property Tax Reports, subject to change during the ensuing year.
(3) Does not include self-supporting debt. See "TABLE 1 – Valuation, Exemptions and General Obligation Debt" and "TABLE 11 - Computation of Self-Supporting Debt".
(4) Includes taxable incremental value of approximately $182,622,670 that is not available for the City's general use.
(5) Includes taxable incremental value of approximately $236,384,544 that is not available for the City's general use.
(6) Includes taxable incremental value of approximately $308,832,629 that is not available for the City's general use.
(7) Includes taxable incremental value of approximately $453,634,339 that is not available for the City's general use.
(8) Includes taxable incremental value of approximately $613,700,270 that is not available for the City's general use.
(9) Includes the Obligations. Preliminary, subject to change.
(10) Does not include the City's not-to-exceed $60,000,000 of Combination Tax and Revenue Certificates of Obligations, Series 2026 expected to be issued on or after September 1, 2026. Includes $32,100,000 2026 Tax Note (the "2026 Tax Note"). The City authorized the 2026 Tax Note on August 4, 2026 as a private placement. The 2026 Tax Note is expected to be delivered on August 27, 2026. The 2026 Tax Note matures on November 15, 2027 and is callable on or after February 15, 2027.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	$ 0.7570	$ 0.3814	$ 0.3756	$ 138,853,429	99.13%	98.02%
2023	0.7167	0.3411	0.3756	153,859,680	98.87%	99.50%
2024	0.6897	0.3141	0.3756	163,983,214	99.72%	98.78%
2025	0.6897	0.2904	0.3993	183,353,566	99.46%	99.46%
2026	0.6897	0.2887	0.4011	187,650,235	98.35% (1)	96.89% (1)

(1) Partial collections through July 31, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Oboe LLC	Technology	$ 498,581,060	1.84%
NTT Global Data Centers Americas Inc.	Technology	319,380,750	1.18%
Kraft Heinz Food Co.	Food Packaging/Processing	164,147,800	0.61%
BMEF Preserve LLC	Apartments	105,000,000	0.39%
Atmos Energy Mid Tex	Natural Gas Utility	98,819,520	0.37%
Simon Property Group	Shopping Center/Mall	95,000,000	0.35%
General Dynamics Ord & Tactical System	Aerospace and Defense	93,732,320	0.35%
SDC DFW VII LP	Technology	90,061,150	0.33%
Lookout Drive Owner LLC	Apartments	84,000,000	0.31%
BMEF Spring Creek LLC	Apartments	76,000,000	0.28%
		$ 1,624,722,600	6.01%

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

TABLE 6 - 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 ("G.O. 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 G.O. Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional G.O. Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping G.O. Debt of the City.

Taxing Jurisdiction	2025/2026 Taxable Assessed Value[1]	2025/2026 Tax Rate [1]	Total G.O. Debt as of 9/1/2026	Estimated % Applicable[1]	City's Overlapping G.O. Debt as of 9/1/2026
City of Garland	$ 27,362,171,735	$ 0.6897	$ 677,630,000 [2][3]	100.00%	$ 677,630,000
Collin County	270,998,282,005	0.1493	1,133,210,000	0.02%	226,642
Collin County Community College District	245,013,219,037	0.0812	415,555,000	0.02%	83,111
Dallas County	431,262,097,321	0.2155	484,865,000	6.26%	30,352,549
Dallas County Community College District	442,387,293,421	0.1066	177,300,000	6.26%	11,098,980
Dallas County Hospital District	432,204,862,499	0.2120	491,780,000	6.26%	30,785,428
Dallas Independent School District	198,514,827,514	0.9938	5,401,840,000	0.16%	8,642,944
Garland Independent School District	31,278,389,155	1.1709	907,090,000	67.43%	611,650,787
Mesquite Independent School District	14,128,723,441	1.1069	1,036,657,722	1.75%	18,141,510
Plano Independent School District	75,427,819,756	1.0396	1,291,905,000	0.05%	645,953
Richardson Independent School District	33,586,742,779	1.1052	1,040,635,000	3.51%	36,526,289
Total Overlapping G.O. Debt					$ 1,425,784,192
Ratio of Overlapping G.O. Debt to Taxable Assessed Valuation					5.21%
Per Capita Overlapping G.O. Debt					$ 5,792

(1) Source: Municipal Advisory Council of Texas
(2) Includes the Obligations. Preliminary, subject to change. Includes self-supporting debt.
(3) Does not include the City's not-to-exceed $60,000,000 of Combination Tax and Revenue Certificates of Obligations, Series 2026 expected to be issued on or after September 1, 2026. Includes $32,100,000 2026 Tax Note (the "2026 Tax Note"). The City authorized the 2026 Tax Note on August 4, 2026 as a private placement. The 2026 Tax Note is expected to be delivered on August 27, 2026. The 2026 Tax Note matures on November 15, 2027 and is callable on or after February 15, 2027.

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DEBT INFORMATION

TABLE 7 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service			Tax Note, Series 2026[1]			The Tax-Exempt Bonds[2]			The Taxable Bonds[2]			Less: Self-Supporting Debt Service[3]	NET General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S	Principal	Interest	Total D/S	Principal	Interest	Total D/S			
2026	$ 94,330,000	$ 28,556,086	$ 122,886,086	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,432,194	$ 113,453,892	
2027	43,925,000	24,922,906	68,847,906	-	1,262,921	1,262,921	-	2,819,609	2,819,609	7,495,000	443,474	7,938,474	8,665,856	72,203,054	
2028	41,515,000	22,912,220	64,427,220	32,100,000	326,618	32,426,618	-	3,212,213	3,212,213	2,160,000	274,424	2,434,424	7,049,906	95,450,568	
2029	35,605,000	21,096,817	56,701,817	-	-	-	-	3,212,213	3,212,213	2,265,000	167,858	2,432,858	5,058,525	57,288,363	
2030	32,670,000	19,488,103	52,158,103	-	-	-	105,000	3,209,456	3,314,456	2,270,000	56,296	2,326,296	2,016,788	55,782,067	35.46%
2031	31,485,000	17,992,858	49,477,858	-	-	-	2,500,000	3,141,075	5,641,075	-	-	-	659,475	54,459,458	
2032	32,040,000	16,539,018	48,579,018	-	-	-	2,635,000	3,006,281	5,641,281	-	-	-	629,638	53,590,662	
2033	32,415,000	15,077,951	47,492,951	-	-	-	2,780,000	2,864,138	5,644,138	-	-	-	629,200	52,507,889	
2034	32,060,000	13,630,295	45,690,295	-	-	-	2,930,000	2,714,250	5,644,250	-	-	-	398,569	50,935,976	
2035	30,690,000	12,264,560	42,954,560	-	-	-	3,085,000	2,556,356	5,641,356	-	-	-	217,731	48,378,185	58.79%
2036	27,545,000	11,015,755	38,560,755	-	-	-	3,250,000	2,390,063	5,640,063	-	-	-	220,994	43,979,824	
2037	28,470,000	9,800,717	38,270,717	-	-	-	3,430,000	2,214,713	5,644,713	-	-	-	125,397	43,790,033	
2038	29,415,000	8,531,764	37,946,764	-	-	-	3,610,000	2,029,913	5,639,913	-	-	-	126,000	43,460,676	
2039	29,850,000	7,221,811	37,071,811	-	-	-	3,805,000	1,835,269	5,640,269	-	-	-	101,775	42,610,304	
2040	30,535,000	5,897,456	36,432,456	-	-	-	4,010,000	1,630,125	5,640,125	-	-	-	78,225	41,994,356	80.95%
2041	29,720,000	4,575,851	34,295,851	-	-	-	4,230,000	1,413,825	5,643,825	-	-	-	80,200	39,859,476	
2042	27,820,000	3,261,753	31,081,753	-	-	-	4,455,000	1,185,844	5,640,844	-	-	-	77,400	36,645,197	
2043	24,085,000	2,055,854	26,140,854	-	-	-	4,695,000	945,656	5,640,656	-	-	-	79,500	31,702,010	
2044	19,440,000	1,046,135	20,486,135	-	-	-	4,950,000	692,475	5,642,475	-	-	-	76,500	26,052,110	
2045	10,870,000	292,905	11,162,905	-	-	-	5,215,000	425,644	5,640,644	-	-	-	-	16,803,549	99.26%
2046	-	-	-	-	-	-	5,500,000	144,375	5,644,375	-	-	-	-	5,644,375	100.00%
	$ 664,485,000	$ 246,180,815	$ 910,665,815	$ 32,100,000	$ 1,589,539	$ 33,689,539	$ 61,185,000	$ 41,643,490	$ 102,828,490	$ 14,190,000	$ 942,052	$ 15,132,052	$ 35,723,873	$ 1,026,592,023	

(1) The City authorized $32,100,000 2026 Tax Note on August 4, 2026 as a private placement. The 2026 Tax Note is expected to be delivered on August 27, 2026. The 2026 Tax Note matures on November 15, 2027 and is callable on or after February 15, 2027.
(2) Preliminary; subject to change.
(3) The City currently pays debt service on a portion of its outstanding general obligation debt from other available revenue of the City as set forth in "Table 11 – Computation of Self-Supporting Debt." It is the City's current policy to provide these payments from such revenues; provided this policy is subject to change in the future. In the event payment is not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments. See "Table 11 - Computation of Self-Supporting Debt" for additional information.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Debt Service Requirements, Fiscal Year Ending 9/30/2026		$ 122,886,086 (1)
Interest and Sinking Fund Balance on 9/30/2025	$ 2,463,703	
Budgeted Interest and Sinking Fund Tax Collection(2)	110,962,714	
Budgeted Transfers(2)	8,847,739	
Estimated Investment Income(2)	611,930	$ 122,886,086
Estimated Balance, Fiscal Year Ending 9/30/2026		$ -

(1) Includes self-supporting debt. See "TABLE 11 – Computation of Self-Supporting Debt."
(2) Source: City's 2025-2026 Adopted Annual Budget.

TABLE 9 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Authorized Purpose	Date Authorized	Amount Authorized	Heretofore Issued(1)	Amount Being Issued(1)	Unissued Balance
Parks Improvements	5/4/1991	$ 5,144,000	$ 5,118,660	$ -	25,340
Street Improvements	5/4/1991	42,496,500	42,414,612	-	81,888
Public Safety Improvements	5/4/1991	7,226,086	7,199,376	-	26,710
Parks Improvements	5/31/1997	12,370,000	12,370,000	-	-
Various Street Improvements	5/31/1997	72,210,000	71,145,292	-	1,064,708
Drainage Improvements	5/31/1997	10,570,000	10,502,789	-	67,211
Library Improvements	5/31/1997	5,890,000	5,877,682	-	12,318
Public Safety Improvements	5/31/1997	19,890,000	19,770,561	-	119,439
Municipal Facility Improvements	5/31/1997	1,710,000	1,521,000	-	189,000
Park and Recreation Facilities and Improvements	5/15/2004	21,680,000	20,941,971	200,000	538,029
Street Improvements	5/15/2004	113,370,000	83,539,205	-	29,830,795
Drainage Improvements	5/15/2004	28,000,000	22,592,954	-	5,407,046
Library Facilities	5/15/2004	9,400,000	9,386,179	-	13,821
Public Safety Facilities	5/15/2004	12,950,000	12,906,905	-	43,095
Municipal Improvements	5/15/2004	11,180,000	8,047,965	800,000	2,332,035
Economic Development/Land Acquisition	5/15/2004	3,420,000	2,557,207	-	862,793
Street Improvements	5/4/2019	122,250,000	44,787,392	-	77,462,608
Public Safety Improvements	5/4/2019	51,350,000	36,541,437	14,683,818	124,745
Drainage Improvements	5/4/2019	47,350,000	7,875,216	1,000,000	38,474,784
Parks and Recreation Improvements	5/4/2019	117,750,000	93,680,938	13,000,000	11,069,062
Library Improvements	5/4/2019	21,000,000	18,667,589	2,198,823	133,588
Economic Development	5/4/2019	46,000,000	26,571,379	14,000,000	5,428,621
Municipal Facilities Improvements	5/4/2019	6,000,000	2,892,060	-	3,107,940
Animal Shelter	5/4/2019	12,000,000	11,926,487	-	73,513
Street Improvements	5/3/2025	230,000,000	-	30,000,000	200,000,000
Economic Development	5/3/2025	75,000,000	-	-	75,000,000
Cultural Arts Facility	5/3/2025	25,000,000	-	2,000,000	23,000,000
Parks and Recreation Improvements	5/3/2025	30,000,000	-	1,500,000	28,500,000
Total		$1,161,206,586	$ 578,834,856	$ 79,382,641	$ 502,989,089

(1) Includes principal and premium, if any.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City anticipates the issuance of not to exceed $60,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2026 within the next 6 months.

TABLE 10 - OTHER OBLIGATIONS

The City has entered into lease agreement as a lessee. The lease allows the right to use office space over the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the lease.

The lease rate, term, and end balance are as follows:

Business-Type Activities	Final Maturity	Interest Rate	Liability at Commencement	Ending Balance
Office space	11/30/2028	2.49%	$ 733,501	$ 235,715

Governmental Activities	Final Maturity	Interest Rate	Commencement	Ending Balance
Office space	9/30/2030	2.59%	$ 845,661	$ 712,135

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 monthly, quarterly, or annual 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)	Subscription Term in Years	Ending Balance
Governmental activities			
Public Safety software	3.48%	9 years	$ 6,710,132
HCM/Finance software	3.16% - 3.48%	7 years	4,062,284
Operational software	3.16%-3.48%	10 years	3,472,670
Other Arrangements	3.31%	5 years	1,158,814
Total governmental activities			$ 15,403,900
Business-type activities			
Other arrangements	2.57% - 3.65%	5 years	$ 627,342
Total business-type activities			$ 627,342

The value of the subscription assets as of the end of the current year was $13,684,865 and had accumulated amortization of $10,553,709.

CAPITAL IMPROVEMENT PROGRAM . . . The City Council annually adopts a Capital Improvement Program (the "CIP") that consists of projects that involve the construction of infrastructure and major facilities and the acquisition of large equipment. The CIP, which is adopted on a calendar-year basis, details expected resources and planned expenditures over a five-year period, lists projects for each capital improvement fund and provides descriptions of projects and funding sources. The CIP budget differs from the City's operational budget because of its "multi-year" focus, which means that a project can span more than one fiscal year. In approving the CIP, the City Council actually appropriates the funds for the plan year, while approving, in concept, the plan for future years. The CIP is developed for planning purposes and may identify projects that will be deferred or omitted entirely in future years; only projects for the current fiscal year are included in the City's adopted budget. In addition, as conditions change, new projects may be added that were not identified in the prior year programs.

For 2026, the CIP includes approximately $644.5 million in total budgeted expenditures for all City capital projects, including general obligation, water, wastewater and electric projects. The total CIP for the five-year period of 2026-2030 includes approximately $1,914.5 million of anticipated capital improvement projects. The City Council adopted CIP document is available on the City website at: http://www.garlandtx.gov.

TABLE 11 – COMPUTATION OF SELF-SUPPORTING DEBT

	Customer Service	Sanitation	Fleet Services	Information Technology & Communications	Stormwater
Cash and Cash Equivalents Beginning of FY 2025[1]	$ 22,231,047	$ 2,100,052	$ 1,361,573	$ 15,897,681	$ 4,983,020
Revenues FY 2025[2]	15,105,062	28,946,785	12,608,962	31,298,713	7,861,250
Operating Expenses FY 2025[3]	17,589,648	27,403,547	15,087,839	30,822,894	5,701,058
Net Available for Debt Service	$ 19,746,461	$ 3,643,290	$ (1,117,304)	$ 16,373,500	$ 7,143,212
Revenue Bonds Debt Service FY 2026	$ -	$ -	$ -	$ -	$ -
Net Available for Self-Supporting D/S	$ 19,746,461	$ 3,643,290	$ (1,117,304)	$ 16,373,500	$ 7,143,212
Self-Supported GO Debt Service FY 2026	$ 1,770,550	$ 5,692,963	$ 130,956	$ 1,578,750	$ 258,975

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NOTE: The amount of self-supporting debt for FY 2026 payable from available revenues of the City is set forth herein. It is the City's current policy to provide these payments from such revenues; provided this policy is subject to change in the future. In the event payment is not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments.

(1) Audited unrestricted cash, rate mitigation funds, and available for debt retirement (not including revenue bonds' reserve funds).
(2) Includes audited investment income and cash related non-operating revenues. Excludes other contributions.
(3) Excludes audited non-cash operating expenses.

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PENSION FUND

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 Texas Government Code, Title 8, Subtitle G (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 the System 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 that can be obtained at www.tmrs.com.

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

Benefits Provided

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

At retirement, the member's benefit is calculated based on the sum of the employee's contributions with interest, and the City-financed monetary credits with interest, and their age at retirement and other actuarial factors. 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 Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount 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 200% of the employee's accumulated contributions. In addition, the City granted 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/her 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.

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required to vesting	5
Service retirement eligibility	age 60 with five or more years of service or with 20 years of service regardless of age

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	1,874
Inactive Employees Entitled to But Not Yet Receiving Benefits	1,070
Active Employees	2,152
	5,096

Pension Obligation Bonds

In August 2025, the City issued $130,850,000 of Pension Obligation Bonds, Taxable Series 2025, the proceeds of which were contributed to the Texas Municipal Retirement System ("TMRS") to pay a portion of the City's unfunded accrued pension liability associated with the reinstatement of a non-retroactive 50% cost-of-living adjustment. The City's net pension liability reported for the fiscal year ended September 30, 2025, was based on an actuarial measurement date of December 31, 2024 and, therefore, did not reflect the subsequent contribution of the Pension Obligation Bond proceeds to TMRS. As a result of this timing difference, the City's fiscal year 2025 financial statements reflect both the increased pension liability associated with the benefit change and the long-term debt associated with the Pension Obligation Bonds. Approximately $137.2 million of employer contributions made after the December 31, 2024, measurement date is reported as deferred outflows of resources and are expected to be recognized as a reduction of the City's net pension liability in fiscal year 2026. Accordingly, the City anticipates that its reported net pension liability and related actuarial measures will more fully reflect the impact of the Pension Obligation Bond contribution in the subsequent measurement period.

Contributions

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

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.53% and 17.92% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for fiscal year 2025, were $32,641,892, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the 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
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over 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) is based on the Mortality Experience Investigation Study covering 2009 thru 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Other Public and Private Markets	4.0%	7.30%
Real Estate	12.0%	6.70%
Hedge Funds	5.0%	6.40%
Infrastructure	6.0%	6.00%
Private Debt	13.0%	8.20%
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 benefits payments to current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	$ 1,195,734,041	$ 1,162,149,207	$ 33,584,834
Changes for the year:			
Service cost	34,499,150	-	$ 34,499,150
Interest (on the total pension liability)	88,223,013	-	88,223,013
Change in benefit terms including substantively automatic status	127,899,258		127,899,258
Difference between expected and actual experience	6,519,048	-	6,519,048
Benefit payments, including refunds of employee contributions	(67,750,551)	(67,750,551)	-
Contributions - employer	-	21,578,574	(21,578,574)
Contributions - employee	-	13,559,072	(13,559,072)
Net investment income	-	120,465,537	(120,465,537)
Administrative expense	-	(774,435)	774,435
Other	-	(18,112)	18,112
Net changes	189,389,918	87,060,085	102,329,833
Balance at 12/31/2024	$ 1,385,123,959	$ 1,249,209,292	$ 135,914,667

Sensitivity of the net pension liability (asset) 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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 308,710,018	$ 135,914,667	$ (8,360,734)

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. The report may be obtained at www.tmrs.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 $158,704,009.

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	$ 4,944,398	$ (3,060,117)
Difference in assumption changes	-	(2,783,012)
Difference between projected and actual investment earnings on pension plan investments	-	(11,196,372)
Employer contributions subsequent to the measurement date	137,155,731	-
	$ 142,100,129	$ (17,039,501)

Deferred outflows of resources of $137,155,734 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 or resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30,	
2026	$ (138,539)
2027	13,981,928
2028	(17,754,847)
2029	(8,183,645)
Total	$ (12,095,103)

OTHER POST EMPLOYMENT BENEFITS . . . In addition to providing benefits through the TMRS, the City has opted to provide eligible retired employees with the following post-employment benefits:

Plan Description

The City makes available health care benefits to all employees who work for the City of Garland a minimum of five years, meet the Texas Municipal Retirement System (TMRS) criteria and elect coverage at the time of retirement and maintain continuous, uninterrupted coverage. Benefit provisions are established by management and funding is approved by City Council annually, during the budget process.

In 2008, the City established an irrevocable trust fund in an effort to begin funding the actuarial determined OPEB unfunded liability and to ensure that funding is available in the future for retiree medical benefits. In 2025, the City Council approved a transfer of $1,845,000 to the trust, and a long-term funding strategy was implemented to increase the annual contribution to this trust with a goal of fully funding the annual OPEB obligation after ten years.

The OPEB trust investments are held in the Public Agencies Retirement Services (PARS) Post-retirement Health Care Plan Trust by its trustee, US Bank. US Bank has delegated investment management responsibilities to HighMark Capital Management, Inc. (Investment Manager), a SEC- registered investment advisor. The Trust investment guideline mandates a diversified portfolio designed to generate long-term returns that, when combined with contributions, will result in sufficient assets to pay future obligation associated with the retiree health plan.

Benefits Provided

The City of Garland provides insurance to eligible pre-65 retirees, their spouses and dependents through the City's self-insured group health plan. Post-65 retirees are offered a fully insured Medicare Supplement Plan through Hartford, who assumes all claims risk liability on this group of retirees. The City makes contributions towards retiree health care benefits. However, the City reduces its liability and risk by capping the annual increase to the City contribution to a maximum of 3% per year. For FY2025, the monthly City contribution per participant for the retiree group as a whole was $548.34.

As of December 31, 2023 biennial actuarial valuation, the Plan's membership consisted of the following:

Number of plan members	Medical
Retirees and dependents currently receiving benefits	1025
Inactive members entitled to benefits, but not yet receiving them	-
Active members	1,983
Total	3,008

Contributions and Funding Policy

The City has the authority to establish and amend the Plan contributions. The City makes an annual contribution to the Trust fund; the funding is established and approved by City Council as part of the City budget process. For the year ended September 30, 2025, the City's average contribution rate was 3.24 percent of the covered payroll. Monthly retiree premiums are utilized to fund current medical claims and are based on the benefit election of the Plan member.

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023.

Actuarial Assumptions

Actuarial Valuation Date	12/31/2023
Actuarial Cost Method	Entry Age Normal
Asset valuation method	Fair value
Inflation	2.50%
Projected salary increase	3.00%
Discount rate	4.80%
Healthcare cost trend rates	All years capped at 3.0%
Mortality	Non Annuitants - Sex distinct PUB 2010 generally employee headcount weighted mortality table with mortality improvement scale MP-2021. Annuitants - Sex distinct PUB 2010 retiree headcount weighted mortality table with mortality improvement scales MP-2021.

Rate of Return

The long-term expected rate of return on OPEB plan investments will be managed on a total return basis which takes into consideration both investment income and capital appreciation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)
Large Cap	26.40%	7.00%
Mid Cap	4.80%	7.60%
Small Cap	5.90%	7.20%
International	9.20%	7.80%
Emerging Markets	2.40%	8.80%
Real Estate	2.40%	7.50%
Intermediate Term Bond	45.60%	3.90%
Government Bonds	0.00%	3.90%
Mortgage Backed Securities	0.00%	6.50%
Cash	3.30%	2.90%
Total	100.00%	

The long-term expected rate of return is 6.75%. The expected return is determined through a combination of historical rates of return, valuation projections, and economic expectations.

Discount rate

The discount rate used to measure the Total OPEB Liability was 4.80%. 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The discount rate for the 12/31/2024 measurement was 4.80% which caused an actuarial gain. The discount rate for the 12/31/2023 measurement was 4.70%. The discount rate incorporates a blend of the expected rate of return and the yield of a set of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of December 31, 2024, the measurement date (6.75% and 4.08%, respectively).

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 12/31/2023	$ 128,590,769	$ 17,842,722	$ 110,748,047
Changes for the year:			
Service cost	3,197,177	-	3,197,177
Interest (on the total OPEB liability)	6,114,158	-	6,114,158
Difference between expected and actual experience	-	-	-
Changes of assumptions	(1,541,609)	-	(1,541,609)
Benefit payments, including refunds of employee contributions	(3,398,990)	(3,398,990)	-
Contributions - employer	-	5,243,990	(5,243,990)
Net investment income	-	1,733,647	(1,733,647)
Administrative expense	-	(86,168)	86,168
Net changes	4,370,736	3,492,479	878,257
Balance at 12/31/2024	$ 132,961,505	$ 21,335,201	$ 111,626,304

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.80%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.80%) or 1-percentage point higher (5.80%) than the current rate:

1% Decrease 3.80%	Current Single Rate Assumption 4.80%	1% Increase 5.80%
$ 130,876,518	$ 111,626,304	$ 96,087,955

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.00%, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

1% Decrease 2.00%	Current Single Rate Assumption 3.00%	1% Increase 4.00%
$ 94,057,879	$ 111,626,304	$ 133,592,667

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

For the year ended September 30, 2025, the City recognized an OPEB expense of $14,916,450.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,006,097	$ -
Difference in assumption changes	21,973,684	(3,110,716)
Difference between projected and actual investment earnings on pension plan investments	152,598	-
Employer contributions subsequent to the measurement date	5,100,462	-
	$ 28,232,841	$ (3,110,716)

Deferred outflows of resources of $5,100,462 related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in OPEB expense as follows:

Year ended September 30,	
2026	$ 6,496,619
2027	4,326,517
2028	4,616,967
2029	4,838,495
2030	(256,934)
Total	$ 20,021,664

SUPPLEMENTAL DEATH BENEFITS FUND (SDBF)

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as 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 and retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (pay as you go plan). The retiree portion of the SDBF is considered to be a single-employer, defined benefit OPEB plan.

Detail information about the SDBF OPEB plan is available in a separately issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee's entire careers. The SDBF contribution rate for retirees is .16%.

As of December 31, 2024, membership in the plan consisted of the following:

Inactive employees currently receiving benefits	1,407
Inactive members entitled to benefits, but not yet receiving them	263
Active members	2,152
Total	3,822

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

Actuarial Assumptions

Inflation	2.50%
Salary increases	3.6% to 11.85% including inflation
Discount rate*	4.08%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by 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 rates 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 of Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA index" rate as of December 31, 2024.

Changes in Total OPEB Liability

Beginning at December 31, 2023	$ 8,081,308
Service Cost	271,037
Interest on the total OPEB liability	303,936
Differences between expected and actual experience	(28,693)
Change in assumptions	(387,694)
Benefit payments	(309,757)
Net change in total OPEB liability	(151,171)
Ending at December 31, 2024	$ 7,930,137

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

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

1% Decrease 3.08%	Current Discount Rate Assumption 4.08%	1% Increase 5.08%
$ 9,287,505	$ 7,930,139	$ 6,847,856

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized an OPEB expense of $227,683.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 378	$ (172,100)
Difference in assumptions changes	591,694	(1,959,429)
Employer contributions subsequent to the measurement date	237,072	-
	$ 829,144	$(2,131,529)

Deferred outflows of resources of $237,072 related to OPEB resulting from retiree contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows or resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30,	
2026	$ (387,488)
2027	(569,885)
2028	(515,109)
2029	(31,203)
Therafter	(35,772)
Total	$ (1,539,457)

SELF INSURANCE

Self-insurance for general and auto liability exposure and workers' compensation is maintained in the Self-Insurance Fund of the Internal Service Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of $13,097,621 were collected from funds that participate in these. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and workers' compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2025, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2024 claims payable as of September 30, 2025 was estimated at $5,644,644.

Long-Term Disability (LTD) claims are paid from the LTD Insurance Fund, which is funded with City and employee contributions. A private company administers the long-term disability claims and losses for the City. Based on a current independent actuarial analysis, an actuarially determined liability of $3,228,223 has been established for projected future claims.

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2025, a short-term liability of $2,725,245 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported are calculated based on a monthly average for claims paid during the current fiscal year.

There were no significant reductions in insurance coverage in the current year from coverage in the prior year, nor have there been any settlements that have exceeded insurance coverage for each of the past three fiscal years.

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2024 and 2025 were:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year End	Current Portion
Self-Insurance – 2024	$5,654,887	$ 821,073	$ (10,243)	$ 821,073	$5,644,644	$2,409,814
Self-Insurance – 2025	5,644,644	603,733	-	603,733	5,644,644	2,409,814
Long-Term Disability – 2024	3,677,127	355,052	(448,904)	355,052	3,228,223	315,204
Long-Term Disability – 2025	3,228,223	296,010	-	296,010	3,228,223	315,204
Group Health – 2024	1,795,110	33,422,227	419,804	33,422,227	2,214,914	2,214,914
Group Health – 2025	2,214,914	39,496,746	510,331	39,496,746	2,214,914	2,725,245

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FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Taxes	$ 125,680,837	$ 121,916,898	$ 118,826,736	$ 110,833,475	$ 102,260,748
Franchise Fees	8,160,990	8,124,300	7,651,287	7,668,703	7,119,922
Service Charges	43,911,450	42,655,792	39,911,038	36,423,598	31,240,300
Licenses and Permits	7,372,539	5,623,490	8,638,192	7,018,315	4,981,566
Interest Revenue	4,913,063	5,433,438	3,976,869	208,758	228,237
Intergovernmental	8,087,972	11,011,995	1,379,289	1,550,131	1,054,654
Charges for Services	12,006,330	11,501,589	10,966,019	10,526,736	10,445,154
Fines and Forfeitures	6,092,920	5,435,898	5,257,099	4,986,774	4,563,460
Rents and Concessions	990,367	860,543	824,633	601,317	532,355
Total Revenues	$ 217,216,468	$ 212,563,943	$ 197,431,162	$ 179,817,807	$ 162,426,396
Expenditures:					
General Government	$ 18,299,585	$ 16,339,077	$ 14,945,594	$ 13,394,399	$ 12,671,060
Public Safety	139,917,468	131,752,831	120,445,204	110,364,300	106,576,228
Public Works	29,418,405	25,772,236	24,494,838	22,437,962	20,081,425
Culture and Recreation	21,355,473	21,113,295	19,719,883	18,877,832	16,796,831
Public Health	4,963,515	6,426,983	5,799,000	5,564,431	4,768,937
Non-departmental	115,049,871	37,582,714	37,051,736	31,464,252	29,205,434
Capital Outlay	20,429,323	20,470,850	25,064,626	27,869,518	26,916,038
Total Expenditures	$ 349,433,640	$ 259,457,986	$ 247,520,881	$ 229,972,694	$ 217,015,953
Excess (deficiency) of Revenues Over Expenditures	$ (132,217,172)	$ (46,894,043)	$ (50,089,719)	$ (50,154,887)	$ (54,589,557)
Other Financing Sources (Uses):					
Sale of Capital Assets	$ 393,217	$ 282,134	$ 183,515	$ 194,853	$ 153,384
Operating Transfers - Net	37,299,808	52,589,836	58,289,636	54,348,426	52,759,461
Issuance of Debt	130,850,000	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	$ 36,325,853	$ 5,977,927	$ 8,383,432	$ 4,388,392	$ (1,676,712)
Beginning Fund Balance	69,728,500	63,750,573	55,367,141	50,978,749	52,655,461
Ending Fund Balance [1]	$ 106,054,353	$ 69,728,500	$ 63,750,573	$ 55,367,141	$ 50,978,749

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(1) It should be noted that the unassigned portion of the FYE 2025 Fund Balance is $73,800,213 and City Management has assigned an additional $13,360,000 of Fund Balance to mitigate against future risk of revenue shortfalls or unanticipated expenditures. In addition, $412,110 of the Fund Balance is restricted legally for public education, governmental access channels and public health grants, and $18,413,407 is committed by City Council for economic development and street and infrastructure improvements. The City has budgeted a drawdown of approximately $6.7 million during FYE 2026 from the unassigned portion of the FYE 2025 Fund Balance for one-time initiatives, capital projects and equipment purchases. Finally, the FYE 2025 Fund Balance includes restricted cash of $18,894,140 to be used for paying the increased employer contribution rate for 2026 associated with the reinstatement of a 50% Cost-of-Living Adjustment benefit. The $18.9 million will be used from November 2025 to December 2026 to pay the percentage of the monthly employer contribution to TMRS associated with the COLA. Following December 2026 monthly payment, remaining funds will be paid in one-time lump sum to TMRS.

TABLE 12A - CHANGES IN NET ASSETS – ENTITY WIDE

	For Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Program Revenues:					
Charges for Services	$ 666,336,308	$ 637,303,500	$ 623,473,707	$ 579,652,701	$ 564,091,256
Operation Grants and Contributions	40,446,778	42,287,915	25,848,787	28,238,828	23,969,468
Capital Grants and Contributions	14,278,414	5,472,010	22,243,419	18,117,025	11,517,051
General Revenues:					
Property Taxes	182,673,314	163,692,333	154,112,428	138,889,834	133,819,570
Sales Taxes	54,910,882	46,641,936	49,075,997	41,173,582	35,580,376
Other Taxes	10,360,224	10,493,735	9,997,449	9,930,765	9,050,307
Unrestricted Investment Earnings	45,656,968	50,447,420	36,458,754	1,021,959	419,923
Miscellaneous	11,224,040	9,159,757	14,136,948	44,328,769	9,746,442
Total Revenues	$ 1,025,886,928	$ 965,498,606	$ 935,347,489	$ 861,353,463	$ 788,194,393
Expenses:					
General Government	$ 70,906,114	$ 50,111,754	$ 50,061,998	$ 44,381,242	$ 42,122,789
Public Safety	205,912,292	148,261,922	142,070,923	117,578,721	118,229,934
Public Works	78,141,833	57,527,838	39,720,966	50,627,594	57,058,678
Culture and Recreation	61,979,448	33,563,418	33,478,258	25,048,374	24,808,132
Public Health	9,470,678	7,444,788	7,090,684	5,736,694	5,320,061
Interest and Fiscal Charges	17,616,347	15,973,660	11,559,848	8,125,122	6,508,036
Electric	338,908,458	317,003,646	357,738,976	326,533,367	319,876,181
Water	87,167,665	74,763,157	72,222,503	67,916,783	66,983,984
Sewer	55,693,836	47,214,598	44,238,025	40,069,004	38,716,017
Golf	7,819,175	5,773,993	5,157,683	4,680,834	4,650,746
Heliport	2,714	7,406	33,170	109,340	31,605
Storm Water Management	6,310,257	5,265,438	5,109,577	4,394,660	4,486,235
Parks Performance	1,379,958	1,428,053	1,212,489	914,428	447,070
Sanitation	31,242,844	25,358,957	24,347,584	22,358,689	20,941,959
Total Expenses	$ 972,551,619 (1)	$ 789,698,628	$ 794,042,684	$ 718,474,852	$ 710,181,427
Increase in Net Position Before Transfers	$ 53,334,309	$ 175,799,978	$ 141,304,805	$ 142,878,611	$ 78,012,966
Transfers				-	-
Increase in Net Position	53,334,309	175,799,978	141,304,805	142,878,611	78,012,966
Net Position - Beginning	1,566,504,413	1,390,704,435	1,249,399,630	1,106,521,019	1,028,508,053
Cummulative effect of change in accounting principal				-	-
Net Position beginning - restated				-	-
Net Position - Ending	$ 1,619,838,722	$ 1,566,504,413	$ 1,390,704,435	$ 1,249,399,630	$ 1,106,521,019

(1) The FY 2025 increase in expense is primarily associated with the $107.5 million in non-cash related pension expenses. See "PENSION FUND – Pension Obligation Bonds" and "PENSION FUND" generally.

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The following table sets forth the municipal sales tax collections for the last four fiscal years and for the current fiscal year. **The municipal sales tax is not pledged to the payment of the Bonds.**

Fiscal Year Ended 9/30	Total Collected [1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita [2]
2022	$ 41,173,582	29.65%	$ 0.2288	$ 166.30
2023	49,075,997	31.70%	0.2359	197.23
2024	46,641,936	28.21%	0.1977	183.28
2025	44,055,366	23.85%	0.1677	174.87
2026	45,982,108 [3]	24.62%	0.1700	182.43

(1) As reported by the City.
(2) Source: City's 2025-2026 Annual Budget
(3) Partial collections through July 2026.

FINANCIAL POLICIES

Basis of Accounting . . . All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental fund types and agency funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into investments in capital assets, net of related debt, and restricted and unrestricted net assets. Proprietary fund-type operating statements represent increases and decreases in net total assets. Proprietary fund types are accounted for using the accrual basis of accounting.

General Fund Balance . . . It is the City's policy to maintain a balance which is greater than 30 days of adjusted working capital, less debt service, in immediately accessible cash and investments. If the fund balance is drawn down in any one year, the fund balance will be restored in the following year.

Use of Bond Proceeds . . . It is the City's policy that the Bond proceeds will only be used to finance capital expenditures related to the purposes specified in the Bond Ordinance and for no other purpose; and, it is the City's policy that the Bonds proceeds will not be used to fund current expenditures.

Budgetary Procedures . . . It is the City's policy that a multi-year financial forecast shall be prepared annually, to be issued as a planning tool in developing the following year's operating budget. The budget is developed by the City staff and presented to the City Council for consideration.

INVESTMENTS

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

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

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

As an entity that qualifies as an "issuer" under Chapter 1371, the City is also authorized to purchase, sell, and invest its funds in corporate bonds. Texas law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the City. The City may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by the City must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible issuer such as the City must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. As of the date of this Official Statement, the City has taken no such steps with respect to investment in corporate bonds.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, 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 Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (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 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.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the 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, and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market 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 14 - CURRENT INVESTMENTS

As of June 30, 2026, the following percentages of the City's investable funds were invested in the following categories of investments.

Type of Investments	Book Value Amount	Percent
US Treasury Coupon Securities	$ 490,076,709	47.85%
Certificates of Deposit	1,363,822	0.13%
Investment Pool	532,766,824	52.02%
	$ 1,024,207,355	100.00%

TAX MATTERS FOR THE TAX-EXEMPT BONDS

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate and (b) covenants of the City contained in the Tax-Exempt Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Tax-Exempt Bonds and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Tax-Exempt Bonds to become taxable retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Tax-Exempt Bonds or the property financed or refinanced with proceeds of the Tax-Exempt Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Tax-Exempt Bonds. Bond Counsel’s opinion is not binding on the Internal Revenue Service. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Tax-Exempt Bonds may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

Interest on the Tax-Exempt Bonds may be includable in certain corporation’s "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

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

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

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

FEDERAL INCOME TAX CONSIDERATIONS FOR THE TAXABLE BONDS

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Taxable Bonds and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Taxable Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Taxable Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Taxable Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Taxable Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Taxable Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF TAXABLE BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION PROSPECTIVE HOLDERS OF THE TAXABLE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAXABLE BONDS BEFORE DETERMINING WHETHER TO PURCHASE TAXABLE BONDS. THE SUMMARY IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE TAXABLE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Taxable Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS

Periodic Interest Payments and Original Issue Discount. The Taxable Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Taxable Bonds or any original issue discount accruing on the Taxable Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Taxable Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Taxable Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Taxable Bonds. Generally, a U.S. Holder's tax basis in the Taxable Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Taxable Bonds has been held for more than one year.

Defeasance of the Taxable Bonds. Defeasance of any Taxable Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

STATE, LOCAL AND OTHER TAX CONSEQUENCES

Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Taxable Bonds. PROSPECTIVE PURCHASERS OF THE TAXABLE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Taxable Bond, will not be subject to U.S. federal income or withholding tax in respect of such Taxable Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Taxable Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2026, financial information and operating data with respect to the City of the general type of information contained in Tables 1 through 5 and 7 through 14 and (2) within twelve months after the end of each fiscal year ending in or after 2026, audited financial statements of the City. Any financial statements so provided shall 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. If audited financial statements are not available within 12 months after the end of any fiscal year, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the 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, the City must provide updated information included in the above-referenced tables by March 31 in each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB 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 Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial debt obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any 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, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in the immediately preceding item (12) 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. Neither the Bonds nor the Bond Ordinance make any provision for debt service reserves, credit enhancement, liquidity enhancement the appointment of a trustee or tax-exemption with respect to the Taxable Bonds.

For the purposes of any event described in (15) and (16) above, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

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

The City may amend its continuing disclosure agreement for the Bonds 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 a series of the Bonds, as the case maybe, 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 registered and beneficial owners of a majority in aggregate principal amount of the outstanding Bonds, as the case may be, 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 registered and beneficial owners of any series of the Bonds, as the case may be. The City may also amend or repeal the provisions of the continuing disclosure agreements if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the continuing disclosure agreements, 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 the Rule.

OTHER INFORMATION

RATINGS

The Bonds have been rated "AA+" (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. ("S&P") and "AA" (stable outlook) by Fitch Ratings Inc. ("Fitch") without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

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

INFORMATION TECHNOLOGY AND OTHER RISK FACTORS

The City depends upon information and computing technology to conduct general business operations. These systems may be subject to disruptions or security breaches that could materially disrupt the City's operations, cause reputational damage and/or give rise to losses or legal liability. The City's information technology department continually monitors these threats and has implemented practices, policies, security systems, and design features to protect the security of its information technology systems and data. However, no assurance can be given that such measures will fully prevent potential business continuity or cybersecurity risks arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters, or cyber-attacks, or larger scale political events, including terrorist attacks. Any such occurrence could materially and adversely affect the City's operations and reputation, which could lead to decreased financial performance that insurance may not cover and may require the City to expend significant resources to correct the failure or disruption.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

The City will furnish the Underwriters a complete transcript of proceedings relating to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Tax-Exempt Bond and the Initial Taxable Bond and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS FOR THE TAX-EXEMPT BONDS" herein. Though it represents the Municipal Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING" (excluding the subcaption "Sources and Uses of Proceeds"), "THE BONDS" (excluding subcaptions "Book-Entry-Only System" and "Bondholders' Remedies"), "TAX MATTERS FOR THE TAX-EXEMPT BONDS," "FEDERAL INCOME TAX CONSIDERATIONS FOR THE TAXABLE BONDS" and "CONTINUING DISCLOSURE OF INFORMATION" (excluding the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Bonds for Sale", "Legal Matters" (excluding the last sentence of the first paragraph thereof) and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance. The City expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the sale of the respective series of Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell, LLP, Dallas, Texas, whose legal fee is contingent on the sale and delivery of the Bonds.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

MUNICIPAL ADVISOR

Hilltop Securities Inc. is employed as Municipal Advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc., in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Municipal Advisor may from time to time sell investment securities to the City for the investment of certificate proceeds or other funds of the City upon the request of the City.

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.

UNDERWRITERS

The Underwriters have agreed, subject to certain conditions to purchase the Tax-Exempt Bonds from the City at the purchase price of $______________(representing the par amount of the Tax-Exempt Bonds plus an original issue premium of $____________ less an Underwriters' discount of $___________). The Underwriters will be obligated to purchase all of the Tax-Exempt Bonds if any Tax-Exempt Bonds are purchased.

The Underwriters have agreed, subject to certain conditions to purchase the Taxable Bonds from the City at a purchaser price of $____________ (representing the par amount of the Taxable Bonds less an Underwriters' discount of $__________). The Underwriters will be obligated to purchase all of the Taxable Bonds if any Taxable Bonds are purchased.

The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

TD Financial Products LLC, one of the Underwriters for the Bonds, has entered into two negotiated dealer agreements (the "TD Dealer Agreements") with Charles Schwab & Co., Inc. ("CS&Co.") and Revere Securities LLC ("Revere") for the retail distribution of certain securities offerings, including the offered Bonds at the original issue prices. Pursuant to the TD Dealer Agreements, CS&Co. and Revere may purchase Bonds from TD Financial Products LLC at the original issues prices less a negotiated portion of the selling concession applicable to any of the Bonds CS&Co. and Revere sells.

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of the PNC Financial Services Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has/may have other banking and financial relationships with the City.

PNC Capital Markets LLC may offer to sell to its affiliate, PNC Wealth Management LLC ("PNCWM"), securities in PNCCM's inventory for resale to PNCWM's customers, including securities such as those to be offered by the City. PNCCM may share with PNCWM a portion of the fee or commission paid to PNCCM if any Bonds are sold to customers of PNCWM.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and 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.

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless otherwise specified in this Official Statement, references to websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The Bond Ordinance authorizes the Pricing Officer to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its use in the reoffering of the Bonds by the Underwriters.

Pricing Officer
City of Garland, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION AND SIZE

The City of Garland (the "City") is located northeast of Dallas and is one of the largest communities in the Dallas/Fort Worth metroplex. As the 13th largest city in Texas, Garland covers 57 square miles and is served by three major freeways: Interstate 635, Interstate 30, and State Highway 190 (President George Bush Turnpike).

The City is well balanced between residential, commercial and industrial development. The population increased 122%, from 81,437 in 1970 to 180,650 according to the 1990 Census, making Garland the second largest City in Dallas County. The 2020 Census population of the City was 246,018. The 2026 estimated population of the City is 252,054.

Garland is served directly by two railroads, with reciprocal switching agreements with other railroads in the area and is also served by a national bus line and has park-and-ride bus service to downtown Dallas via Dallas Area Rapid Transit. Commercial air service is afforded by the convenient location of the Dallas-Fort Worth International Airport, Dallas' Love Field and the Garland Heliplex which opened in November of 1989.

Interstate 635 is an eight-lane expressway that encircles the outer limits of Dallas, passing through the southwest section of Garland. The President George Bush Turnpike connects the southeastern area of Garland along the Interstate 30 corridor with the northwestern area of Garland. Interstate 30 travels from Garland's eastern boundary at Lake Ray Hubbard along the southern portion of the city. These highways provide convenient automotive access to the Dallas-Fort Worth metropolitan area.

INDUSTRY AND BUSINESS

Garland is known for its economic and industrial base, which consists of more than 5,000 businesses including approximately 300 manufacturing companies. The City has been noted as a manufacturing community since the 1940s, and numerous Fortune 500 corporations along with many others have selected Garland as home base for their strategic operations. The following is a partial list of companies that maintain operations in Garland:

Arrow Fabrication Tubing	General Dynamics Corp.	Packaging Corp. of America
Batory Foods	Kirchhoff Automotive	Plastipak Packaging
Cosmax NBT	Kraft Heinz Food Co.	Quest USA
Daisy Brands, Inc.	Mapei Corporation	Resistol Hats
Ecolab, Inc.	NTT Data Center	Sherwin-Williams Company
Epiroc Drilling Solutions	XPO Logisitics	US Food Services

Scout Cold Logistics, a provider of temperature-controlled infrastructure and cold storage solutions, is redeveloping a 1.09 million-square-foot facility at McCree Road in Southeast Garland. The $41.8 million project involves demolishing a 1970s-built dry storage facility and constructing a state-of-the-art, 132,300 square-foot warehouse into advanced cold storage through an adaptive reuse project, adding over 250,000 square feet of class-A cold storage space. The redevelopment project aims to bolster the fresh food supply chain in the DFW metroplex and the southwestern United States.

Garland's industrial vacancy rate is currently 3.5% and continues to remain competitive after nearly three years of low vacancies. This trend has persisted while sustaining roughly 10% year-over-year rent growth for 2023 in industrial properties. Several infill and redevelopment projects are underway in Garland, with announcements expected in the coming months. The DFW industrial market continues to be competitive, and Garland continues to lead in industrial redevelopment.

In response to the rapidly increasing data traffic demands, and its central location, the DFW market is emerging as one of the largest data center markets in the nation. This growth has spurred ongoing discussions about the future of data center development in Garland. Many existing facilities have expanded; NTT Data has plans for 3 additional expansions, Digital Realty has begun construction of a 173,000 square foot building, and Stream Data Center completed a 276,742 square foot expansion. These expansions demonstrate Garland's importance in the emerging data center market. The area along the President George Bush Turnpike has continued to experience significant commercial development, with numerous new retail and multifamily developments recently completed.

In response to the ongoing demand for urban infill, the City of Garland has been actively working to bring mixed-use development projects aimed at revitalizing key areas across the city. One of these efforts is the Urban Village of Rosehill, a project located along the I-30 corridor. The first phase of this development will introduce 22,000 square feet of restaurants, retail, office space, a fitness center, a clubhouse, and 196 multi-family units. The second and third phases will further increase density by adding 58 townhomes and 104 additional multi-family units.

On June 16, 2026, the City Council adopted Garland on the Rise: Economic Resilience Through Strategic Reinvestment, the City's strategic plan for 2026–2036. The Plan establishes a long-term framework for strengthening the City's financial resilience by aligning budgeting, capital investment, economic development, and departmental operations around the objective of increasing the economic productivity of land within the City's existing geography. The Plan emphasizes disciplined financial stewardship, targeted redevelopment within designated Economic Focus Areas, protection of core municipal services, and performance-based implementation through measurable objectives and periodic review.

In May 2025, Garland residents approved a bond package that allocates $75 million for economic development to promote and support investment and revitalization across the city. This funding will enabled the City to acquire and assemble larger parcels for significant reinvestment. Maximizing the impact of these funds, the City completed an Economic Development Strategic Plan with the assistance of Ninigret Partners. It included a comprehensive analysis of the strengths, weaknesses, opportunities, and challenges facing Garland's economy and outlined future goals.

To supplement the recent redevelopment of the City's downtown, the Economic Development Department has participated in several exciting projects. One such project is the redevelopment of 500 Main St. Garland, which saw the renovation/retrofit of a prior historic furniture store into a new restaurant. These efforts have led to two new businesses taking residence in the place of the prior furniture store, both of which have attracted additional foot traffic to the Downtown square. Further retail and residential redevelopment in the downtown area are underway and will be announced in the coming months.

Additionally, in 2023, the City of Garland completed a Streetscape Masterplan for the new Valoris Healthpark surrounding the Garland VA Medical Center. That Streetscape Masterplan has since been adopted and the City has expanded TIF 3 to include the medical district. Collaborating with studio Outside, city staff engaged multiple stakeholders, including private property owners, the VA, and DART, to develop the initial masterplan. The masterplan includes a proposed wellness park and community hospital for the area. Further enhancing the district, muralist Haylee Ryan was commissioned to create a mural on 601 Clara Barton as part of a partnership with local property owners in an effort to beautify and revitalize the district. The City is searching for a developer/ operator for the community hospital and medical district.

Approximately 3.0% of Garland is made up of undeveloped greenspace. As a response to the increasingly built-out nature of the City, the City of Garland is committed to redevelopment, adaptive reuse projects, and building infrastructure to support urban infill and densification. Key initiatives include the development and implementation of a façade improvement program and the Economic Development Incentive programs. The Economic Development Department continues to work with developers and employers to bring high-quality development and opportunities for the City's residents.

EDUCATION

Most of the City, as well as Rowlett and Sachse, is served by the Garland Independent School District. Small portions of the City lie within the Dallas, Mesquite and Richardson school districts. Garland Independent School District presently has 71 schools with approximately 52,571 students.

Higher educational facilities in the area include Amberton University (formerly Abilene Christian University-Dallas in Garland), Collin County Community College, Eastfield College and Richland College, branches of the Dallas County Community College, Texas A&M Commerce, University of North Texas, Southern Methodist University, Texas Christian University, Texas Wesleyan College, Texas Woman's University, the University of Texas at Arlington, and the University of Texas at Dallas.

FINANCIAL INSTITUTIONS

Several national banks operate full-service banking centers and provide branches within various retail stores and shops throughout the City. Numerous savings and loan associations and credit unions are also located in the City.

RECREATION FACILITIES

The Parks and Recreation Department operates 68 parks, with a total of approximately 2,698 acres. Facilities provided include ball fields, swimming pools, golf facilities, recreation buildings and a tennis center, as well as playgrounds and picnic areas. Lake Lavon, 18 miles northeast of the City, has excellent facilities for fishing, swimming, boating and picnicking. Lake Ray Hubbard, formed by Forney Dam on the East Fork of the Trinity River, provides additional swimming, boating and fishing facilities. A part of the shoreline lies within the City limits of the City and offers areas for lakeside recreational and residential development.

CITY OF GARLAND MISCELLANEOUS STATISTICS

Fiscal Year Ended 9/30	Population [1]	Assessed Valuation	Gas Customers	Electric Customers [2]	Water Customers
2021	246,173	16,086,220,876	45,304	92,512	70,165
2022	247,590	17,995,346,670	45,566	93,085	70,806
2023	248,822	20,805,425,256	45,899	93,811	72,012
2024	250,099	23,597,976,987	45,886	94,749	72,578
2025	251,101	27,055,675,630	45,769	98,155	72,609

(1) Source: City's 2025-2026 Annual Budget.
(2) Includes both Oncor System and the City's System.

Employment Statistics

	Jne	City of Garland (Average Annual)				
	2026	2025	2024	2023	2022	2021
Civilian Labor Force	134,539	134,535	132,202	133,751	130,057	125,213
Total Employed	128,425	129,242	127,072	128,914	125,478	118,842
Total Unemployed	6,114	5,293	5,130	4,837	4,579	6,371
Unemployment Rate	4.5%	3.9%	3.9%	3.6%	3.5%	5.1%

	June	Dallas County (Average Annual)				
	2026	2025	2024	2023	2022	2021
Civilian Labor Force	1,439,209	1,438,197	1,433,463	1,461,604	1,420,674	1,372,277
Total Employed	1,370,484	1,379,205	1,375,000	1,405,512	1,368,043	1,295,698
Total Unemployed	68,725	58,992	58,463	56,092	52,631	76,579
Unemployment Rate	4.8%	4.1%	4.1%	3.8%	3.7%	5.6%

Source: Texas Workforce Commission, Labor Market Information.

Building Permits (Fiscal Year Basis)

Year Ended 9/30	Single Family Residential Amount	Multi-Family Residential Amount	Industrial and Commercial Amount	Other Amount	Grand Total
2021	$ 110,519,484	$ -	$ 4,729,519	$ 53,045,393	$ 168,294,396
2022	77,273,773	40,000,000	27,050	39,460,317	156,761,140
2023	42,455,984	37,500,000	1,074,244	38,501,851	119,532,079
2024	27,430,241	-	9,247,703	41,648,170	78,326,114
2025	13,607,536	100,000	4,292,500	43,405,302	61,405,338

APPENDIX B

EXCERPTS FROM THE FINANCIAL STATEMENTS

CITY OF GARLAND, TEXAS

For the Year Ended September 30, 2025

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GARLAND

City of Garland, Texas
Annual Comprehensive Financial Report
for the year ended September 30, 2025

CITY OF GARLAND, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

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Internal Service Funds

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March 13, 2026

Citizens of the City of Garland
Garland, Texas

Dear Citizens:

The Annual Comprehensive Financial Report (ACFR) of the City of Garland, Texas (the City), for the year ended September 30, 2025, is hereby submitted. The report is published to provide detailed information concerning the financial condition of the City to our citizens and the financial community, as well as other interested parties. Responsibility for both the accuracy of the 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 enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately after the independent auditors' report.

GENERAL INFORMATION – CITY OF GARLAND

The City of Garland is located northeast of Dallas and is one of the largest communities in the Dallas/Fort Worth Metroplex. As the 13th largest city in Texas, Garland covers 57 square miles and is bordered by three major freeways: Interstate 635, Interstate 30, and State Highway 190 (President George Bush Turnpike).

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's home rule Charter. The City was incorporated in 1891 and first adopted its Home

Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and eight Council members. The City Manager is the chief administrative officer for the City.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Garland as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events; electric, water, and wastewater utility services; golf course facilities; stormwater facilities; and sanitation collection services.

Discretely presented component units are legally separate entities and not part of the primary government's operations. Accordingly, the Garland Housing Finance Corporation, the Garland Economic Development Authority, and the Garland Health Facilities Development Corporation are not included in the primary government. In accordance with GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34", the City determined that the Garland Health Facilities Development Corporation and the Garland Economic Development Authority, which were discretely presented as component units in the City's financial statements in prior years, are no longer necessary to be reported within the City's financial statements and have been excluded from the City's FY2025 Annual Comprehensive Financial Report. The Garland Independent School District is excluded from this report because it is a separate governmental entity with a separately elected board of trustees.

The Garland Foundation for Development (GFFD) was organized to promote economic development and other activities within the Garland Community. The City Council serves as the board members for GFFD, and the City Manager is the Executive Director. GFFD is reported as a blended component unit of the non-major governmental fund.

The Garland Public Facility Corporation (GPFC) was created as a public facility corporation for the purpose of assisting the City in financing, refinancing, or providing public facilities. The Mayor and City Council serve as the board members of the GPFC. GPFC is reported as a blended component unit of the non-major governmental funds.

DEMOGRAPHICS

Garland's population totaled 246,018 in the 2020 census count, with current estimates placing the population at approximately 251,932. Garland has an estimated 88,455 housing units and an employment base of approximately 124,857. Garland is diverse in ethnicity and education. Most recent estimates place the city's population at 37.5% white, 15.3% African American, 0.7% American Indian or Alaska Native, 11.2% Asian, 7.9% some other race, and

27.4% two or more races. An estimated 45.0% is Hispanic/Latino (of any race). More than 79.4% of the city's adult population is educated above the high school level or higher, with more than 25.0% of the population possessing a bachelor's degree or higher. Per the Garland Economic Development Office, the 2025 estimated average household income in Garland was $94,412. Per the Dallas Central Appraisal District (DCAD), the average market value for detached single-family residences in Garland for 2025 is $326,617.

LOCAL ECONOMY AND DEVELOPMENT

Garland is renowned for its robust economic and industrial base, which includes over 5,000 businesses and approximately 300 manufacturing companies. Recognized as a manufacturing community since the 1940s, Garland has attracted numerous Fortune 500 corporations and many other businesses to establish their strategic operations here. The following is a partial list of companies that maintain operations in Garland:

Arrow Fabrication Tubing	*General Dynamics Corp.*	*Plastipak Packaging*
Batory Foods	*Kirchhoff Automotive*	*Quest USA*
Cosmax NBT	*Kraft Heinz Food Co.*	*Resistol Hats*
Daisy Brands, Inc.	*Mapei Corporation*	*Sherwin-Williams*
Ecolab, Inc.	*NTT Data Center*	*US Food Services*
Epiroc Drilling Solutions	*Packaging Corp. of America*	*XPO Logistics*

Owning one of the oldest manufacturing facilities in Garland, Kraft Heinz Food Company has operated off Forest Lane since 1949. The City is now partnering with Kraft Heinz on a $140 million expansion project to modernize and upgrade manufacturing capacity at its original facility. The investment includes significant renovations for employee wellness, as well as approximately $74 million for new production lines and $60 million for modernization of existing lines. Kraft Heinz also plans to add 200 positions to its current workforce of approximately 1,500 employees across two facilities. The expansion and upgrades are expected to continue into 2026.

The residents of Garland are committed to investing in the city for improved safety, mobility, and quality of life, as well as increased economic vitality. That is why they overwhelmingly support the approval of a $423.7 million bond program in 2019.

In year six of implementing the 2019 Bond Program, over 75% of the projects have been completed, with construction or design underway on all remaining projects. In November 2024, the City celebrated its fifth Build Garland Day to formally open Fire Station 6 and the Street Department facility, which were both rebuilt. Groundbreaking events also took place for the revitalization of cherished regional amenity Surf & Swim, as well as Naaman School Road improvements.

In April 2025, at the sixth Build Garland Day, the City celebrated key milestones for four more 2019 bond projects. These included groundbreakings for new Fire Stations 1 and 7 in addition to ribbon-cuttings for Holford Recreation & Aquatic Center and Speegle Green – a new green space for the Williams Estates community.

In July 2025, the renovated Central Library was reopened. The all-new West Garland Library was opened in fall 2025. In August 2025, the City broke ground on the final recreation facility of the 2019 Bond Program, Garland's Senior Activity Center.

On May 3, 2025, Garland voters reaffirmed their confidence in the City's direction with overwhelming approval of a four-item, $360 million bond package. As Garland embarks on a transformative journey of the 2025 Bond Program, the City's Project Management Office stands at the helm, ensuring seamless execution, accountability, and innovation for many of the initiatives. This significant program will enhance infrastructure, beautify key locations, and strengthen community spaces.

Recognized as a Music Friendly Texas Certified Community in 2025, Garland is making strides in the music scene as well. Events like the Music Made Here and You Ain't Heard Nothin' Yet concert series bring national and local artists to the Downtown Square, solidifying Garland's reputation as a destination for live music.

Garland's commitment to creative expression and historical preservation has been formally recognized by the Texas Commission on the Arts with an official designation for the city's Bankhead Cultural Arts District. Names after the Bankhead Highway – a vital early 20th-century route that helped shape Garland's grown – the district pays homage to both the city's transportation legacy and its thriving cultural scene.

Exciting new public art installations are on the horizon. Garland celebrated its designation as the Cowboy Hat Capital of Texas with a striking oversized cowboy hat sculpture in Downtown. A community partnership is also in the works to help honor The Flats, Garland's original Black community – amplifying stories of resilience and legacy.

The City of Garland is comprised of more than 50 departments that provide various services and strive to set the stage for residents to live their best lives. In addition to providing traditional municipal services, the City operates its own water, wastewater treatment, and electric utilities. The City also maintains and operates a regional landfill facility and offers both residential and commercial solid waste collection services. The City places a high priority on public safety with more than 600 sworn Police and Fire personnel.

Residents enjoy an abundance of recreation opportunities with parks covering more than 2,800 acres, as well as six recreation centers, five park pavilions, three swimming pools, a wave action pool, and two senior centers. Services are further enhanced with four libraries conveniently located throughout the city as well as a wealth of e-books and other online services. Garland is also home to Firewheel Golf Park, with 63 holes of championship-caliber golf, including three regulation courses.

ECONOMIC CONDITIONS AND OUTLOOK

The economic environment shows returning to average levels of growth rather than the historically high levels the City experienced in the past several years. This slowdown is tied to stagnation in the sales tax base and decline in discretionary spending. Overall sales tax revenue from the retail and service industry segments of the state and local sales tax base have shown stagnation. Additionally, Senate Bill 2 (SB 2) continues to limit growth in property tax revenue and has lowered the Operations and Maintenance portion of the Tax Rate by 0.18 cents per $100 of valuation since enaction in 2019.

Garland's certified property tax base reached $28.3 billion in 2025, an increase of over $1.5 (5.6%) from last year's valuation, largely due to new construction, which comprised $551.8 million of the total tax base increase. Property tax revenues in the General Fund increased by a modest amount of $2.4 million (3.2%) due to limitations imposed by the Texas Legislature in Senate Bill 2.

Fiscal Year 2026 is intended to serve as a bridge year until the City can hold a Tax Rate election, currently anticipated for November 2026. The election will propose to shift a portion of the Tax Rate from the Debt Service (I&S) rate to the Operating and Maintenance (M&O) rate. The Tax Rate shift, if approved by the voters, will decrease previously foregone revenue as restricted by SB 2 and all the City more financial flexibility to continue to grow Garland.

The priorities include:

- Ensure any new facilities resulting from past bond programs are adequately staffed and funded to operate at expected service levels.
- Focus on preparing for the November 2026 tax rate election.
- Building sustainability into existing funds.

FINANCIAL INFORMATION

Accounting and Budgetary Controls

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

Budgetary control is maintained at the fund level, and encumbrances are entered at the time a purchase order is issued. Outstanding encumbrance's lapse at fiscal year-end and the subsequent year's budget is amended to reflect these outstanding encumbrances. Unspent and unencumbered appropriations lapse at the end of the fiscal year.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's revenue managers and the Chief Financial Officer. Expenditure budgets are then developed using a *target budgeting* approach. Departments base their initial budget submission on their allocated share of the projected resources, but they can make requests for additional items which the City Manager or City Council may choose to fund. This target budget methodology results in a balanced budget presented to Council. The Proposed Budget is reviewed extensively by the City Council, and the process includes a Charter-mandated public hearing and work sessions that are open to the public. The City Charter requires adoption of the City budget no later than September 20th. Activities of the general, debt service, community development block grant, housing assistance, neighborhood services, police training, hotel/motel, narcotic seizure, Treasury Department Grants, TIF, and internal service funds are included in the annual appropriated budget.

While the budget is developed and controlled at the departmental level, appropriations are set at the fund level. An ordinance establishes the budget for operating expenses, debt services payments, and interfund transfers, while a separate ordinance establishes the property tax rate.

Changes to approved expenditures are incorporated into the current year budget throughout the year in the form of budget amendments approved by Council. These amendments, as well as updated revenues and other revised expenses, become part of the Revised Budget that is presented to Council concurrent with the Proposed Budget.

During the course of the fiscal year, each department director monitors expenditure controls with overall review exercised by the Chief Financial Officer and the City Manager. Monthly expenditure reports are distributed based on the automated accounting system that provide year-to-date expenditure totals for each line item compared to the amount expended at that point in time in the prior year.

Constant review and oversight of revenue and expenditure trends is maintained with specific responsibility assigned to department directors, revenue managers, and the Chief Financial Officer. Recommendations for corrective action are made to the City Manager (and to the City Council, if appropriate) as needed to ensure the integrity of the Adopted Budget.

Management of the City is responsible for establishing and maintaining an internal control system designed to ensure that the City's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. 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.

As a recipient of Federal and State financial awards, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these programs. Internal controls are subject to periodic evaluation by management, the City's Internal Audit Department, and independent auditors.

As part of the City's single audit, the independent auditors make tests to determine the adequacy of the internal controls, including that portion related to Federal financial awards programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the single audit are published in a separate report to management.

Long-Term Financial Planning

In order to remain financially strong and provide a framework for prudent financial management, the following financial controls are maintained annually:

- A multi-year financial forecast is prepared annually projecting revenues and expenditures for all major operating funds.
- A multi-year debt service forecast is prepared to project the impact of future debt service payments on the tax rate.

- Rates, fees, and charges for services are reviewed and adjusted as necessary to respond to changing financial circumstances.
- Insurance coverages are examined to ensure that policy limits are adequate and in compliance with revenue bond covenants.
- Debt is not used to fund current expenditures.
- Bonds are sold to finance long-term capital projects.
- Total tax-supported debt is maintained so as not to exceed five percent (5%) of the total assessed valuation of taxable property.
- An ending "fund balance" of 30 days of budget-based operating expenditures less debt service in the General Fund is maintained as a minimum.
- An ending "fund balance" of 45 days of budget-based operating expenditures including debt service is maintained in the Enterprise Funds as a minimum.
- Internal service funds are maintained to be fully self-supporting to the extent that any retained earnings deficit is recovered in the subsequent fiscal year through increased charges to benefiting departments.

OTHER INFORMATION

Independent Audit

According to Article IV, Section 7, of the City Charter, an annual audit to be performed by independent, certified public accountants, is required to be made of the financial records of the City. Weaver and Tidwell, LLP was selected in July 2019 by the City Council to perform the annual audits. In addition to meeting the requirements set forth in the Charter, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1996 and related Uniform Guidance. The independent auditor's report on the basic financial statements is included in the financial section of this report. The independent auditor's report related specifically to the single audit will be issued in a separate document.

Certificate of Achievement

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 Garland for its Annual Comprehensive Financial Report for the Fiscal Year ended September 30, 2024. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a one-year period. The City of Garland has received a Certificate of Achievement for the last forty-three consecutive years. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

<u>Acknowledgements</u>

The preparation of this Annual Comprehensive Financial Report was accomplished with the professional and dedicated efforts of the staff of the Financial Services Department. Appreciation is also extended to those individuals in other departments who contributed, directly or indirectly, to the development of this report.

In closing, we also want to thank the Mayor and the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

Michael J. Betz
City Manager

Matt Watson
Assistant City Manager

Allyson Bell Steadman
Chief Financial Officer

Kathryn Ritchie
Finance Administrator

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Garland
Texas

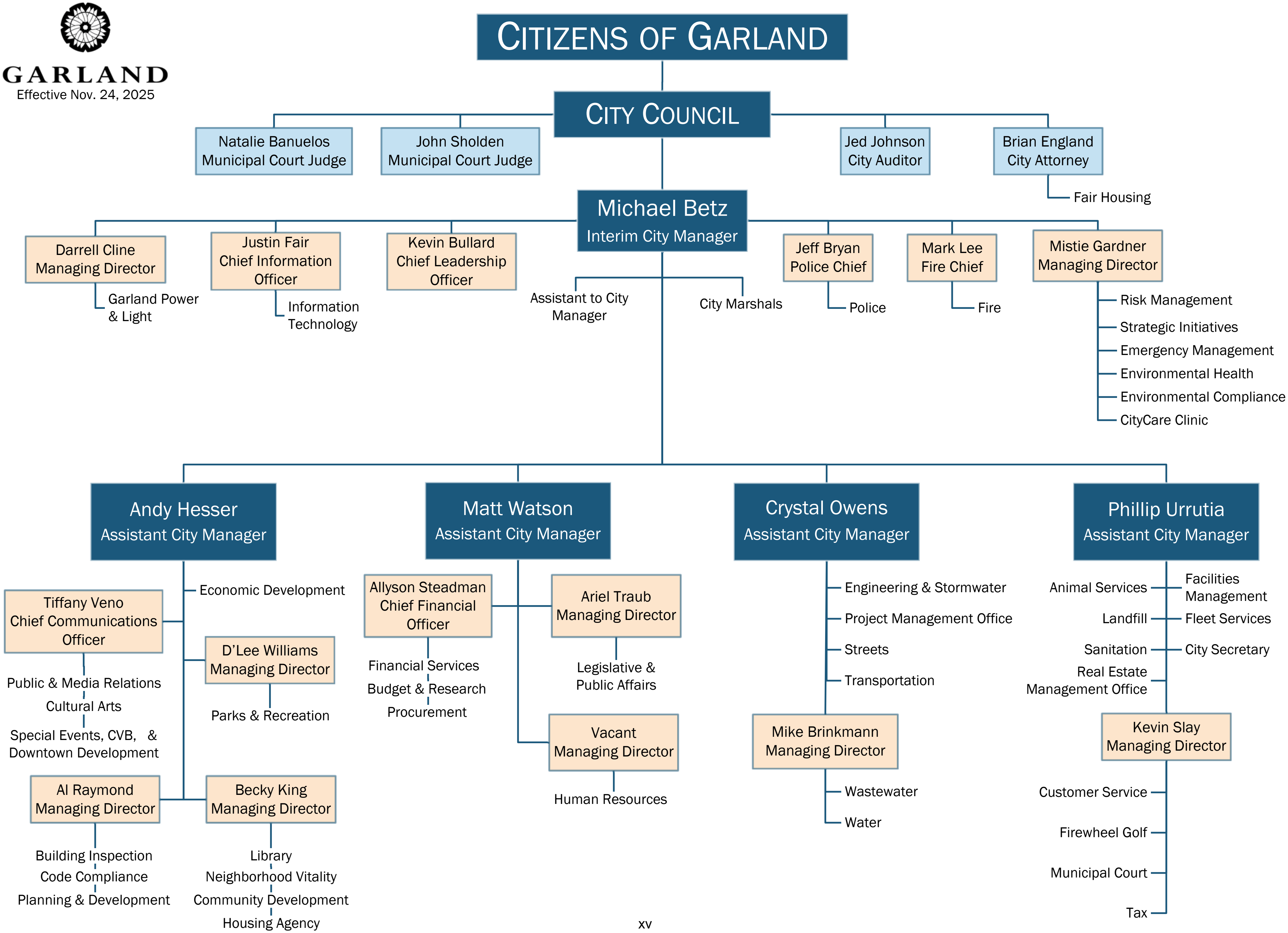
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill
Executive Director/CEO

GARLAND

Effective Nov. 24, 2025



GARLAND

TEXAS MADE HERE

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

Independent Auditor's Report

To the Honorable Mayor, Members of the City Council and City Manager
City of Garland, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, 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.

We did not audit the financial statements of Garland Housing Finance Corporation (GHFC), the discretely presented component unit of the City of Garland as of and for the year ended December 31, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the GHFC is based solely on the report of the other auditors.

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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 13, 2026

GARLAND

TEXAS MADE HERE

City of Garland, Texas
Management's Discussion and Analysis
(Unaudited)

As management of the City of Garland, we offer readers of the City of Garland's financial statements this narrative overview and analysis of the financial activities of the City of Garland for the fiscal year ended September 30, 2025. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of the City of Garland (the City) exceeded its liabilities and deferred inflows at the close of the fiscal year by $1,619,838,722. Ending net position for governmental activities amounts to $552,287,238 and the ending net position for the business type activities amounts to $1,067,551,484.
- Net position for governmental activities decreased $28,285,881 and the net position for the business type activities increased $81,620,190 for a total increase in the City's net position of $53,334,309. Contributing factors related to the increase in governmental activities and in business type activities are discussed in the governmental activities and business type activities sections of this overview and analysis.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $326,125,756. Of the combined ending fund balances, $545,061 is nonspendable, $208,519,929 is restricted, $55,473,262 is committed, $29,447,570 is assigned, and $32,139,934 is unassigned.

Overview of the Financial Statements

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

Government-wide financial statements

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

The statement of net position presents information on all the City's assets, deferred inflows/outflows, and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, landfill, economic development, and culture and recreation. The business-type activities of the City include electric, water, sewer, golf, heliport, storm water, parks performance, and sanitation operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate non-profit corporation for which the City is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 27-28 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds. The City also maintains a fiduciary trust fund for the other post-employment benefits (OPEB).

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare it to the information presented for 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 balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seventeen individual governmental funds. The General Fund, the Debt Service Fund, and the Capital Projects Fund, are considered to be major funds. Major funds are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 29-32 of this report.

Proprietary funds

The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, golf, heliport, storm water management, parks performance, and sanitation operations. 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 group health, self-insurance, long-term disability insurance, fleet, vehicle replacement, information technology, facilities management, warehouse, and customer service operations. The internal service funds are allocated between the governmental and business-type activities based on the level of support each internal service provides to a governmental and business-type activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The electric, water, and sewer operations are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds can be found on pages 120-124 and for the internal service funds on pages 126-128.

The proprietary fund financial statements can be found on pages 33-37 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 38-39 of this report.

Notes to the financial statements

The notes 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 40-97 of this report.

Other information

Required supplementary information concerning the General Fund schedule of revenues, expenditures, and changes in fund balances – budget and actual for the year ended September 30, 2025, the net pension liability schedules, and the City's Net Other Postemployment Benefits (OPEB) liability schedules, are presented on pages 98-104 of this report.

Government-wide Financial Analysis

Total assets and deferred outflows at fiscal year-end amount to $4,096,344,898. Current and other assets comprise 33.60% and capital assets comprise 62.21% of the total assets and deferred outflows. Total assets and deferred outflows increased $365,372,744 during the fiscal year.

Total liabilities and deferred inflows at the end of the fiscal year amount to $2,476,506,176. Long-term liabilities comprise 89.69% and other liabilities comprise 9.26% of the total liabilities and deferred inflows. Total liabilities and deferred inflows increased $208,962,194 during the fiscal year.

As mentioned earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows (net position) by $1,619,838,722 for the fiscal year ended September 30, 2025. The largest portion of the City's net position, $997,476,196, represents 61.58% of the total net assets and reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and systems) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position, $330,767,154, represents 20.42% of the total net position and represents resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, the City of Garland Charter, grant contracts, and state law. The remaining balance of unrestricted net position, $291,595,372, represents 18.00% of total net position and may be used to meet the City's ongoing obligations to citizens and creditors.

A comparative schedule of condensed government-wide net position is presented on the following page.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 503,258,893	$ 499,817,226	$ 872,923,241	$ 809,849,436	$ 1,376,182,134	$ 1,309,666,662
Capital assets	1,000,284,197	892,418,869	1,547,966,387	1,443,861,824	2,548,250,584	2,336,280,693
Total assets	1,503,543,090	1,392,236,095	2,420,889,628	2,253,711,260	3,924,432,718	3,645,947,355
Total deferred outflows of resources	129,644,969	60,275,651	42,267,211	24,749,148	171,912,180	85,024,799
Long-term liabilities outstanding	941,917,980	695,061,597	1,279,291,450	1,203,393,388	2,221,209,430	1,898,454,985
Other liabilities	119,860,161	164,324,031	109,454,142	84,098,045	229,314,303	248,422,076
Total liabilities	1,061,778,141	859,385,628	1,388,745,592	1,287,491,433	2,450,523,733	2,146,877,061
Total deferred inflows of resources	19,122,680	12,552,999	6,859,763	5,037,681	25,982,443	17,590,680
Net position:						
Net investment in capital assets	448,515,142	474,829,891	548,961,053	527,113,667	997,476,195	1,001,943,558
Restricted for:						
Debt Service	-	121,668	734,939	357	734,939	122,025
Construction	2,952,254	2,621,210	-	-	2,952,254	2,621,210
TMPA Escrow	18,907,321	-	-	-	18,907,321	-
Rate Mitigation	-	-	287,134,591	268,194,215	287,134,591	268,194,215
Housing Assistance	4,190,391	3,927,274	-	-	4,190,391	3,927,274
Other Grant Programs	16,847,658	12,590,664	-	-	16,847,658	12,590,664
Unrestricted	60,874,472	86,482,412	230,720,901	190,623,055	291,595,373	277,105,467
Total net position	$ 552,287,238	$ 580,573,119	$ 1,067,551,484	$ 985,931,294	$ 1,619,838,722	$ 1,566,504,413

The total net position increased $53,334,309 in the 2025 fiscal year. Governmental activities decreased $28,285,881 while the business-type activities increased this total by $81,620,190. These increases are discussed in the governmental activities section and the business-type activities section of this overview and analysis.

Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 82,961,579	$ 68,857,491	$ 583,374,729	$ 568,446,009	$ 666,336,308	$ 637,303,500
Operating grants and contributions	40,446,778	42,287,915	-	-	40,446,778	42,287,915
Capital grants and contributions	7,972,789	2,939,342	6,305,625	2,532,668	14,278,414	5,472,010
General Revenues:						
Property taxes	182,673,314	163,692,333	-	-	182,673,314	163,692,333
Sales taxes	54,910,882	46,641,936	-	-	54,910,882	46,641,936
Other taxes	10,360,224	10,493,735	-	-	10,360,224	10,493,735
Unrestricted interest earnings	21,490,282	24,094,214	24,166,686	26,353,206	45,656,968	50,447,420
Miscellaneous	184,253	278,672	11,039,787	8,881,085	11,224,040	9,159,757
Total Revenues	401,000,101	359,285,638	624,886,827	606,212,968	1,025,886,928	965,498,606
Expenses:						
General government	70,906,114	50,111,754	-	-	70,906,114	50,111,754
Public safety	205,912,292	148,261,922	-	-	205,912,292	148,261,922
Public works	78,141,833	57,527,838	-	-	78,141,833	57,527,838
Culture and recreation	61,979,448	33,563,418	-	-	61,979,448	33,563,418
Public health	9,470,678	7,444,788	-	-	9,470,678	7,444,788
Interest and fiscal charges	17,616,347	15,973,660	-	-	17,616,347	15,973,660
Electric	-	-	338,909,458	317,003,646	338,909,458	317,003,646
Water	-	-	87,167,665	74,763,157	87,167,665	74,763,157
Sewer	-	-	55,693,836	47,214,598	55,693,836	47,214,598
Golf	-	-	7,819,175	5,773,993	7,819,175	5,773,993
Heliport	-	-	2,714	7,406	2,714	7,406
Storm Water Management	-	-	6,310,257	5,265,438	6,310,257	5,265,438
Parks Performance	-	-	1,379,958	1,428,053	1,379,958	1,428,053
Sanitation	-	-	31,242,844	25,358,957	31,242,844	25,358,957
Total expenses	444,026,712	312,883,380	528,525,907	476,815,248	972,552,619	789,698,628
Change in net position before transfers	(43,026,611)	46,402,258	96,360,920	129,397,720	53,334,309	175,799,978
Transfers	14,740,730	41,935,057	(14,740,730)	(41,935,057)	-	-
Increase (decrease) in net position	(28,285,881)	88,337,315	81,620,190	87,462,663	53,334,309	175,799,978
Net position - beginning	580,573,119	492,235,804	985,931,294	898,468,631	1,566,504,413	1,390,704,435
Net position - ending	$552,287,238	$ 580,573,119	$1,067,551,484	$ 985,931,294	$1,619,838,722	$ 1,566,504,413

Governmental activities

Governmental activities decreased the City's net position by $28,285,881 in fiscal year 2025. Key factors that contributed to this decrease are discussed below.

Revenues by Source – Governmental Activities

Revenues by Source

	2025		2024		Amount	Percentage
	Amount	Percentage	Amount	Percentage	Change	Change
Charges for services	$ 82,961,579	20.69%	$ 68,857,491	19.17%	$14,104,088	20.48%
Operating grants and contributions	40,446,778	10.09%	42,287,915	11.77%	(1,841,137)	-4.35%
Capital grants and contributions	7,972,789	1.99%	2,939,342	0.82%	5,033,447	171.24%
Property taxes	182,673,314	45.55%	163,692,333	45.56%	18,980,981	11.60%
Sales taxes	54,910,882	13.69%	46,641,936	12.98%	8,268,946	17.73%
Other taxes	10,360,224	2.58%	10,493,735	2.92%	(133,511)	-1.27%
Unrestricted interest earnings	21,490,282	5.36%	24,094,214	6.71%	(2,603,932)	-10.81%
Miscellaneous	184,253	0.05%	278,672	0.08%	(94,419)	-33.88%
Total Revenues	$401,000,101		$359,285,638		$41,714,463	

Key changes in revenue by source included the following:

Charges for services revenue increased $14,104,088. The increase can be attributed to:

- In FY25, landfill fees increased due to increased tonnage brought into the landfill and adjustment to several rates charged at the landfill including the addition of a construction & demolition rate for materials that adversely impact airspace and useful life.
- During FY25, permit fees increased due to collections associated with large developments in North Garland and the I-30 corridor.
- During FY25, reimbursement was received related to cost sharing projects with Dallas County and DART.

Property tax revenue increased $18,980,981 due to growth in the tax base of over $2.7 billion (11.2%) from last year's valuation. New construction and appreciation in the existing tax base remained strong post-pandemic contributing significantly to Garland's economic base.

The increase in sales tax is associated with a one-time sales tax collection in September 2025 of approximately $5,000,000 from developments purchasing information technology equipment within Garland City limits.

Expenses by Source - Governmental Activities

Expenses by Source

	2025	2024	Change
General government	$ 70,906,114	$ 50,111,754	$ 20,794,360
Public safety	205,912,292	148,261,922	57,650,370
Public works	78,141,833	57,527,838	20,613,995
Culture and recreation	61,979,448	33,563,418	28,416,030
Public health	9,470,678	7,444,788	2,025,890
Interest and fiscal charges	17,616,347	15,973,660	1,642,687
Total Expense	$ 444,026,712	$ 312,883,380	$ 131,143,332

Total Expenses for Governmental Activities increased by $131,143,332 or 38.4%. This increase is mostly attributable to pension liability expenses, totaling $107,521,966, associated with the re-instatement of non-retroactive 50% Cost of Living Adjustment (COLA) at the City's pension plan in January 2025. This is a non-cash adjusting entry that is anticipated to significantly reduce overtime as TMRS actuarial analysis takes into account a $130 million pension bond issued in August, 2025, to prepay the long-term liability associated with this new benefit.

Business-type Activities

Business-type activities increased the City's net position by $81,620,190. Key factors that contributed to the change are discussed below.

- The electric utility incurred a net income of $67,580,919. The net income for the electric utility increased $6,810,723, from the prior fiscal year as a result of the following:
  - Increase in operating revenue.
  - Decrease in fuel and energy purchases.
  - Decrease in maintenance and repairs expenses.

- The water utility incurred a net income of $11,407,058. The net income for the water utility decreased $2,562,043, from the prior fiscal year as a result of the following:
  - Increase in pension liability expenses.
  - Increase in cost of water purchases.

- The wastewater utility incurred a net income of $6,220,743. The net income for the wastewater utility increased $607,864, from the prior fiscal year as a result of the following:
  - Increase in charges for services revenue due to higher apartment and major industrial customer consumption.
  - Increase in pension liability expenses.

Revenues by Source – Business-type Activities

	Charges for Services			Capital Grants and Contributions		
	2025	2024	Change	2025	2024	Change
Electric	$ 382,080,533	$ 375,502,169	$ 6,578,364	$ 239,886	$ 9,240	$ 230,646
Water	96,150,243	94,120,371	2,029,872	4,947,330	1,720,630	3,226,700
Wastewater	62,278,209	58,429,973	3,848,236	1,049,508	721,081	328,427
Non-major Enterprise	42,865,744	40,393,496	2,472,248	71,901	81,717	(9,816)
Total	$ 583,374,729	$ 568,446,009	$ 14,928,720	$ 6,308,625	$ 2,532,668	$ 3,775,957

	Miscellaneous		
	2025	2024	Change
Electric	$10,803,102	$ 8,547,538	$ 403,814
Water	95,132	130,046	(34,914)
Wastewater	56,132	89,303	(33,171)
Non-major Enterprise	85,422	114,198	(28,775)
Total	$11,039,788	$ 8,881,085	$ 306,954

Expenses by Source – Business-type Activities

	2025	2024	Amount Change	Percentage Change
Electric	$338,909,458	$ 317,003,646	$ 21,905,812	6.91%
Water	87,167,665	74,763,157	12,404,508	16.59%
Wastewater	55,693,836	47,214,598	8,479,238	17.96%
Non-Major	46,754,948	37,833,847	8,921,101	23.58%
	$528,525,907	$ 476,815,248	$ 51,710,659	10.85%

Fiduciary funds

In the 2009 fiscal year, the City established an Other Post Employment Benefit Trust Fund which allows the City to capture long-term returns to make progress towards reducing the unfunded liability of post-employment health care. A $1,845,000 contribution in excess of the pay-as-you-go costs was made to the trust fund during 2025. The City will make future contributions to the trust fund as economic conditions permit to lower the OPEB unfunded actuarial accrued liability and to ensure that funding is available for future retiree medical benefits.

Capital Asset and Debt Administration

Capital Assets

At the end of the 2025 fiscal year, the City had $2,548,250,584 invested in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, an electric system, a water system, and a sewer system. This amount represents a net increase of $211,991,980 or 9.07% increase from the prior fiscal year. Key elements of this change are as follows:

Capital Assets at Fiscal Year-end
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 167,976,091	$ 140,424,231	$ 50,680,243	$ 47,630,191	$ 218,656,334	$ 188,054,422
Construction in Progress	121,637,673	280,281,016	156,075,298	81,428,955	277,712,971	361,709,971
Building, Improvements, equipment and systems	710,692,522	471,713,622	1,341,210,846	1,314,802,678	2,051,881,279	1,786,516,300
Total capital assets	$ 1,000,306,286	$ 892,418,869	$1,547,966,387	$1,443,861,824	$2,548,250,584	$2,336,280,693

Major capital asset additions for the current fiscal year included (amounts rounded to the nearest thousand):

Description	Amount (000's)
Holford Recreation & Aquatic Center	$ 43,757
Modernization/Upgrades to Central Library	24,351
Tuckerville Park Development	16,835
Relocate/Expand West Garland Library	16,638
Relocate Fire Station No. 6	11,636
Holford Acquisition	10,966
Rick Oden Park Improvements	10,257
Hollabaugh Recreation Center	9,557
Roof Replacement	8,080
Street Department Facility	6,493
Local Flooding Program	3.697
Granger Recreation Center & Annex	3,365
Bridge & Drainage Infrastructure Remediation	3.082
Replacement of Landfill Equipment	2,864
Chaha Rd IH30 to Lake Ray Hubbard Pkwy	2,803
HVAC Replacement/Upgrade	2,772
Transportation Operations & Maintenance Facility	2,667
Street Reconstruction and Improvements	2,579
Paving of Unimproved Alleys	2,419
Sidewalk Participation	2,354
Replacement of Transfer Station Equipment	2,265

A few of the Capital Improvement Program projects under construction at the end of the current fiscal year included (amounts rounded to the nearest thousand):

Description	Amount (000's)
Surf & Swim Regional Aquatics Facility	$ 24,680
3884 S. Shiloh (Office Flex Building)	17,324
Duck Creek WWTP upgrades	17,255
Holford Road Segment A	14,574
Naaman School Road (Brand to SH-78)	13,576
Downtown Square Desing & Construction	10,376
Oakland Substation Upgrade	9,437
Field Operation Center	8,511
Downtown Infrastructure and Intersection	8,030
Downtown Streetscapes & Redevelopment	7,719
Relocate Fire Station No. 1	7,196
FCA Upgrades	7,166
Relocation of water mains prior to paving	5,927
Shiloh Road – Kingsley Rd to Miller Rd	5,620
New Holford Road Main Project	5,124
CV-MC Line Upgrade	4,426
Relocate Fire Station No. 7	4,405
Infiltration Correct	4,400
Callejo Road – Botello to Campbell	4,257
Montclair No. 2 and No. 3 Drainage	4,066
Drainage Maintenance Program	3,936
Ben Davis Flood Mitigation	3,637
Brand Road to College 138kV	3,314
Garland Senior Activity Center	3,289

Additional information on the City's capital assets can be found in note IV.C on pages 59-61 of this report.

Debt

Debt issues outstanding for the fiscal years 2025 and 2024 were as follows:

	Governmental Activities		Business-type Activities		Total		
	2025	2024	2025	2024	2025	2024	Change
Long-Term:							
General obligation bonds	$ 441,420,000	$ 317,520,000	$ 10,000	$ 15,000	$ 441,430,000	$ 317,535,000	$ 123,895,000
Certificates of obligation	204,540,000	161,255,000	18,515,000	15,215,000	223,055,000	176,470,000	46,585,000
Utility system revenue bonds	-	-	1,022,540,000	956,915,000	1,022,540,000	956,915,000	65,625,000
Commercial paper	-	-	109,795,000	126,400,000	109,795,000	126,400,000	(16,605,000)
Total Long-Term	645,960,000	478,775,000	1,150,860,000	1,098,545,000	1,796,820,000	1,577,320,000	219,500,000
Short-Term:							
Commercial Paper	-	-	-	-	-	-	-
Tax Note	-	45,750,000	-	-	-	45,750,000	(45,750,000)
Total Short-Term	-	45,750,000	-	-	-	45,750,000	(45,750,000)
Total outstanding debt	$ 645,960,000	$ 524,525,000	$ 1,150,860,000	$ 1,098,545,000	$ 1,796,820,000	$ 1,623,070,000	$ 173,750,000

During the fiscal year, the City issued the following debt:

Issue	Principal	Bond Ratings Standard & Poor's	Bond Ratings Fitch IBCA
Long-term			
Certificates of Obligation Bonds, Series 2025	$ 67,355,000	AA+	AA+
General Obligation Refunding Bonds, Series 2025	18,010,000	AA+	AA+
Pension Obligation Bonds, Taxable Series 2025	130,850,000	AA+	AA+
Electric System Revenue Refunding Bonds, New Series 2024	111,160,000	AA	AA-
Water and Sewer System Revenue Refunding Bonds, New Series 2025	52,215,000	AA-	AA
Total debt financing	$379,590,000		

The proceeds of the Certificates of Obligation Bonds, Series 2025 will be used for the following:

- Constructing, equipping, and improving various facilities in the City,
- Acquiring equipment and vehicles for public safety, street and traffic control, facilities management, drainage, stormwater management, and parks and recreation departments and programs,
- Equipping additions, extensions, renovations, and improvements for the City's sanitation department, including the landfill and transfer station and the acquisition of land and interest in land,
- Improving and equipping existing municipal buildings, including HVAC replacement, upgrade, roof replacement and safety upgrades.

The proceeds of the General Obligation Refunding Bonds, Series 2025, were used to fund parks and recreation facilities and improvements, street improvements, drainage improvements, public safety facilities and improvements, and library improvements.

The proceeds of the Pension Obligation Bonds, Taxable Series 2025 were used to pay a portion of the City unfunded, accrued liability to the Texas Municipal Retirement System. In 2025, the City issued Pension Obligation Bonds (POB) as a mechanism to reduce the City's unfunded long-term liability associated with re-instating a non-retroactive 50% Cost of Living Adjustment (COLA) to the City's TMRS pension plan on January 1, 2025. Transfers from various revenue-supported operating funds to the Debt Service Fund will be required to pay the proportional associated debt service over the 20-year term. Due to the timing of when the COLA was re-instated and the POB was issued, the 2025 ACFR reflects an elevated UAAL associated with the TMRS pension plan and the increased long-term liability of the POB issuance.

The proceeds of the Water and Sewer System Revenue Refunding Bonds, New Series 2024 were used to takeout $55,000,000 of commercial paper debt, Series 2015.

In fiscal year 2010, the City along with other TMPA member cities elected to issue bonds based on the percentage of their annual net energy load and placed the proceeds with TMPA. Since the proceeds from the issuance of this debt will benefit the City over future years the City has elected to record an other asset and a corresponding bonds payable liability, reoffering premium, interest and sinking fund deposit, underwriters discount and issuance cost to record this transaction. The other asset of $138,252,850 is being amortized using a straight-line method over a period of 20 years based on the life of the economic benefit that the City is receiving from this transaction. During the current fiscal year, the City amortized $6,912,642 of the asset resulting in a fiscal year-end balance in other assets of $31,106,891. In February, 2021, the state of Texas experienced an unprecedented weather event causing power outages across the state. As a result, energy and natural gas prices increased dramatically from February 11 to February 24, 2021. The City recorded a Winter Storm Uri regulatory asset of $137,343,717 which will be amortized over thirty years. In FY2023, the value of this Regulatory Asset increased by $906,004. This adjustment reflects the recognition of ERCOT short payments that are not expected to be recovered. At September 30, 2025, the regulatory asset had a balance of $117,552,794. Further information related to the other assets are available on pages 90-92.

Additional information on the City's debt can be found in note IV.E of this report.

The City's Funds

At the close of the City's fiscal year, the governmental funds of the City reported a combined fund balance of $326,125,756, an increase of $36,579,861 from the prior fiscal year.

The General Fund ended the fiscal year with a fund balance of $106,054,353 which was an increase of $36,325,853 from the prior fiscal year. The increase in the general fund can be attributed to increases in property tax and sales tax collection. The Debt Service fund ended the fiscal year with a fund balance of $2,463,703 which is a decrease of $1,099,110. The decrease can be attributed to the issuance of a $45,750,000 tax note to improve residential and arterial streets. The Capital Projects Funds ended the fiscal year with a fund balance of $173,049,495 which is a decrease of $5,677,487 from the prior fiscal year related to funding of the ongoing capital projects of the City. Other Nonmajor Governmental funds ended the fiscal year with a fund balance of $44,558,205 which was in increase of $7,030,605.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2025, the City Council amended the budget for the General Fund on multiple occasions. The amendments were comprised of supplemental appropriations and adjusted budgets. Appropriations are adjusted annually for open purchase orders and various grant awards. Budgets are reviewed and adjusted during the fiscal year to address changing operational and/or economic situations. These amendments amounted to increased appropriations of $7,809,214.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2025, was 4.3% and the State of Texas unemployment rate was 4.1%. The City's estimated population of 251,932 (as estimated at January 1, 2025, by the City's Planning department) remained virtually unchanged from the prior year.

The budget priorities for FY2024-25 are primarily focused on an economic environment that shows signs of returning to average levels of growth rather than the historically highs levels experienced in the past several years. This slowdown is tied to reduced consumer spending for goods and services and a flattening in economic production due to the Federal Reserve's monetary policies designed to control inflation. While overall sales tax revenue remained strong in FY2023-24, the retail and service industry segments of the state and local sales tax base have shown signs of stagnation, and new development is beginning to decline.

These priorities include:

- Ensure any new facilities resulting from past bond programs are adequately staffed and funded to operate at expected service levels.
- Maintain competitive position with compensation and merit increases.
- Enhance infrastructure and maintenance funding to be able to adequately respond to the results of the street and alley condition assessment and other long-term maintenance initiatives.
- Maintain high levels of reserves to respond to anticipated and unforeseen financial challenges.

To address these priorities, the FY 2024-25 Adopted Budget includes 3.0% compensation/merit increases for general schedule employees. To maintain competitive compensation for public safety staff, the adopted budget included a market adjustment for Police and Fire Civil Service employees. Additionally, the adopted budget included increases to paramedic certification and assignment pay as well as the addition of hazardous material technician certification pay and urban search and rescue certification pay Fire Civil Service.

In support of the new or expanded facilities constructed as part of the 2019 Bond Programs, the adopted budget includes additional personnel and enhanced operational funding for the Holford Recreation and Aquatic Center and West Branch Library to support these new amenities available to residents in 2025.

The budget is based on an adopted ad valorem tax rate of 68.97 cents per $100 of valuation, which is unchanged from the current year and the lowest tax rate since FY 2007-08. For the average Garland single-family home with a market value of $322, 000, annual City property taxes will be $1,568 per year, or $131 a month, after applying the 10% Homestead Exemption. If a homeowner is 65 or older, annual property taxes will be $1,182 per year, or $98 a month, after applying the 10% Homestead Exemption and $56,000 Senior Exemption.

The FY2025-26 budget is modest in new funding and programs relative to prior years and prioritizes maintaining existing levels of service, building sustainability into existing funds, and funding essential items. Sales tax is projected to decrease by $1.9 million (4%) from the FY2024-25 budget. The FY2025-26 budget is intended to serve as a bridge year until the City can hold a Tax Rate election, currently anticipated for November 2026. The election will propose to shift a portion of the Tax Rate from the Debt Service (I&S) rate to the Operating and Maintenance (M&O) rate. The Tax Rate shift, if approved by the voters, will decrease previously foregone revenue as restricted by SB2 and allow the City more financial flexibility to continue to grow Garland.

These priorities include:

- Ensure any new facilities resulting from past bond programs are adequately staffed and funded to operate at expected service levels.
- Focus on preparing for November 2026 tax rate election.
- Building sustainability into existing funds.

While the City continues its commitment to provide total rewards that are comparable to metroplex comparators, recommendations for FY2025-26 are primarily focused on mitigating the impact of declining General Fund revenues and uncertain economic conditions. Because of this, total rewards investments are limited to a 2.5% one-time lump-sum payment to all employees, funding Civil Service retirements, and the rising cost of health insurance.

In support of the new or expanded facilities constructed as part of the 2019 Bond Programs, the proposed budget includes one additional full-time position and increased operational funding for Surf and Swim, which is anticipated to open for the 2026 summer season, as well as funding for maintenance of new/renovated parks.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Department at the City of Garland, 200 North Fifth Street, Garland, TX 75040 or through the City's internet site www.garlandtx.gov.

GARLAND

TEXAS MADE HERE

City of Garland, Texas
Statement of Net Position
September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	As of 12/31/24
ASSETS				
Cash and cash equivalents	$ 368,664,527	$ 191,007,315	$ 559,671,842	$ 6,409,206
Investments	66,459,951	37,270,850	103,730,801	-
Accounts Receivable, net of allowance for uncollectibles	37,304,661	108,780,265	146,084,926	3,587,232
Due from other governments	1,139,588	-	1,139,588	-
Internal Balances	(16,462,744)	16,462,744	-	-
Inventories	721,052	10,172,255	10,893,307	-
Prepaid and other items	2,628,500	964,535	3,593,035	32,729
Restricted Assets:				
Cash and cash equivalents	42,751,715	242,111,766	284,863,481	-
Investments	51,552	106,866,230	106,917,782	-
Accrued interest	91	1,157,689	1,157,780	-
Assets held for resale	-	-	-	1,655,921
Other Assets	-	158,038,284	158,038,284	-
Derivative instrument-energy risk management	-	91,308	91,308	-
Capital Assets:				
Land	167,976,091	50,680,243	218,656,334	72,372,877
Construction in Progress	121,637,673	156,075,298	277,712,971	-
Buildings, Improvements,				
Equipment and System (net of accumulated depreciation/amortization)	710,670,433	1,341,210,846	2,051,881,279	2,449
Total assets	1,503,543,090	2,420,889,628	3,924,432,718	84,060,414
DEFERRED OUTFLOWS OF RESOURCES				
Fair value of energy risk derivatives	-	305,699	305,699	-
Deferred charges on debt refunding	11,981	102,133	114,114	-
Deferred charges on pensions	108,106,105	33,994,024	142,100,129	-
Deferred charges on OPEB	21,526,883	7,535,102	29,061,985	-
Deferred charges on ARO	-	330,253	330,253	-
Total deferred outflows of resources	129,644,969	42,267,211	171,912,180	-
LIABILITIES				
Accounts payable and accrued liabilities	52,555,236	47,957,347	100,512,583	-
Escrow payable	312,036	1,685,976	1,998,012	-
Retainage payable	5,970,274	2,495,923	8,466,197	-
Accrued interest payable	3,715,817	4,450,579	8,166,396	-
Certificates of oblig.	1,612,731	166,800	1,779,531	
General obligation	2,103,086	51	2,103,137	
Revenue Bonds		4,095,944		
Tax Note	-	-	-	
Collateral	-	187,784	187,784	
Accrued interest offset	(3,715,817)	(4,450,579)	(4,070,452)	
Customer deposits	23,640,922	-	23,640,922	-
Collateral Held	-	52,513,001	52,513,001	-
Derivative instrument-energy risk management	-	305,699	305,699	-
Unearned revenue	33,665,876	45,617	33,711,493	-
Noncurrent Liabilities:				
Due within one year	113,384,075	59,596,171	172,980,246	119,952
Due in more than one year	828,533,905	1,219,695,279	2,048,229,184	10,258,237
Total liabilities	1,061,778,141	1,388,745,592	2,450,523,733	10,378,189
DEFERRED INFLOWS OF RESOURCES				
Fair value of energy risk derivatives	-	91,308	91,308	-
Deferred charges on debt refunding	15,657	2,207,912	2,223,569	-
Deferred charges on pensions	13,838,153	3,201,348	17,039,501	-
Deferred charges on OPEB	3,883,050	1,359,195	5,242,245	-
Deferred charges on leases	1,385,820	-	1,385,820	-
Deferred inflow related to land acquisitions	-	-	-	60,541,973
Total deferred inflows of resources	19,122,680	6,859,763	25,982,443	60,541,973
NET POSITION				
Net investment in capital assets	448,515,142	548,961,054	997,476,196	1,563,500
Restricted for:				
Debt Service	-	734,939	734,939	-
Construction	2,952,254	-	2,952,254	-
Rate Mitigation	-	287,134,591	287,134,591	-
TMRS Escrow	18,907,321	-	18,907,321	-
Housing	4,190,391	-	4,190,391	-
Other Grant Programs	16,847,658	-	16,847,658	-
Unrestricted net position	60,874,472	230,720,900	291,595,372	11,576,752
Total net position	$ 552,287,238	$ 1,067,551,484	$ 1,619,838,722	$ 13,140,252

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

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit as of 12/31/2024
Primary Government								
Governmental activities:								
General government	$ 70,906,114	$ 10,781,024	$ 37,762,437	$ 720,000	$ (21,642,653)	$ -	$ (21,642,653)	$ -
Public safety	205,912,292	21,555,287	2,468,840	-	(181,888,165)	-	(181,888,165)	-
Public works	78,141,833	49,448,072	-	7,252,789	(21,440,972)	-	(21,440,972)	-
Culture and recreation	61,979,448	1,171,246	176,061	-	(60,632,141)	-	(60,632,141)	-
Public health	9,470,678	5,950	39,440	-	(9,425,288)	-	(9,425,288)	-
Interest and fiscal charges	17,616,347	-	-	-	(17,616,347)	-	(17,616,347)	-
Total governmental activities	444,026,712	82,961,579	40,446,778	7,972,789	(312,645,566)	-	(312,645,566)	-
Business-type activities:								
Electric	338,909,458	382,080,533	-	239,886	-	43,410,961	43,410,961	-
Water	87,167,665	96,150,243	-	4,947,330	-	13,929,908	13,929,908	-
Wastewater	55,693,836	62,278,209	-	1,046,508	-	7,630,881	7,630,881	-
Golf	7,819,175	4,587,732	-	-	-	(3,231,443)	(3,231,443)	-
Heliport	2,714	8,904	-	-	-	6,190	6,190	-
Storm Water Management	6,310,257	7,571,769	-	71,901	-	1,333,413	1,333,413	-
Parks Performance	1,379,958	2,028,790	-	-	-	648,832	648,832	-
Sanitation	31,242,844	28,668,549	-	-	-	(2,574,295)	(2,574,295)	-
Total business-type activities	528,525,907	583,374,729	-	6,305,625	-	61,154,447	61,154,447	-
Total primary government	$ 972,552,619	$ 666,336,308	$ 40,446,778	$ 14,278,414	(312,645,566)	61,154,447	(251,491,119)	-
Component units								
Garland Housing Finance Corp.	$ 2,140,612	$ 3,356,926	$ -	$ -				$ 1,216,314
	$ 2,140,612	$ 3,356,926	$ -	$ -				
		General revenues:						
		Sales taxes			54,910,882	-	54,910,882	-
		Franchise fees based on gross receipts			8,160,990	-	8,160,990	-
		Property taxes			182,673,314	-	182,673,314	-
		Hotel/Motel taxes			1,595,434	-	1,595,434	-
		Mixed drink taxes			474,345	-	474,345	-
		Bingo taxes			129,455	-	129,455	-
		Unrestricted investment earnings			21,490,282	24,166,686	45,656,968	342,552
		Miscellaneous			184,253	11,039,787	11,224,040	1,802,043
		Transfers			14,740,730	(14,740,730)	-	-
		Total general revenues and transfers			284,359,685	20,465,743	304,825,428	2,144,595
		Change in net position			(28,285,881)	81,620,190	53,334,309	3,360,909
		Net position - beginning			580,573,119	985,931,294	1,566,504,413	9,779,343
		Net position-ending			$ 552,287,238	$ 1,067,551,484	$ 1,619,838,722	$ 13,140,252

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

City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2025

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 63,865,316	$ 2,557,311	$ 196,146,806	$ 31,401,886	$ 293,971,319
Investments	13,323,468	-	32,532,710	6,000,644	51,856,822
Receivables:					
Accounts, net	26,505,305	-	298,051	5,884,348	32,687,704
Taxes, net	815,772	1,121,495	-	-	1,937,267
Accrued interest	211,191	-	234,686	55,835	501,712
Assessments	16,032	-	-	-	16,032
Due from other funds	17,766,873	-	-	-	17,766,873
Due from other governments	-	-	-	1,139,588	1,139,588
Inventory	441,820	-	-	-	441,820
Prepaid items	103,241	-	-	-	103,241
Total Current Assets	123,049,018	3,678,806	229,212,253	44,482,301	400,422,378
Restricted assets:					
Cash and cash equivalents	18,907,321	-	-	23,794,457	42,701,778
Investments	-	-	-	23,480	23,480
Total Restricted Assets	18,907,321	-	-	23,817,937	42,725,258
Total Assets	$ 141,956,339	$ 3,678,806	$ 229,212,253	$ 68,300,238	$ 443,147,636
LIABILITIES					
Accounts payable and accrued liabilities	$ 22,482,006	$ 161,792	$ 21,894,965	$ 1,405,402	$ 45,944,165
Escrow payable	-	-	28,762	283,270	312,032
Due to other funds	-	-	17,187,543	217,752	17,405,295
Unearned revenues	790,410	-	11,039,857	21,835,609	33,665,876
Retainage payable	-	-	5,970,274	-	5,970,274
Total Liabilities	23,272,416	161,792	56,121,401	23,742,033	103,297,642
DEFERRED INFLOWS OF RESOURCES	12,629,570	1,053,311	41,357	-	13,724,238
FUND BALANCES					
Fund balances:					
Nonspendable	545,061	-	-	-	545,061
Restricted	21,859,575	2,463,703	163,158,602	21,038,049	208,519,929
Committed	31,882,550	-	-	23,590,712	55,473,262
Assigned	19,556,677	-	9,890,893	-	29,447,570
Unassigned	32,210,490	-	-	(70,556)	32,139,934
Total Fund Balances	106,054,353	2,463,703	173,049,495	44,558,205	326,125,756
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 141,956,339	$ 3,678,806	$ 229,212,253	$ 68,300,238	$ 443,147,636

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

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

Total fund balances - governmental funds	$	326,125,756
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		934,231,629
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		13,724,238
Deferred outflows related to pensions.		95,424,108
Deferred outflows related to OPEB.		18,015,142
Bond interest is not accrued at the fund level.		(3,635,552)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of:		
Bonds payable		(632,740,000)
Landfill closure costs		(16,611,916)
Compensated absences		(28,323,586)
Unamortized premium on refunding		(30,293,683)
Other Post Employment Benefits liability payable		(71,541,488)
Deferred loss on debt refunding		11,205
Deferred gain on debt refunding		(14,145)
Net pension liability		(90,574,226)
SBITA liability		(9,834,871)
Deferred inflows related to pensions		(12,419,312)
Deferred inflows related to OPEB.		(3,249,622)
Deferred inflows related to Leases.		(1,385,820)
Internal service funds net position adjustment excluding assets and liabilities included in the adjustments listed above. Internal service funds are used by management to charge the costs of various services to individual funds. Certain assets and liabilities of the internal service funds are included with governmental activities in the statement of net position.		64,802,403
Total net position - governmental activities	$	551,710,260

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

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

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 125,680,837	$ 101,908,848	$ -	$ 7,957,855	$ 235,547,540
Franchise fees	8,160,990	-	-	-	8,160,990
Service charges	43,911,450	-	-	-	43,911,450
Licenses and permits	7,372,539	-	-	-	7,372,539
Earnings on investments	4,913,063	974,006	8,879,547	3,066,258	17,832,874
Intergovernmental	8,087,972	-	4,538,671	26,411,278	39,037,921
Charges for services	12,006,330	-	-	-	12,006,330
Fines and forfeits	6,092,920	-	-	-	6,092,920
Rents and concessions	990,367	-	-	-	990,367
Assessments	-	-	42,453	-	42,453
Impact fees	-	-	-	2,491,841	2,491,841
Contributions	-	-	-	720,000	720,000
Program income	-	-	-	308,931	308,931
Court awarded seizures	-	-	-	554,140	554,140
Miscellaneous and other	-	-	16,112,072	1,158,058	17,270,130
Total revenues	217,216,468	102,882,854	29,572,743	42,668,361	392,340,426
EXPENDITURES					
Current:					
General government	18,299,585	-	132,700	-	18,432,285
Public safety	139,917,468	-	-	-	139,917,468
Public works	29,418,405	-	-	-	29,418,405
Culture and recreation	21,355,473	-	-	-	21,355,473
Public health	4,963,515	-	-	-	4,963,515
Nondepartmental	115,049,871	-	-	-	115,049,871
Operations	-	-	-	30,335,210	30,335,210
Capital outlay	20,429,323	-	119,470,336	13,656,678	153,556,337
Debt service:					
Principal	-	37,067,802	-	1,862,198	38,930,000
Interest	-	21,624,969	-	46,601	21,671,570
Other and fiscal expenditures	-	282,747	681,113	-	963,860
Total expenditures	349,433,640	58,975,518	120,284,149	45,900,687	574,593,994
Excess (deficiency) of revenues over (under) expenditures	(132,217,172)	43,907,336	(90,711,406)	(3,232,326)	(182,253,568)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	393,217	-	734,317	-	1,127,534
Transfers in	75,425,259	820,554	48,189,315	11,421,415	135,856,543
Transfers out	(38,125,451)	(45,827,000)	(47,462,826)	(1,158,484)	(132,573,761)
Issuance of debt	130,850,000	-	78,130,000	-	208,980,000
Premium on issuance of debt	-	-	5,443,113	-	5,443,113
Total other financing sources (uses)	168,543,025	(45,006,446)	85,033,919	10,262,931	218,833,429
Net change in fund balances	36,325,853	(1,099,110)	(5,677,487)	7,030,605	36,579,861
Fund balances - beginning	69,728,500	3,562,813	178,726,982	37,527,600	289,545,895
Fund balances - ending	$ 106,054,353	$ 2,463,703	$ 173,049,495	$ 44,558,205	$ 326,125,756

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

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

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

Net change in fund balances - total governmental funds	$ 36,579,861
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/amortization expense.	109,598,455
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,926,173
The issuance of long-term debt (e.g., bonds, leases) 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 these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(170,169,874)
Other long-term liabilities related to pension expense and contributions, are not due and payable in the current period and therefore, are not reported in governmental funds.	(10,604,387)
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	(3,994,678)
Interest is accrued in the government wide financial statements but not at the fund level. This represents the change in the accrual during the period.	531,221
Internal service funds are used by management to charge the costs of vehicle services, building services, printing services, and insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	4,847,348
Net change in net position-total governmental activities	$ (28,285,881)

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

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

	Business-type Activities					Governmental Activities
	Electric	Water	Wastewater	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$ 116,027,020	$ 39,207,945	$ 27,323,797	$ 8,448,553	$ 191,007,315	$ 74,693,208
Investments	22,486,471	7,716,742	5,405,790	1,661,847	37,270,850	14,603,160
Receivable, net of allowance	86,975,638	11,098,930	6,328,817	3,961,216	108,364,601	2,036,252
Accrued interest	277,005	71,763	50,076	16,820	415,664	125,694
Inventories	7,117,751	2,685,743	199,174	169,587	10,172,255	279,232
Prepaid expense	964,535	-	-	-	964,535	2,525,259
Total current assets	233,848,420	60,781,123	39,307,654	14,258,023	348,195,220	94,262,805
Noncurrent Assets:						
Restricted assets						
Revenue bond reserve fund:						
Cash and cash equivalents	-	734,582	-	-	734,582	-
Investments	357	-	-	-	357	-
Total revenue bond reserve fund	357	734,582	-	-	734,939	-
Rate mitigation:						
Cash and cash equivalents	180,649,458	-	-	-	180,649,458	-
Investments	105,338,899	-	-	-	105,338,899	-
Accrued interest	1,146,234	-	-	-	1,146,234	-
Total rate mitigation	287,134,591	-	-	-	287,134,591	-
Collateral:						
Cash and cash equivalents	52,513,001	-	-	-	52,513,001	-
Total collateral	52,513,001	-	-	-	52,513,001	-
Construction funds:						
Cash and cash equivalents	157,969	311,339	249,138	7,496,279	8,214,725	49,936
Investments	16,022	16,591	37,180	1,457,181	1,526,974	28,041
Accrued interest	290	108	457	10,600	11,455	91
Total construction funds	174,281	328,038	286,775	8,964,060	9,753,154	78,068
Other Assets	158,038,284	-	-	-	158,038,284	-
Derivative instruments - energy risk management	91,308	-	-	-	91,308	-
Total other assets	158,129,592	-	-	-	158,129,592	-
Capital Assets:						
Land	35,077,871	1,807,965	2,338,807	11,455,600	50,680,243	358,759
Buildings, improvements, equipment and systems	1,116,491,660	409,874,698	656,509,556	61,802,317	2,244,678,231	190,584,122
Construction in progress	70,417,299	20,220,797	57,024,861	8,412,341	156,075,298	4,348,783
Less accumulated depreciation/amortization	(337,773,560)	(179,067,325)	(342,179,822)	(44,446,678)	(903,467,385)	(129,239,096)
Net capital assets	884,213,270	252,836,135	373,693,402	37,223,580	1,547,966,387	66,052,568
Total noncurrent assets	1,382,165,092	253,898,755	373,980,177	46,187,640	2,056,231,664	66,130,636
Total Assets	1,616,013,512	314,679,878	413,287,831	60,445,663	2,404,426,884	160,393,441
Deferred Outflows of Resources						
Deferred charges on debt refundings	95,094	2,371	4,666	2	102,133	776
Deferred charges on pensions	19,057,805	3,530,542	4,945,409	6,460,268	33,994,024	12,681,997
Deferred charges on OPEB	3,470,294	898,681	1,410,239	1,755,888	7,535,102	3,511,741
Deferred charges on derivatives	305,699	-	-	-	305,699	-
Deferred charges on ARO	330,253	-	-	-	330,253	-
Total deferred outflows	23,259,145	4,431,594	6,360,314	8,216,158	42,267,211	16,194,514

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

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

	Business-type Activities					Governmental Activities
	Electric	Water	Wastewater	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current liabilities:						
Payable from current assets						
Accounts payable and accrued liabilities	$ 28,138,617	$ 926,064	$ 7,158,966	$ 2,166,778	$ 38,390,425	$ 6,611,072
Retainage	255,395	-	-	-	255,395	-
Due to other funds	-	-	-	177,242	177,242	184,336
Insurance claims payable	-	-	-	-	-	5,450,263
Accrued interest payable:						
General obligation bonds	-	-	-	51	51	43,655
Certificates of obligation	-	-	-	166,800	166,800	36,612
Collateral	187,784	-	-	-	187,784	-
Revenue bonds	2,533,969	556,541	1,005,434	-	4,095,944	-
Customer deposits	-	-	-	-	-	23,640,922
General obligation bonds (net of unamortized premium)	-	-	-	5,000	5,000	1,750,000
Certificates of obligation	-	-	-	5,105,000	5,105,000	1,175,000
Revenue bonds	32,190,000	8,825,000	10,220,000	-	51,235,000	-
Leases	104,446	-	-	-	104,446	135,157
SBITA	308,702	-	-	-	308,702	2,569,853
OPEB liability-current	-	-	-	-	-	-
Compensated absences	1,705,360	266,472	428,801	437,390	2,838,023	931,091
Derivative instruments-energy risk management	305,699	-	-	-	305,699	-
Total current liabilities	65,729,972	10,574,077	18,813,201	8,058,261	103,175,511	42,527,961
Long-term liabilities:						
Payable from restricted assets						
Accounts payable	6,633,024	1,862,842	181,346	889,710	9,566,922	-
Retainage payable	213,579	156,664	1,870,285	-	2,240,528	-
Collateral payable	52,513,001	-	-	-	52,513,001	-
Escrow payable	1,685,976	-	-	-	1,685,976	-
Total payable from restricted assets	61,045,580	2,019,506	2,051,631	889,710	66,006,427	-
Revenue bonds payable (net of unamortized premium)	739,532,955	114,411,179	175,681,190	-	1,029,625,324	-
Certificates of obligation (net of unamortized premium)	-	-	-	14,111,449	14,111,449	5,366,485
General obligation bonds (net of unamortized premium)	-	-	-	5,080	5,080	5,530,610
Commercial paper	89,795,000	3,000,000	17,000,000	-	109,795,000	-
Unearned revenue	45,617	-	-	-	45,617	-
Leases	235,715	-	-	-	235,715	576,978
SBITA	214,194	-	-	-	214,194	6,146,004
Insurance claims payable	-	-	-	-	-	6,147,849
Asset retirement obligations	607,512	-	-	-	607,512	-
Net OPEB liability	14,276,244	3,697,036	5,801,502	7,223,438	30,998,220	14,446,880
Compensated absences	676,257	91,289	78,162	94,957	940,665	170,697
Net pension liability	18,754,484	3,457,217	4,819,564	6,130,855	33,162,120	12,178,321
Total other liabilities	864,137,978	124,656,721	203,380,418	27,565,779	1,219,740,896	50,563,824
Total non-current liabilities	925,183,558	126,676,227	205,432,049	28,455,489	1,285,747,323	50,563,824
Total Liabilities	990,913,530	137,250,304	224,245,250	36,513,750	1,388,922,834	93,091,785
Deferred Inflows of Resources						
Deferred charges on debt refundings	1,801,937	310,381	95,594	-	2,207,912	1,512
Fair value of energy risk derivatives	91,308	-	-	-	91,308	-
Deferred charges on pensions	1,574,403	314,847	472,287	839,811	3,201,348	1,418,841
Deferred charges on OPEB	625,977	162,106	254,382	316,730	1,359,195	633,428
Total deferred inflows of resources	4,093,625	787,334	822,263	1,156,541	6,859,763	2,053,781
NET POSITION						
Net investment in capital assets	229,352,744	124,600,478	168,936,428	26,071,403	548,961,053	46,026,644
Restricted for:						
Debt service	357	734,582	-	-	734,939	-
Rate mitigation	287,134,591	-	-	-	287,134,591	-
Unrestricted	127,777,810	55,738,774	25,644,204	4,920,127	214,080,915	35,415,745
Total net position	$ 644,265,502	$ 181,073,834	$ 194,580,632	$ 30,991,530	1,050,911,498	$ 81,442,389
Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.					16,639,986	
Net position of business type activities					$ 1,067,551,484	

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

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

	Business-type Activities					Governmental Activities
	Electric	Water	Wastewater	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	$ 382,080,533	$ 96,150,243	$ 62,278,209	$ 42,865,744	$ 583,374,729	$ 74,300,263
Insurance premiums	-	-	-	-	-	55,165,357
Other	8,951,352	95,132	56,132	85,422	9,188,038	15,972,536
Total Operating Revenues	391,031,885	96,245,375	62,334,341	42,951,166	592,562,767	145,438,156
OPERATING EXPENSES:						
Salaries and benefits	46,050,340	9,653,706	14,936,776	20,859,879	91,500,701	38,810,326
TMPA charges	382,600	-	-	-	382,600	-
Amortization of other assets	11,677,415	-	-	-	11,677,415	-
Energy and fuel purchases	175,120,981	-	-	-	175,120,981	-
Water purchases	-	48,308,611	-	-	48,308,611	-
Landfill fees	-	-	-	3,212,747	3,212,747	-
Maintenance, repairs, and other	21,056,750	7,390,129	10,399,950	11,950,480	50,797,309	43,466,718
Insurance and other expenses	6,790,219	795,409	2,862,469	1,456,463	11,904,560	-
General and administrative	17,561,149	5,817,611	4,940,647	2,871,969	31,191,376	9,150,852
Premiums	-	-	-	-	-	16,950,849
Claims	1,128,075	289,274	455,564	547,923	2,420,836	41,718,475
Administrative services	-	-	-	-	-	961,871
Depreciation	26,723,634	9,711,435	15,278,099	5,031,542	56,744,710	15,210,319
Total Operating Expenses	306,491,163	81,966,175	48,873,505	45,931,003	483,261,846	166,269,410
Total Operating Income (loss)	$ 84,540,722	$ 14,279,200	$ 13,460,836	$ (2,979,837)	$ 109,300,921	$ (20,831,254)
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental	$ -	$ -	$ -	$ 71,901	$ 71,901	$ 1,429,284
Gain (loss) on disposal of capital assets	(1,273,018)	-	-	419,250	(853,768)	435,983
Other	1,851,750	-	-	-	1,851,750	-
Investment income	20,029,684	2,021,570	1,494,549	620,883	24,166,686	3,657,406
Interest expense	(25,154,387)	(3,652,125)	(5,830,165)	(403,756)	(35,040,433)	(671,880)
Income (loss) before transfers and contributions	79,994,751	12,648,645	9,125,220	(2,271,559)	99,497,057	(15,980,461)
Capital contributions	239,886	4,947,330	1,046,508	-	6,233,724	-
TRANSFERS						
Transfers in	18,121,970	2,699,552	3,799,370	9,722,444	34,343,336	15,196,878
Transfers out	(30,775,688)	(8,888,469)	(7,750,355)	(1,669,554)	(49,084,066)	(3,738,930)
Net transfers	(12,653,718)	(6,188,917)	(3,950,985)	8,052,890	(14,740,730)	11,457,948
NET INCOME (LOSS)	67,580,919	11,407,058	6,220,743	5,781,331	90,990,051	(4,522,513)
Net position, beginning of year	576,684,583	169,666,776	188,359,889	25,210,199	959,921,447	85,964,902
Net position, end of year	$ 644,265,502	$ 181,073,834	$ 194,580,632	$ 30,991,530	1,050,911,498	$ 81,442,389

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue of certain internal service funds is reported with business type activities	(9,369,861)
Change in net position of business-type activities	$ 81,620,190

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

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

	Business-type Activities					Governmental Activities
	Electric	Water	Wastewater	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	$ 382,429,051	$ 99,295,850	$ 62,327,353	$ 42,379,969	$ 586,432,223	$ 128,938,553
Cash paid to customer deposit	11,253,326	-	-	-	11,253,326	1,336,998
Cash paid to suppliers	(218,384,009)	(65,028,475)	(12,406,062)	(18,639,137)	(314,457,683)	(102,226,630)
Cash paid to employees for services	(44,107,068)	(9,277,349)	(14,447,340)	(20,136,856)	(87,968,613)	(37,631,518)
Other operating revenues	8,951,352	95,132	56,132	85,422	9,188,038	15,972,536
Net cash provided by operating activities	140,142,652	25,085,158	35,530,083	3,689,398	204,447,291	6,389,939
Cash flows from noncapital financing activities:						
Advance to other funds decrease	3,896,269	-	-	-	3,896,269	-
Due from other funds decrease	-	-	-	-	-	1,071,104
Due to other funds increase (decrease)	-	-	-	177,242	177,242	(4,388,263)
Due from other governments increase (decrease)	-	-	-	81,717	81,717	-
Intergovernmental	-	-	-	71,901	71,901	1,429,284
Transfers in	18,121,970	2,699,552	3,799,370	9,722,444	34,343,336	15,196,878
Transfers out	(30,775,688)	(8,888,469)	(7,750,355)	(1,669,554)	(49,084,066)	(3,738,930)
Net cash provided by (used for) noncapital financing activities	(8,757,449)	(6,188,917)	(3,950,985)	8,383,750	(10,513,601)	9,570,073
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	7,235,000	7,235,000	-
Revenue bonds	111,160,000	14,240,000	37,975,000	-	163,375,000	-
Premium on issuance of debt	7,801,482	888,898	2,370,761	343,540	11,404,681	-
Commercial paper	66,600,000	9,000,000	31,000,000	-	106,600,000	-
Acquisition and construction of capital assets	(76,614,867)	(13,091,412)	(48,593,435)	(11,725,027)	(150,024,741)	(10,204,401)
New obligations under capital lease	323,716	-	-	-	323,716	(2,707,036)
Increase (decrease) in advance from other funds	-	-	-	-	-	(3,896,269)
Principal paid on:						
Revenue bonds	(31,855,000)	(7,955,000)	(8,645,000)	-	(48,455,000)	-
Certificates of obligation	-	-	-	(3,935,000)	(3,935,000)	(1,095,000)
General obligation bonds	-	-	-	(5,000)	(5,000)	(1,770,000)
Lease (decrease)	(386,539)	-	-	-	(386,539)	882,881
Payment to escrow agent	(50,089,197)	-	-	-	(50,089,197)	-
Commercial paper	(68,205,000)	(15,000,000)	(40,000,000)	-	(123,205,000)	-
Interest paid on:						
Revenue bonds	(30,127,803)	(4,832,176)	(6,599,022)	-	(41,559,001)	-
Certificates of obligation	-	-	-	(720,914)	(720,914)	(328,085)
General obligation bonds	-	-	-	(526)	(526)	(385,901)
Commercial paper	(2,456,845)	(545,006)	(1,060,651)	-	(4,062,502)	-
Collateral Held	(1,800,069)	-	-	-	(1,800,069)	-
Lease	(26,586)	-	-	-	(26,586)	(282,298)
Proceeds from sale of TMPA mine	1,851,750	-	-	-	1,851,750	-
Contributions	-	96,203	22,942	-	119,145	-
Proceeds from sales of assets	-	-	-	419,250	419,250	487,528
Net cash used for capital and related financing activities	(73,824,958)	(17,198,493)	(33,529,405)	(8,388,677)	(132,941,533)	(19,298,581)

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

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

	Business-type Activities					Governmental Activities
	Electric	Water	Wastewater	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from investing activities:						
Purchase of investment securities	(100,182,118)	(6,817,223)	(5,621,904)	(3,551,309)	(116,172,554)	(12,427,357)
Proceeds from sale and maturities of investment securities	72,106,127	7,305,441	5,147,478	3,331,218	87,890,264	15,246,162
Interest received on investments	19,553,377	2,024,437	1,489,616	621,193	23,688,623	3,686,766
Net cash provided by (used for) investing activities	(8,522,614)	2,512,655	1,015,190	401,102	(4,593,667)	6,505,571
Net increase in cash and cash equivalents	49,037,631	4,210,403	(935,117)	4,085,573	56,398,490	3,167,002
Cash and cash equivalents at beginning of the year	300,309,817	36,043,463	28,508,052	11,859,259	376,720,591	71,576,142
Cash and cash equivalents at end of the year	$ 349,347,448	$ 40,253,866	$ 27,572,935	$ 15,944,832	$ 433,119,081	$ 74,743,144
Reconciliation to Statement of Net Position						
Cash and cash equivalents	$ 116,027,020	$ 39,207,945	$ 27,323,797	$ 8,448,553	$ 191,007,315	$ 74,693,208
Revenue bond cash and cash equivalents	-	734,582	-	-	734,582	-
Rate mitigation cash and cash equivalents	180,649,458	-	-	-	180,649,458	-
Collateral cash and cash equivalents	52,513,001	-	-	-	52,513,001	-
Construction fund cash and cash equivalents	157,969	311,339	249,138	7,496,279	8,214,725	49,936
Total cash and cash equivalents	$ 349,347,448	$ 40,253,866	$ 27,572,935	$ 15,944,832	$ 433,119,081	$ 74,743,144
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	$ 84,540,722	$ 14,279,200	$ 13,460,836	$ (2,979,837)	$ 109,300,921	$ (20,831,254)
Adjustments:						
Depreciation/amortization expense	26,723,634	9,711,435	15,278,099	5,031,542	56,744,710	15,210,319
Amortization of other assets	11,677,415	-	-	-	11,677,415	-
Change in allowance for uncollectible accounts	(199,113)	19,647	(8,375)	9,569	(178,272)	(22,725)
Change in assets and liabilities						
Increase in pension related deferred outflows	(11,454,960)	(2,164,034)	(3,087,111)	(4,427,096)	(21,133,201)	(8,171,446)
Decrease in OPEB related deferred outflows	733,161	189,863	297,938	370,961	1,591,923	741,925
(Increase) decrease in accounts receivable	547,631	3,125,960	57,519	(495,344)	3,235,766	(504,343)
(Increase) decrease in inventory	(527,939)	(2,685,743)	(133,782)	(45,550)	(3,393,014)	9,395,928
Increase in other assets	(2,694,921)	-	-	-	(2,694,921)	-
Increase in net pension liability	13,354,043	2,486,615	3,499,680	4,686,707	24,027,045	8,974,326
(Increase) decrease in other prepaid expense	(30,066)	2,262	-	-	(27,804)	255,019
Increase (decrease) in accounts payable	6,139,187	56,765	6,073,643	1,056,646	13,326,241	(407,518)
Increase (decrease) in compensated absences	(99,344)	(3,992)	(45,870)	6,151	(143,055)	(193,893)
Increase in customer deposits	11,253,326	-	-	-	11,253,326	1,336,998
Increase in OPEB liability	86,821	22,484	35,282	43,929	188,516	87,861
Increase in pension related deferred inflows	143,533	57,768	122,737	457,261	781,299	569,824
Decrease in OPEB related deferred inflows	(50,478)	(13,072)	(20,513)	(25,541)	(109,604)	(51,082)
Total adjustments	55,601,930	10,805,958	22,069,247	6,669,235	95,146,370	27,221,193
Net cash provided by operating activities	$ 140,142,652	$ 25,085,158	$ 35,530,083	$ 3,689,398	$ 204,447,291	$ 6,389,939
Noncash investing, capital and financing activities:						
Contributions from developers	239,886	4,851,127	1,023,566	-	6,114,579	-
Decrease in fair value of investments	35,135	11,831	8,334	4,821	60,121	22,426
Change in restricted accounts payable	4,357,721	104,476	(2,387,598)	129,069	2,203,668	(15,093)

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

City of Garland, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2025

	Other Post Employment Benefits Trust Fund
Assets	
Investments:	
Equity mutual funds	$ 10,267,102
Fixed income mutual funds	12,333,688
Money market fund	909,862
Total investments	23,510,652
Total assets	$ 23,510,652
Net Position	
Net Position restricted for other post employment benefits	23,510,652
Total net position	$ 23,510,652

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

City of Garland, Texas
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2025

		Other Post Employment Benefits Trust Fund
Additions		
Investment earnings	$	3,353,191
Investment costs		(1,390,042)
Net investment earnings		1,963,149
Employer contributions		8,378,331
Total additions		10,341,480
Deductions		
Administrative expenses		94,048
Payments to beneficiaries		6,533,331
Total deductions		6,627,379
Change in net position		3,714,101
Net position, beginning of year		19,796,551
Net position, end of year	$	23,510,652

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and eight-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Discretely Presented Component Unit
The Garland Housing Finance Corporation (GHFC) was organized to finance the cost of residential ownership and development that will provide decent, safe and sanitary housing for residents of the City at affordable prices. GHFC is governed by a board of directors that are appointed by and serve at the discretion of the City Council. GHFC is reported as a proprietary entity and maintains their accounts on an accrual basis of accounting. On October 1, 2012, GHFC hired an outside accounting firm to conduct their bookkeeping and accounting. The financial information for GHFC is included in the statements for the period of January 1, 2024 through December 31, 2024. Complete separate December 31, 2024 financial statements for GHFC may be obtained from the City.

Blended Component Units
The Garland Foundation for Development (GFFD) was organized to promote economic development within the City of Garland. The City Council serves as the board members for GFFD and the Assistant City Manager is the Executive Director. GFFD is reported as a blended component unit of the non-major governmental funds.

In 2018, the City of Garland created the Garland Public Facility Corporation (GPFC) as a public facility corporation under Chapter 303 of the Texas Local Development Code. The GPFC was organized exclusively for the purpose of assisting the City in financing, refinancing, or providing public facilities. The Mayor and City Council serves as the board members of the GPFC. GPFC is reported as a blended component unit of the non-major governmental funds.

B. Government-wide and fund financial statements

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

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers sales tax revenue to be available if they are collected within 30 days of the end of the current fiscal period and all other revenues available if they are collected within 60 days of the end of the annual fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, actuarially determined pension and OPEB expenses, and claims and judgments, are recorded only when payment is due. Grant revenues are recognized as revenues when all eligibility requirements are met.

Property taxes, franchise fees, licenses, mowing liens, sales taxes, EMS fees, court fines, and earnings on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are available as defined above. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

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

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

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

The Electric Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide electric service for the residents of the City.

The Water Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide water service for the residents of the City.

The Wastewater Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide wastewater treatment service for the residents of the City.

Additionally, the City reports the following fund categories:

Special revenue funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. These specific revenue sources are Community Development Block Grants, Housing Assistance Grants, Neighborhood Services Grants and Funding, Hotel/Motel Tax, Impact Fees, Landfill Closure Funding, Police Training, Substandard Perimeter Road Funding, Narcotic Seizure Funding, Culture & Recreation Grants, Tax Increment Finance funds, Coronavirus Recovery grant funds, GFFD, and GPFC.

The City's nonmajor enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that costs of providing goods and services to the general public on a continuing basis will be financed or recovered through user charges. These funds are the Golf Fund, the Heliport Fund, the Storm Water Management Fund, the Parks Performance Fund, and the Sanitation Fund.

Internal service funds account for group health, self-insurance, long-term disability, fleet services, vehicle replacement, information technology, facilities management, warehouse, and customer services to other departments of the City on a cost reimbursement basis.

The Other Post-Employment Benefits trust fund accounts for the activities of the trust fund which accumulates resources for OPEB related benefits, and is excluded from the government-wide financial statements.

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

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

Proprietary funds distinguish operating revenues and expenses from 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. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and Wastewater systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and the City Council approved investment policy authorize the City to invest in obligations of the Agencies and Instrumentalities of the U.S. Treasury, commercial paper, FDIC insured Certificates of Deposit, repurchase agreements, reverse repurchase agreements, SEC registered no-load money market mutual funds, and investment pools.

The deposits and investments of the OPEB trust fund are held separately from those of other City funds by an outside trustee appointed by the City.

Investments for the primary government, as well as for its component units, are reported at fair value. The Texpool and TexStar investment pools operate in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectible. The allowance for uncollectible accounts for utility billing is estimated based on collection experience. All other allowance for uncollectible accounts is based on accounts outstanding in excess of 360 days of the invoice date and collection experience. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last five years.

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 business personal property located in the City. Assessed values are established by the Dallas Central Appraisal District at 100% of estimated market value. Property taxes attach an enforceable lien on property as of January 1. Taxes are due immediately following the October 1 levy date and are considered delinquent after January 31 of the following year. Penalty and interest are charged at 7% on delinquent taxes beginning February 1 and increases each month to 18% on July 1. After all collection efforts have failed, the City files suit to collect the delinquent taxes.

In Texas, countywide central appraisal districts are required under the Property Tax Code 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 by the appraisal district through various appeals and, if necessary, legal action. Under this system the City sets tax rates on property within the City. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

3. Inventories and prepaid items

All inventories are valued at average cost and consist of expendable supplies held for consumption or the construction of plant and equipment. Inventories are accounted for under the consumption method.

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

4. Restricted assets

Certain proceeds of the City's general obligation bonds, certificates of obligation, and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet or statement of net position because their use is limited by applicable bond covenants or they are maintained in separate bank accounts due to City Charter requirements. The "rate mitigation" account is used to report resources set aside to subsidize potential deficiencies from Electric Fund operations that could adversely affect rates that are charged to customers. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction of assets.

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the City as tangible or intangible assets used in operations with an initial useful life in excess of one year. Capital asset values are established on a department by department basis where the initial asset cost is $5,000 and above.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value for buildings excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond 40 years. The reported value for infrastructure includes all upgrades and is depreciated over a useful life of 15-50 years. In the case of contributed assets, the City values these capital assets at the acquisition value of the item at the date of its contribution.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for the electric fund is included as part of the capital value of the electric assets constructed. The total interest expense by the City during the current year was $57,383,883. Of this amount, $2,765,494 was included as part of the cost of capital assets under construction in connection with electric construction projects.

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

Assets	Years
Buildings	15 – 40
Improvements other than buildings	5 – 15
Equipment	2 – 10
Systems and Infrastructure	15 – 50

6. *Compensated absences*

It is the City’s policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees are reimbursed upon termination for accumulated vacation and only non-exempt employees are reimbursed for compensatory time. Employees are not reimbursed upon termination for accumulated sick leave except for police and firefighters who are reimbursed up to a maximum of 90 days accumulated sick leave. The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee benefit account) during or upon separation from employment. Based on the criteria listed, the following types of leave quality for liability recognition for compensated absences; vacation, sick leave, and compensatory leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

7. Long-term obligations

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

In the fund financial statements, governmental funds 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 received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

8. Classifications of Fund balance

Fund balances for governmental funds are reported in classifications that demonstrate the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The governmental fund classifications are as follows:

> <u>Nonspendable</u> – The portion of fund balance that cannot be spent because it is either (a) not in spendable form, such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact.
> <u>Restricted</u> – The portion of fund balance that is restricted for specific purposes due to constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
> <u>Committed</u> – The portion of fund balance that can only be used for specific purposes by the City's highest level of decision-making authority, the City Council, and are imposed by the City Council through an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until an ordinance is imposed to remove or revise the limitation.
> <u>Assigned</u> – The portion of the fund balance that is constrained by the City's intent for specific purposes, but are not restricted or committed. In fund balance policy, the City Council delegates authority to the Director of Finance or the Director of Finance's designee to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
> <u>Unassigned</u> – The portion of the fund balance that is not restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned funds balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, if expenditures incurred for specific purposes exceed the amounts that are not restricted, committed, or assigned to this purpose, it may be necessary to report a negative fund balance in that fund.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

In order to remain financially strong and provide a framework for prudent financial management, the City maintains a minimum unassigned fund balance goal in the General fund of 30 days of budget-based operating expenditures.

Fund balances for governmental funds as of September 30, 2025 are:

Fund Balance	*General Fund*	*Debt Service*	*Capital Projects*	*Other Nonmajor Governmental Funds*	*Total Governmental Funds*
Nonspendable:					
General government	$ 545,061	$ -	$ -	$ -	$ 545,061
Total Nonspendable	545,061	-	-	-	545,061
Restricted:					
General government	2,952,254	-	-	15,671,063	18,623,317
Debt service	-	2,463,703	-	-	2,463,703
Public facilities	-	-	163,158,602	-	163,158,602
TMRS Escrow	18,907,321	-	-	-	18,907,321
Housing assistance	-	-	-	4,190,391	4,190,391
Public safety	-	-	-	1,176,595	1,176,595
Total Restricted	21,859,575	2,463,703	163,158,602	21,038,049	208,519,929
Committed:					
General government	3,212,971	-	-	-	3,212,971
Public Safety	-	-	-	1,802,741	1,802,741
Public works and infrastructure	28,669,579	-	-	21,787,971	50,457,550
Total Committed	31,882,550	-	-	23,590,712	55,473,262
Assigned:					
General government	19,556,677	-	9,890,893	-	29,447,570
Total Assigned	19,556,677	-	9,890,893	-	29,447,570
Unassigned	32,210,490	-	-	(70,556)	32,139,934
Total fund balance	$ 106,054,353	$ 2,463,703	$ 173,049,495	$ 44,558,205	$ 326,125,756

9. Fund net position

In the fund financial statements, proprietary funds report restricted net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

10. Deferred Inflows/Outflows of Resources

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

- Fair value of energy risk derivative instruments – The deferred charge represents fuel swap hedging activity and is calculated as the difference between the closing futures price at the end of the reporting period, and the futures price at the time the positions were established.
- Deferred charges on refunding – The deferred charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or the refunded debt.
- Pension and OPEB contributions subsequent to measurement date – The deferred charges result from contributions made after the measurement date of the plans to the current fiscal year end. These charges will be recognized in the subsequent fiscal year end.
- Difference in expected and actual economic experience – The difference is deferred and will be amortized as a component of pension and OPEB expense over the estimated average remaining lives of all members determined as of measurement date.
- Difference in assumption changes – The difference is deferred and amortized over estimated average remaining lives of all members determined as of measurement date.
- Deferred charges on asset retirement obligation – The deferred charge will be recognized as an outflow of resources over the remaining estimated useful life of the asset.

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

- Deferred charges on refunding – The deferred charge results from the difference in carry value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or the refunded debt.
- Difference in expected and actual economic experience – The difference is deferred and will be amortized as a component of pension and OPEB expense over the estimated average remaining lives of all members determined as of measurement date.
- Difference in projected and actual earnings – The difference is deferred and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Difference in assumption changes – The difference is deferred and amortized over estimated average remaining lives of all members determined as of measurement date.
- Deferred inflows at the fund level – The deferred inflow on the governmental fund statement represents unavailable revenue at year end.
- Deferred inflows on leases – The deferred inflow on the governmental fund statement represents the remaining lease revenue receivable at fiscal year-end.

11. Leases

Lessee

The City is a lessee for noncancellable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset) reported with other capital assets, in the government-wide and proprietary fund financial statements.

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

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

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

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

Lessor

The City is a lessor for noncancellable leases of property and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund 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.

Key estimates and judgements related to leases 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 payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases 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.

12. Subscription based information technology arrangements (SBITAs)

The City of Garland has noncancellable contracts with subscription based information technology arrangements (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.

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 the estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- The 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.

13. New accounting principles

The City implemented the following new GASB standards during the fiscal year ended September 30, 2025:

GASB Statement No. 101, *"Compensated Absences"* (GASB 101), to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That 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 periods beginning after December 15, 2023. GASB 101 was implemented in the City's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

The GASB has issued Statement No. 102, *"Certain Risk Disclosures"* (GASB 102), which will be effective in fiscal year 2025. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. GASB 102 was implemented in the City's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

GASB issued the following new accounting standards that are expected to be implemented by the City in future years:

The GASB has issued Statement No. 103, *"Financial Reporting Model Improvements"* (GASB 103), which will be effective in fiscal year 2026. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources. The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability. The addition of a subtotal from operating income(loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position. The requirement for presentation of major component unit information will improve comparability. The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 104, *"Disclosure of Certain Capital Assets"* (GASB 104), which will be effective in fiscal year 2026. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital assets held for sales if (a) the government has decided to pursue the sale of the capital asset and (b) it is probably that the sale will be finalized within one year of the financial statement date.

II. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $632,740,000 difference is as follows:

General Obligation bonds – General Government portion	$434,385,000
Certificates of Obligation – General Government portion	198,355,000
Net adjustment to reduce *fund balance – total governmental funds* to arrive at net position – governmental activities	$632,740,000

The portion of Certificates of Obligation amounting to $6,185,000 was outstanding for Internal Service fund projects. The portion of General Obligation bonds amounting to $7,035,000 was outstanding for Internal Service fund projects.

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between *net changes in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this ($170,169,874) difference are as follows:

Debt issued or incurred:	
Issuance of certificate of obligation – Governmental Funds	$ (60,120,000)
Issuance of general obligation bonds – Governmental Funds	(148,860,000)
Net premium on issuance of bonds	(5,443,113)
Principal repayments:	
General obligation debt	23,190,000
Certificates of obligation	15,740,000
Amortization of bond premium	5,420,270
Amortization of Lease/SBITA	(260,528)
Change in landfill closure liability	(856,682)
Change in compensated absences liability	1,020,179
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$(170,169,874)

Another element of that reconciliation states that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period." The details of this $109,598,455 difference are as follows:

Capital outlays	$ 150,524,282
Developers contributions	3,560,978
General Fund expense outlays	3,032,055
Depreciation expense	(46,159,568)
Loss on disposal of assets	(1,359,292)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 109,598,455

III. Stewardship, compliance, and accountability

Deficit fund equity

The Long-Term Disability Insurance Fund deficit of $966,351 is the result of an accrual of claims incurred but not reported of $3,228,223. This accrual was made on the basis of an actuarial analysis completed in 2024 and will be funded in future periods as the payments become due.

The Fleet Services Fund deficit of $324,543 is related to reporting actuarial determined OPEB and pension expenses. The fund is managed on a modified accrual basis. Charges to other operating funds are adjusted annually to meet current operating needs.

The Facilities Management deficit of $362,924 is related to reporting actuarial determined OPEB and pension expenses. The fund is managed on a modified accrual basis. Charges to other operating funds are adjusted annually to meet current operating needs.

The Warehouse Fund deficit of 434,881 is related to reporting actuarial determined OPEB and pension expenses. The Warehouse was outsourced in FY25 and the remaining costs will be closed during the FY26 fiscal year.

The Culture and Recreation Grant Fund deficit of 70,556 is related to expenses incurred after the arborist grant was cancelled. The deficit will be funded in FY26.

IV. Detailed notes on all funds

A. Deposits and investments

Deposits. Consistent with the requirements of State law and the City's investment policy, the City requires all bank and savings bank deposits to be federally insured, fully secured through an FHLB standby letter of credit ("LOC") or collateralized with eligible securities in accordance with Texas Government Code Chapter 2257. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2025. Collateral was held by the Federal Reserve Bank in the City name under a joint safekeeping agreement with JP Morgan Chase Bank. The book value of the collateral at the close of the fiscal year was $4,121,000.

As of September 30, 2025, the carrying amount of the City's deposits was $26,034,883 and the bank balance was $3,145,060. These balances include the City's blended component units (Garland Foundation for Development and Garland Public Facility Corporation). On September 30, 2025, the City's bank balance, the bank balance for GFFD, and the bank balance for GPFC were fully collateralized. The carrying value of the Garland Foundation for Development component unit deposits was $475,981 and the carrying value for Garland Public Facility Corporation was $299,016.

Investments. State statutes, the City's Investment Policy, and the City Statement of Investment Strategies govern the investments of the City. The City is authorized to invest in obligations of the U.S. Government and its agencies and instrumentalities, federal agency discount-amortizing notes, federal agency coupon securities, managed pool accounts and Certificates of Deposit. Management believes it is generally compliant with all applicable requirements of bond covenants.

As of September 30, 2025, the City had the following cash equivalents and investments:

Investment Type	Book Value	Fair Value Level 2	% of portfolio	WAM	Rating	Rating Agency
U.S. Treasury	209,905,365	210,648,590	20.41%	225	N/A	N/A
Certificates of Deposit	1,328,176	-	0.13%	1	N/A	N/A
Investment Pools	817,172,264	-	79.46%	60	AAAm	S&P
Total investment fair value	$ 1,028,405,805	$ 210,648,590	100.00%	47		

Weighted average maturity (WAM) of the portfolio by investment type categories reflected in the previous table is stated in days. The rating agency acronyms are defined as follows: S&P-Standard & Poor's rating agency and Moody's-Moody's Investor Service.

Fair Value Measurement. 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 and liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are inputs (other than quoted prices within Level 1) that are observable for an asset and 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. For the City, all of the U.S. Government Agency securities and Municipal obligations are classified in Level 2 of the fair value hierarchy and are valued based on their relationship to benchmark quoted prices. Investment Pools and Certificates of Deposit are measured at amortized cost or net asset value and are exempt from fair value reporting.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than five years and a WAM of three years or less. As of September 30, 2025, the WAM for all cash equivalents and investments was 47 days.

Credit risk. 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 rating organization. The City's investments in U. S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of September 30, 2025.

The City invests in Texpool and TexStar to meet its daily liquidity needs. Texpool and TexStar are local government investment pools (LGIPs) that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. These pools qualify to be valued at amortized cost and have no limitations or restrictions on withdrawals. Texpool and TexStar are funds that allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of $1.00, although this cannot be fully guaranteed. Texpool and TexStar are all rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60 day limit. The City considers the holdings in these funds to have a WAM of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The City invests in Certificates of Deposit. The City has entered into custody services agreement with Stone Castle Cash Management to act as authorized agent to purchase and manage Certificates of Deposit (CDs) in depository banks. The CDs held at each bank are in the City's name and the CD cannot exceed the FDIC insurance amount. Money can be withdrawn from Stone Castle Cash Management with one day notice. The City considers the holding in these CDs to have a weighted average maturity of one day, due to the fact that these funds can be withdrawn with one day notice.

State law limits investments in commercial paper to the top two ratings issued by at least two nationally recognized credit rating agencies. It is the City's policy to limit its investments in these investment types to the top rating issued by national recognized credit rating agencies.

As of September 30, 2025, the City had the following cash equivalents and investments held by the trust agency Public Agency Retirement Services (PARS) for the OPEB trust fund:

Investment Type	Fair Value
Equity Mutual Funds	$ 10,267,102
Fixed Income Mutual Funds	12,333,688
Money Market Fund	909,862
Total investment fair value	$ 23,510,652

B. Receivables

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

	General	Debt Service	Capital Projects	Electric	Water	Wastewater	Other Funds	Total
Receivables:								
Interest	$ 211,191	$ -	$ 234,686	$ 277,005	$ 71,763	$ 50,076	$ 198,349	$ 1,043,070
Taxes	1,988,782	2,734,109	-	-	-	-	-	4,722,891
Utility Accounts	288,940	-	-	27,587,990	9,917,890	6,399,720	5,627,802	49,822,342
Mowing Liens	671,361	-	-	-	-	-	-	671,361
EMS Accounts	1,749,714	-	-	-	-	-	-	1,749,714
Sales Tax	15,726,769	-	-	-	-	-	-	15,726,769
Leases Receivable	1,450,091	-	-	-	-	-	-	1,450,091
Wholesale & Other Accts	8,374,461	-	298,051	59,868,567	1,302,490	414	6,384,336	76,228,319
Assessments	16,032	-	-	-	-	-	-	16,032
Gross Receivables	30,477,341	2,734,109	532,737	87,733,562	11,292,143	6,450,210	12,210,487	151,430,589
Less: allowance for uncollectibles	(2,929,041)	(1,612,614)	-	(480,919)	(121,450)	(71,317)	(130,322)	(5,345,663)
Net total receivables	$27,548,300	$1,121 ,495	$ 532,737	$ 87,252,643	$ 11,170,693	$ 6,378,893	$ 12,080,165	$146,084,926

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* in the governmental funds were as follows:

	Unearned
Parks service charges for future events	$ 790,412
Homeowner assistance	7,155,248
Other receivables related to capital projects	11,039,856
ARPA funds	14,680,360
	$ 33,665,876

Governmental funds defer revenue recognition in connection with resources that have been earned, but not yet available. These amounts are reported as deferred inflows of resources. At the end of the current fiscal year, the various components of deferred inflows of resources in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (general fund)	$ 766,174
Delinquent property taxes receivable (debt service fund)	1,053,311
Other delinquent receivables (general fund)	10,477,576
Leases receivable	1,385,820
Sales tax, mowing liens, EMS, & other receivables	41,357
	$ 13,724,238

C. Capital Assets

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

Primary government	Balance at Oct. 1, 2024	Increases	Decreases	Balance at Sept. 30, 2025
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 140,065,472	$ 29,520,121	$ (1,968,261)	$ 167,617,332
Internal service land	358,759	-	-	358,759
Construction in progress	266,326,469	120,995,188	(270,032,767)	117,288,890
Internal service construction in progress	13,929,547	4,585,928	(14,166,692)	4,348,783
Total capital assets, not being depreciated	420,680,247	155,101,237	(286,167,720)	289,613,764
Capital assets, being depreciated/amortized:				
Buildings	171,067,741	194,852,766	-	365,920,507
Improvements other than buildings	772,695,925	52,933,765	-	825,629,690
Machinery and equipment	140,676,468	30,522,963	(1,690,627)	169,508,804
Right-to-use SBITA	9,300,386	-	-	9,300,386
Internal service buildings, improvements, and equipment	155,982,763	19,568,489	(2,413,980)	173,137,272
Internal Services leased asset	-	845,661	-	845,661
Internal Services SBITA	12,846,908	3,754,281	-	16,601,189
Total capital assets being depreciated/amortized	1,262,570,191	302,477,925	(4,104,607)	1,560,943,509
Less accumulated depreciation/amortization for:				
Buildings	(72,214,300)	(9,028,829)	-	(81,243,129)
Improvements other than buildings	(504,968,009)	(25,819,254)	-	(530,787,263)
Machinery, furniture, and equipment	(95,397,971)	(12,472,759)	1,657,258	(106,213,472)
Right-to-use SBITA	(1,860,078)	(930,038)	-	(2,790,116)
Internal service buildings, improvements, and equipment	(110,901,931)	(12,248,376)	2,362,435	(120,787,872)
Internal Services leased asset	-	(140,940)	-	(140,940)
Internal Services Right-to-use SBITA	(5,489,280)	(2,821,004)	-	(8,310,284)
Total accumulated depreciation/amortization	(790,831,569)	(63,461,200)	4,019,693	(850,273,076)
Total capital assets, being depreciated/amortized, net	471,738,622	239,016,725	(84,914)	710,670,433
Governmental activities capital assets, net	$ 892,418,869	$ 394,117,962	$ (286,252,634)	$1,000,284,197

	Balance at Oct. 1, 2024	Increases	Decreases	Balance at Sept. 30, 2025
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 47,630,191	$ 3,231,269	$ (181,217)	$ 50,680,243
Construction in progress	81,428,955	154,005,800	(79,359,457)	156,075,298
Total capital assets, not being depreciated	129,059,146	157,237,069	(79,540,674)	206,755,541
Capital assets, being depreciated/amortized:				
Utility buildings, improvements, and equipment	2,165,005,879	84,655,521	(6,936,649)	2,242,724,751
Right-to-use leased asset	409,785	323,716	-	733,501
Right-to-use SBITA	1,219,979	-	-	1,219,979
Total capital assets being depreciated/amortized	2,166,635,643	84,979,237	(6,936,649)	2,244,678,231
Less accumulated depreciation/amortization for:				
Utility buildings, improvements, and equipment	(851,239,004)	(56,337,401)	5,110,290	(902,466,115)
Right-to-use leased asset	(295,596)	(97,891)	-	(393,487)
Right-to-use SBITA	(298,365)	(309,418)	-	(607,783)
Total accumulated depreciation/amortization	(851,832,965)	(56,744,710)	5,110,290	(903,467,385)
Total capital assets, being depreciated/amortized, net	1,314,802,678	28,234,527	(1,826,359)	1,341,210,846
Business-type activities capital assets, net	$1,443,861,824	$ 185,471,596	$ (81,367,033)	$1,547,966,387

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

Governmental activities:	
General government	$ 2,117,974
Public safety	5,850,546
Public works	29,960,335
Culture and recreation	9,899,353
Public health	422,673
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	15,210,319
Total depreciation/amortization expense – governmental activities	$ 63,461,200

Business-type activities:	
Electric	$ 26,723,634
Water	9,711,435
Wastewater	15,278,099
Other non-major business-type activities	5,031,542
Total depreciation/amortization expense – business-type activities	$ 56,744,710

The City has identified intangible assets related to right of way easements. These assets have been classified as non-depreciating assets and reported in the same method as land assets.

Construction commitments

The City has active construction projects as of September 30, 2025. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Library	$ 25,341,205	$ 1,018,478
Wastewater System	30,733,761	17,498,450
Electric System	9,379,481	3,022,831
Parks & Recreation	70,442,332	13,532,370
Streets and Drainage	34,580,487	36,905,748
Municipal Facilities	17,738,655	9,690,299
Total	$ 188,215,921	$ 81,668,176

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2025, is as follows:

Interfund Payable	General Fund	Total
Capital Project Funds	$17,187,543	$17,187,543
Non-Major Business	177,242	177,242
Non-Major Governmental	217,752	217,752
Internal Service Funds	184,336	184,336
	$17,766,873	$17,766,873

Interfund balances are created by short-term deficiencies in cash position in individual funds and it is anticipated that these balances will be repaid within one year or less.

During the year, funds were transferred from one fund to support expenditures of another fund in accordance with the authority established for the individual fund. A summary of interfund transfers by fund type is as follows:

	General Fund	Electric	Water	Wastewater	Debt Service Fund	Capital Project Fund	Non-major Governmental Funds	Non-major Business Funds	Internal Service Funds	Total Transfers
General	$ -	$14,497,594	$2,699,552	$3,799,370	$ -	$ 1,699,812	$ 327,700	$ 5,088,045	$10,013,378	$ 38,125,451
Debt Service	-	-	-	-	-	45,750,000	-	-	77,000	45,827,000
Capital Project	31,833,112	-	-	-	-	-	11,093,715	4,535,999	-	47,462,826
NM Governmental	252,000	-	-	-	166,697	739,503	-	-	284	1,158,484
Electric	25,751,716	-	-	-	219,803	-	-	-	4,804,169	30,775,688
Water	8,737,096	-	-	-	125,703	-	-	-	25,670	8,888,469
Wastewater	7,585,236	-	-	-	127,723	-	-	-	37,396	7,750,355
Non-major Business	1,266,099	-	-	-	164,474	-	-	-	238,981	1,669,554
Internal Service	-	3,624,376	-	-	16,154	-	-	98,400	-	3,738,930
	$75,425,259	$18,121,970	$2,699,552	$3.799.370	$820,554	$48,189,315	$11,421,415	$9,722,444	$15,196,878	$185,396,757

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations; in-lieu-of franchise fees and ad valorem taxes transferred to the General Fund by Water, Wastewater, and Solid Waste; return on investment transferred to the General Fund from the Electric Fund; debt service transfers for payment of principal and interest as these payments are due; and other miscellaneous transfers in accordance with budgetary authorizations.

E. Long-term liabilities

A summary of long-term liabilities, including current portion, for the year ended September 30, 2025, is as follows:

	Balance at Oct. 1, 2024	Increased	Retired	Balance at Sept. 30, 2025	Due within one year
Governmental activities:					
General obligation bonds	$ 317,520,000	$ 148,860,000	$ (24,960,000)	$ 441,420,000	$ 71,300,000
Certificates of obligation	161,255,000	60,120,000	(16,835,000)	204,540,000	17,920,000
Unamortized premium and defeased debt costs	31,148,831	5,443,113	(5,696,167)	30,895,777	-
Landfill post closure cost	15,755,233	856,682	-	16,611,915	-
Compensated absences	30,639,449	3,430,449	(4,644,524)	29,425,374	14,977,791
Capital Lease	-	845,661	(133,526)	712,135	135,157
SBITA	15,185,891	3,864,857	(3,646,848)	15,403,900	3,373,181
Insurance claims payable	11,087,783	510,329	-	11,598,112	5,450,263
OPEB liability	88,019,651	538,569	-	88,558,220	227,683
Net pension liability	24,449,759	78,302,788	-	102,752,547	-
Governmental activities Long-term debt	$ 695,061,597	$ 302,772,448	$ (55,916,065)	$ 941,917,980	$ 113,384,075
Business-type activities:					
Utility System revenue bonds	$ 956,915,000	$ 163,375,000	$ (97,750,000)	$ 1,022,540,000	$ 51,235,000
General obligation bonds	15,000	-	(5,000)	10,000	5,000
Certificates of obligation	15,215,000	7,235,000	(3,935,000)	18,515,000	5,105,000
Unamortized premium and defeased debt costs	59,466,170	9,136,550	(9,580,867)	59,021,853	-
Commercial Paper	126,400,000	106,600,000	(123,205,000)	109,795,000	-
Compensated absences	3,921,742	761,645	(904,699)	3,778,688	2,838,023
Lease	106,026	323,716	(194,027)	235,715	104,446
SBITA	819,854	-	(192,512)	627,342	308,702
OPEB liability	30,809,704	188,516	-	30,998,220	-
Net pension liability	9,135,075	24,027,045	-	33,162,120	-
Asset retirement obligations	589,817	17,695	-	607,512	-
Business-type activities Long-term debt	$ 1,203,393,388	$ 311,665,167	$ (235,767,105)	$ 1,279,291,450	$ 59,596,171

Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end $7,035,000 of general obligation bond debt, $6,185,000 of certificates of obligation, $1,101,788 of compensated absences, $602,095 of unamortized premium costs, $12,178,321 of pension liabilities, and $14,446,880 of OPEB liabilities from the Internal Service Funds are included in the governmental activities general obligation bonds, certificates of obligation, compensated absences, and OPEB liabilities. Also, for the governmental activities, compensated absences, net pension liabilities, and OPEB claims payable are generally liquidated by the General Fund. For the business-type activities, compensated absences, net pension liability, OPEB claims payable, and leases payable are liquidated with resources from the enterprise fund.

The proceeds of $67,355,000 from the sale of certificates of obligation and $148,860,000 of refunded general obligation bonds and pension obligation bond for governmental activities are reported as follows:

Fund	**Certificates of Obligation**	**General Obligation Debt**	**Total Bonded Debt**
General Fund – proceeds from issuance of debt	$ -	$ 130,850,000	$ 130,850,000
Capital Project Fund – proceeds from issuance of debt	60,120,000	18,010,000	78,130,000
Non Major Business Fund statement of cash flows – proceeds from sale	7,235,000	-	7,235,000
Total	$ 67,355,000	$ 148,860,000	$ 216,215,000

Long-term debt at September 30, 2025, includes the following individual issues (not including the unamortized premium costs of $89,917,628):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
2015A Refunding	2.00 – 5.00	2/19/2015	2/15/2035	22,695,000	8,740,000	13,955,000
2015B Refunding	2.00 – 2.55	2/19/2015	2/15/2025	22,490,000	22,490,000	-
2016 Refunding	5.00 -- 5.00	12/14/2016	2/15/2027	42,040,000	40,125,000	1,915,000
2017 Refunding	2.00 – 5.00	6/13/2017	2/15/2035	41,140,000	33,325,000	7,815,000
2018 Refunding	5.00 -- 5.00	12/20/2018	2/15/2029	47,270,000	30,610,000	16,660,000
2019 Refunding	4.00 – 4.50	12/03/2019	2/15/2030	22,390,000	4,275,000	18,115,000
2021 Refunding	2.00 – 4.00	6/30/2021	2/15/2041	39,340,000	5,880,000	33,460,000
2022 Refunding	4.00 – 5.00	5/31/2022	2/15/2042	47,200,000	-	47,200,000
2022 Taxable Refunding	2.90 – 3.45	5/31/2022	2/15/2026	6,070,000	4,880,000	1,190,000
2023 Refunding	4.00 – 5.00	5/31/2023	2/15/2043	45,285,000	-	45,285,000
2023 Taxable Refunding	4.00 – 5.00	5/31/2023	2/15/2029	10,085,000	3,035,000	7,050,000
2024 Refunding	4.00 – 5.00	5/16/2024	2/15/2044	91,705,000	-	91,705,000
2024 Taxable Refunding	4.96 – 5.21	5/16/2024	2/15/2028	10,105,000	1,885,000	8,220,000
2025 General Obligation	5.00 – 5.00	6/1/2025	2/15/2045	18,010,000	-	18,010,000
2025 Pension Obligation	4.011 – 5.670	9/17/2025	2/15/2045	130,850,000	-	130,850,000
				$ 596,675,000	$ 155,245,000	$ 441,430,000
Certificates of Obligation:						
2012 Various purpose	2.00 – 3.375	6/01/2012	2/15/2032	$ 6,755,000	$ 5,855,000	$ 900,000
2013 Various purpose	2.00 – 4.00	6/06/2013	2/15/2033	12,725,000	11,690,000	1,035,000
2014 Various purpose	2.00 – 4.00	6/19/2014	2/15/2034	13,475,000	11,935,000	1,540,000
2015 Various purpose	2.50 – 5.00	6/30/2015	2/15/2035	18,205,000	15,390,000	2,815,000
2016 Various purpose	2.00 – 5.00	6/01/2016	2/15/2036	20,210,000	14,700,000	5,510,000
2017 Various purpose	2.00 – 5.00	6/13/2017	2/15/2037	18,140,000	12,260,000	5,880,000
2018 Various purpose	3.375 – 5.00	6/26/2018	2/15/2038	29,955,000	15,650,000	14,305,000
2019 Various purpose	3.00 – 5.00	6/19/2019	2/15/2039	25,125,000	10,030,000	15,095,000
2020 Various purpose	2.00 – 5.00	6/16/2020	2/15/2040	16,510,000	9,375,000	7,135,000
2021 Various purpose	2.00 – 5.00	6/30/2021	2/15/2041	20,725,000	7,505,000	13,220,000
2022 Various purpose	4.00 – 5.00	5/31/2022	2/15/2042	29,380,000	8,645,000	20,735,000
2023 Various purpose	4.00 – 5.00	5/31/2023	2/15/2043	34,410,000	4,765,000	29,645,000
2024 Various purpose	4.00 – 5.00	5/30/2024	2/15/2044	40,595,000	2,710,000	37,885,000
2025 Various purpose	5.00 – 5.00	6/1/2025	2/15/2045	67,355,000	-	67,355,000
				$ 353,565,000	$ 130,510,000	$ 223,055,000

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Utility system revenue bonds:						
2013 Electric Utility	2.00 – 2.25	6/06/2013	3/01/2025	11,790,000	11,790,000	-
2014 Electric Utility	2.00 – 5.00	6/30/2014	3/01/2034	85,305,000	85,305,000	-
2015 Electric Utility	2.00 – 5.00	2/19/2015	3/01/2025	15,355,000	15,355,000	-
2016A Electric Utility	2.00 – 5.00	12/14/2016	3/01/2026	12,055,000	10,440,000	1,615,000
2016B Electric Utility	4.00 – 5.00	12/14/2016	3/01/2037	36,875,000	10,595,000	26,280,000
2016 Water & Wastewater	3.00 – 5.00	12/14/2016	3/01/2027	16,715,000	12,705,000	4,010,000
2017 Water & Wastewater	4.00 – 5.00	6/13/2017	3/01/2028	21,430,000	14,085,000	7,345,000
2018 Electric Utility Ref	3.625 – 5.00	6/12/2018	3/01/2048	31,985,000	6,430,000	25,555,000
2018 Water & Wastewater Ref	3.50 – 5.00	6/12/2018	3/01/2038	48,310,000	11,400,000	36,910,000
2018A Water & Wastewater Ref	3.00 – 5.00	12/20/2018	3/01/2029	9,700,000	5,265,000	4,435,000
2019 Electric Utility Ref	4.00 – 5.00	2/26/2019	3/01/2049	147,610,000	17,165,000	130,445,000
2019 Water & Wastewater	.17 – .89	8/02/2019	3/01/2034	6,670,000	2,615,000	4,055,000
2019A Electric Utility	4.00 – 5.00	12/03/2019	3/01/2050	140,790,000	52,115,000	88,675,000
2019A Water & Wastewater	3.00 – 5.00	12/03/2019	3/01/2040	50,865,000	19,180,000	31,685,000
2020 Electric Utility	3.00 – 5.00	6/16/2020	3/01/2050	34,145,000	2,775,000	31,370,000
2021 Electric Utility	2.00 – 5.00	2/25/2021	3/01/2051	52,260,000	5,080,000	47,180,000
2021 Water & Wastewater	2.00 – 4.00	2/25/2021	3/01/2041	34,725,000	6,080,000	28,645,000
2021A Electric Utility	3.00 – 5.00	9/01/2021	3/01/2051	53,185,000	2,885,000	50,300,000
2021B Electric Utility	.0459 – 3.20	9/01/2021	3/01/2051	153,105,000	5,775,000	147,330,000
2022 Water & Wastewater	4.00 – 5.00	5/31/2022	3/01/2042	44,350,000	4,645,000	39,705,000
2023 Electric Utility	4.25 – 5.00	5/31/2023	3/01/2053	72,610,000	1,165,000	71,445,000
2023 Water & Wastewater	4.00 – 5.00	8/24/2023	3/01/2043	38,680,000	1,540,000	37,140,000
2024 Water & Wastewater	4.00 – 5.00	5/30/2024	3/01/2044	46,370,000	1,330,000	45,040,000
2024 Electric Utility	4.00 – 5.00	12/17/2024	3/1/2055	111,160,000	-	111,160,000
2025 Water & Wastewater	5.00 – 5.00	6/26/2025	3/1/2045	52,215,000	-	52,215,000
				$1,328,260,000	$305,720,000	$1,022,540,000

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Tax anticipation notes						
2024 Tax anticipation	4.098	9/26/202	11/15/2025*	45,750,000	45,750,000	-
				$ 45,750,000	$ 45,750,000	$ -

*The City considers this short-term. The notes were called and final payment was made on February 15, 2025. The City did not issue a tax anticipation note in FY2025.

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Commercial Paper						
2021 Electric Commercial Paper Issue R-24	3.420-13.165	8/29/2025	10/31/2025	$ 89,795,000	$ -	$ 89,795,000
2015 Water/Wastewater Commercial Paper Issue	2.900	7/17/2025	10/15/2025	10,000,000	-	10,000,000
2015 Water/Wastewater Commercial Paper Issue	2.750	8/20/2025	10/15/2025	10,000,000	-	10,000,000
				$ 109,795,000	$ -	$109,795,000

Commercial paper notes (CP) related to the enterprise funds are considered long-term instruments. Interest is paid at maturity but principal is rolled forward by issuing new CP. This process continues, typically for three years, until revenue bonds are issued to refinance outstanding CP. Only after revenue bonds are issued do principal payments begin. The combined amortization of the electric revenue bonds is set to not exceed 30 years. The combined amortization of the water and wastewater revenue bonds is set to not exceed 20 years. Utilization of CP enables the City to lower overall debt payments due to the deferral of principal payments and by taking advantage of lower interest rates. CP is only issued as the funds are required throughout the year. Only projects that have been approved as part of a bond referendum may be revenue commercial paper.

The annual requirements to amortize outstanding debt as of September 30, 2025, including interest payments of $747,113,100 are summarized in the table below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and are excluded from the summary:

Governmental Activities

Years Ending September 30,	General Obligation Bonds		Certificates of Obligation		Leases/SBITA	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 71,300,000	$ 18,324,123	$ 17,920,000	$ 9,390,025	$ 3,508,338	$ 467,658
2027	21,625,000	16,255,369	17,630,000	8,119,338	3,430,026	447,355
2028	21,620,000	15,262,730	16,010,000	7,315,116	2,352,031	343,092
2029	17,935,000	14,349,636	15,080,000	6,574,631	2,048,735	233,173
2030	17,220,000	13,530,490	14,155,000	5,882,113	2,173,877	163,142
2031-2035	97,490,000	55,135,060	60,895,000	20,188,322	2,603,028	144,104
2036-2040	108,015,000	32,675,078	37,420,000	9,690,625	-	-
2041-2045	86,215,000	8,647,322	25,430,000	2,561,574	-	-
Total	$441,420,000	$174,179,808	$204,540,000	$ 69,721,744	$ 16,116,035	$ 1,798,524

Business-type Activities

Years Ending September 30,	Revenue Bonds		General Obligation Bonds		Certificates of Obligation		Leases/SBITA	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 51,235,000	$ 42,808,990	$ 5,000	$ 275	$ 5,105,000	$ 841,663	$ 413,148	$ 27,290
2027	52,365,000	39,965,145	-	150	4,670,000	548,050	210,708	12,464
2028	52,380,000	37,532,429	5,000	75	3,880,000	334,300	220,613	5,990
2029	51,165,000	35,127,028	-	-	2,590,000	172,550	18,588	58
2030	52,305,000	32,721,983	-	-	1,295,000	75,500	-	-
2031-2035	201,135,000	135,152,052	-	-	305,000	181,300	-	-
2036-2040	190,710,000	93,921,099	-	-	380,000	101,800	-	-
2041-2045	177,425,000	55,813,486	-	-	290,000	23,600	-	-
2046-2050	149,315,000	22,959,946	-	-	-	-	-	-
2051-2055	44,505,000	3,085,801	-	-	-	-	-	-
Total	$1,022,540,000	$499,087,959	$ 10,000	$ 500	$ 18,515,000	$ 2,278,763	$ 863,057	$ 45,802

At September 30, 2025, the City has authorized but unissued general obligation bonds in the amount of $584,361,586 as follows:

	Balance at Oct. 1, 2024	2025 General Obligation Bonds Authorized	General Obligation Bonds Issued	Balance at Sept. 30, 2025
Streets Improvements	$ 114,439,855	$ 230,000,000	$ 4,010,000	$ 340,429,855
Park Improvements	32,332,430	30,000,000	7,500,000	54,832,430
Drainage Improvements	45,949,042	-	1,000,000	44,949,042
Municipal Facilities	6,428,975	-	-	6,428,975
Cultural Arts Facility	-	25,000,000	-	25,000,000
Library Improvements	6,358,550	-	4,000,000	2,358,550
Public Safety	16,497,807	-	1,500,000	14,997,807
Animal Shelter	73,513	-	-	73,513
Economic Development	20,291,414	75,000,000	-	95,291,414
	$ 242,371,586	$ 360,000,000	$ 18,010,000	$ 584,361,586

A reconciliation was performed in FY2025 to the authorized but unissued general obligation bonds and it was determined that corrections were necessary. The beginning balances have been restated to correctly reflect the outstanding balances.

General Obligation Refunding Bonds do not impact the authorized but unissued General Obligation bonds. The City intends to retire all general long-term debt, plus interest, from ad valorem taxes and other current revenues. Revenue Bonds, applicable Certificates of Obligation and applicable General Obligation Bonds are reflected in the appropriate Proprietary Fund operation. Current requirements for principal and interest expenses are accounted for in the appropriate Proprietary Fund operation.

The City has pledged future Electric, Water and Wastewater utility revenues, net of specified operating expenses, to repay $1,118,900,124 in outstanding Electric Utility System Revenue Bonds and $402,727,835 in outstanding Water & Wastewater Utility System Revenue Bonds. Proceeds from the revenue bonds provide financing for the acquisition and construction of various Electric, Water and Wastewater assets. The bonds are payable solely from Electric net revenues and are payable through 2055. Water and Wastewater bonds are payable solely from net revenues from Water and Wastewater and are payable through 2045. Principal paid and interest incurred for the current year was as follows:

Utility Revenue Bonds	Principal	Interest	Total	Pledged Revenue
Electric	$ 31,855,000	$ 30,127,803	$ 61,982,803	$ 160,281,170
Water & Wastewater	16,600,000	11,431,198	28,031,198	64,172,247

Certificates of Obligation and General Obligation Bonds applicable to Proprietary Fund operations are reflected in the appropriate Enterprise and Internal Service Funds and current requirements for principal and interest expenses are accounted for in the applicable fund. These requirements will be met by current revenues.

Debt issues for the year are as follows:

Issue		Principal	Purpose
Certificates of Obligation, Series 2025	$	67,355,000	Acquiring, constructing, renovating, improving, installing and equipping park and recreational improvements and the acquisition of land and interests in land related thereto; constructing, renovating and equipping municipal drainage improvements; constructing and improving street, including related sidewalks, cycle paths, signage and signalization, landscaping, streetscaping, drainage, utility line relocations and the acquisition of land and rights-of-way therefore; acquisition of vehicles and equipment for the fire, and police departments and programs; constructing, renovating, installing and equipping of buildings, streets and traffic control facilities, and public safety facilities for the police and fire departments, and parks and recreation department; acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements for the City’s sanitation department, including the landfill and transfer station; and paying all or a portion of the City’s contractual obligations for professional services including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and said Certificates.
General Obligation Refunding Bonds, Series 2025		18,010,000	Fund parks and recreation facilities and improvements, street improvements, drainage improvements, public safety facilities and improvements, and library improvements; and pay the costs of issuance associated with the sale of the Bonds.
Electric Utility System Revenue Refunding Bonds, New Series 2024		111,160,000	Commercial paper refunding/
Water & Wastewater System Revenue Refunding Bonds, New Series 2025		52,215,000	Revenue bond and commercial paper refunding
General Obligation Pension Bonds, Taxable Series 2025		130,850,000	Provide funds to pay a portion of the City’s unfunded, accrued liability to the Texas Municipal Retirement System; and pay the costs associated with the issuance of the Bonds.

On December 17, 2024, the City issued $111,160,000 in Electric Utility System Revenue Refunding Bonds, New Series 2024 to refund $49,295,000 of outstanding Electric Utility System Revenue Bonds, New Series 2014, and takeout $68,205,000 of outstanding commercial paper. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next ten years by $4,820,719, and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of $4,115,806.

On May 16, 2025, the City issued $52,215,000 in Revenue Refunding Bonds, New Series 2025 to takeout $55,000,000 of outstanding commercial paper.

In current and prior years, the City legally defeased certain bonds and certificates of obligation by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt services payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of Sept. 30, 2025, there were no outstanding balances of defeased bonds.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly, a liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the Internal Revenue Service's rules and regulations. The City did not identify and material arbitrage liability as of Sept. 30, 2025.

Leases Payable

The City has entered into lease agreement as a lessee. The lease allows the right to use office space over the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the lease. The lease rate, term, and end balance are as follows:

Business-Type Activities	Final Maturity	Interest Rate	Liability at Commencement	Ending Balance
Office space	11/30/2028	2.49%	$733,501	$235,715

Governmental Activities	Final Maturity	Interest Rate	Liability at Commencement	Ending Balance
Office Space	09/30/2030	2.59%	$845,661	$712,135

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 monthly, quarterly, or annual 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)	Subscription Term in Years	Ending Balance
Governmental activities			
Public Safety software	3.48%	9 years	$ 6,710,132
HCM/Finance software	3.16% – 3.48%	7 years	4,062,284
Operational software	3.16% – 3.48%	10 years	3,472,670
Other Arrangements	3.31%	5 years	1,158,814
Total governmental activities			$ 15,403,900
Business-type activities			
Other arrangements	2.57% -- 3.65%	5 years	$ 627,342
Total business-type activities			$ 627,342

The value of the subscription assets as of the end of the current year was $13,684,865 and had accumulated amortization of $10,553,709.

F. Retirement Plans

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 www.tmrs.com.

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

Benefits Provided

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

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

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credit for service since the plan began are 200% of the employee's accumulated contributions. In addition, the City granted 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/her 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.

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required to vesting	5
Service retirement eligibility	age 60 with five or more years of service or with 20 years of service regardless of age

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	1,874
Inactive employees entitled to but not yet receiving benefits	1,070
Active employees	2,152
	5,096

Contributions

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

Employees of the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 11.53% and 17.92% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for fiscal year 2025, were $32,641,892, and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over 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 post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 thru 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return (Arithmetic)	
Global Equity	35.0	%	7.10	%
Core Fixed Income	6.0		5.00	
Non-Core Fixed Income	6.0		6.80	
Other Public and Private Markets	4.0		7.30	
Real Estate	12.0		6.70	
Hedge Funds	5.0		6.40	
Infrastructure	6.0		6.00	
Private Debt	13.0		8.20	
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 benefits payments to current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at December 31, 2023	$1,195,734,041	$ 1,162,149,207	$ 33,584,834
Changes for the year:			
Service Cost	34,499,150		34,499,150
Interest (on the total pension liability)	88,223,013		88,223,013
Change in benefit terms including substantively automatic status	127,899,258		127,899,258
Difference between expected and actual experience	6,519,048		6,519,048
Benefit payments, including refunds of employee contributions	(67,750,551)	(67,750,551)	-
Contributions-employer		21,578,574	(21,578,574)
Contributions – employee		13,559,072	(13,559,072)
Net investment income		120,465,537	(120,465,537)
Administrative expense		(774,435)	774,435
Other		(18,112)	18,112
Net changes	189,389,918	87,060,085	102,329,833
Balance at December 31, 2024	$1,385,123,959	$ 1,249,209,292	$ 135,914,667

Sensitivity of the net pension liability (asset) 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 5.75%	Current Single Rate Assumption 6.75%	1 % Increase 7.75%
$ 308,710,018	$ 135,914,667	$ (8,360,734)

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 www.tmrs.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 $158,704,009.

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	$ 4,944,398	$ (3,060,117)
Difference in assumption changes	-	(2,783,012)
Difference between projected and actual investment earnings on pension plan investments	-	(11,196,372)
Employer contributions subsequent to the measurement date	137,155,731	-
	$ 142,100,129	$ (17,039,501)

Deferred inflows of resources of $137,155,734 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 or resources related to pension will be recognized in pension expense as follows:

Year ended September 30,	
2026	$ (138,539)
2027	13,981,928
2028	(17,754,847)
2029	(8,183,645)
Total	$ (12,095,103)

G. Other postemployment benefits

City of Garland other postemployment benefit plan

Plan Description

The City makes available health care benefits to all employees who work for the City of Garland a minimum of five years, meet the Texas Municipal Retirement System (TMRS) criteria listed on page 73, and elect coverage at the time of retirement and maintain continuous, uninterrupted coverage. Benefit provisions are established by management and funding is approved by City Council annually, during the budget process.

In 2008, the City established an irrevocable trust fund in an effort to begin funding the actuarial determined OPEB unfunded liability and to ensure that funding is available in the future for retiree medical benefits. In 2025, the City Council approved a transfer of $1,845,000 to the trust, and a long-term funding strategy was implemented to increase the annual contribution to this trust with a goal of fully funding the annual OPEB obligation after ten years.

The OPEB trust investments are held in the Public Agencies Retirement Services (PARS) Post-retirement Health Care Plan Trust by its trustee, US Bank. US Bank has delegated investment management responsibilities to HighMark Capital Management, Inc. (Investment Manager), a SEC-registered investment advisor. The Trust investment guideline mandates a diversified portfolio designed to generate long-term returns that, when combined with contributions, will result in sufficient assets to pay future obligation associated with the retiree health plan.

Benefits Provided

The City of Garland provides insurance to eligible pre-65 retirees, their spouses and dependents through the City's self-insured group health plan. Post-65 retirees are offered a fully insured Medicare Supplement Plan through Hartford, who assumes all claims risk liability on this group of retirees. The City makes contributions towards retiree health care benefits. However, the City reduces its liability and risk by capping the annual increase to the City contribution to a maximum of 3% per year. For FY2025, the monthly City contribution per participant for the retiree group as a whole was $548.34.

As of December 31, 2023 biennial actuarial valuation, the Plan's membership consisted of the following:

Number of plan members	Medical
Retirees and dependents currently receiving benefits	1,025
Inactive members entitled to benefits, but not yet receiving them	-
Active members	1,983
Total	3,008

Contributions and Funding Policy
The City has the authority to establish and amend the Plan contributions. The City makes an annual contribution to the Trust fund; the funding is established and approved by City Council as part of the City budget process. For the year ended September 30, 2025, the City's average contribution rate was 3.24 percent of the covered payroll. Monthly retiree premiums are utilized to fund current medical claims and are based on the benefit election of the Plan member.

Net OPEB Liability
The City's net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31,2023.

Actuarial assumptions

Actuarial Valuation Date	12/31/2023
Actuarial Cost Method	Entry Age Normal
Asset valuation method	Fair value
Inflation	2.50%
Projected salary increase	3.00%
Discount rate	4.80%
Healthcare cost trend rates	All years capped at 3.0%
Mortality	Non Annuitants – Sex distinct PUB 2010 general employee headcount weighted mortality table with mortality improvement scale MP-2021. Annuitants – Sex distinct PUB 2010 retiree headcount weighted mortality table with mortality improvement scales MP-2021.

Rate of Return

The long-term expected rate of return on OPEB plan investments will be managed on a total return basis which takes into consideration both investment income and capital appreciation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return (Geometric)	
Large Cap	26.4	%	7.00	%
Mid Cap	4.8		7.60	
Small Cap	5.9		7.20	
International	9.2		7.80	
Emerging Markets	2.4		8.80	
Real Estate	2.4		7.50	
Intermediate Term Bond	45.6		3.90	
Government Bonds	0.0		3.90	
Mortgage Backed Securities	0.0		6.50	
Cash	3.3		2.90	
Total	100.00	%		

The long-term expected rate of return is 6.75%. The expected return is determined through a combination of historical rates of return, valuation projections, and economic expectations.

Discount rate

The discount rate used to measure the Total OPEB Liability was 4.80%. 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 OPEB 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 OPEB plan investments was applied to all period of projected benefit payments to determine the total OPEB liability.

The discount rate for the 12/31/2024 measurement was 4.80% which caused an actuarial gain. The discount rate for the 12/31/2023 measurement was 4.70%. The discount rate incorporates a blend of the expected rate of return and the yield of a set of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of December 31, 2024, the measurement date (6.75% and 4.08%, respectively).

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at December 31, 2023	$ 128,590,769	$ 17,842,722	$ 110,748,047
Changes for the year:			
Service Cost	3,197,177	-	3,197,177
Interest (on the total OPEB liability)	6,114,158	-	6,114,158
Difference between expected and actual experience	-	-	-
Change in assumptions	(1,541,609)	-	(1,541,609)
Benefit payments, including refunds of employee contributions	(3,398,990)	(3,398,990)	-
Contributions-employer	-	5,243,990	(5,243,990)
Net investment income	-	1,733,647	(1,733,647)
Administrative expense	-	(86,168)	86,168
Net changes	4,370,736	3,492,479	878,257
Balance at December 31, 2024	$ 132,961,505	$ 21,335,201	$111,626,304

Plan fiduciary net position as a percentage of the total OPEB liability is 16.05%.

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 4.8%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.8%) or 1-percentage-point higher (5.8%) than the current rate:

1% Decrease 3.8%	Current Single Rate Assumption 4.8%	1 % Increase 5.8%
$ 130,876,518	$ 111,626,304	$ 96,087,955

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.0% as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

1% Decrease 2.0%	Current Single Rate Assumption 3.0%	1 % Increase 4.0%
$ 94,057,879	$ 111,626,304	$ 133,592,667

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

For the year ended September 30, 2025, the City recognized OPEB expense of $14,916,450.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 1,006,097	$ -
Difference in assumption changes	21,973,684	(3,110,716)
Difference between projected and actual investment earnings on pension plan investments	152,598	-
Employer contributions subsequent to the measurement date	5,100,462	-
	$ 28,232,841	$ (3,110,716)

Deferred outflows of resources of $5,100,462 related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in OPEB expense as follows:

Year ended September 30,	
2026	$ 6,496,619
2027	4,326,517
2028	4,616,967
2029	4,838,495
2030	(256,934)
Total	$ 20,021,664

Supplemental Death Benefits Plan (SDBF)

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as 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 and retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (pay as you go plan). The retiree portion of the SDBF is considered to be a single-employer, defined benefit OPEB plan.

Detail information about the SDBF OPEB plan is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employee's entire careers. The SDBF contribution rate for retirees is .16%.

As of December 31, 2024, membership in the plan consisted of the following:

Inactive employees currently receiving benefits	1,407
Inactive members entitled to benefits, but not yet receiving them	263
Active members	2,152
Total	3,822

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

Actuarial Assumptions

Inflation	2.5%
Salary increases	3.6% to 11.85% including inflation
Discount rate*	4.08%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas mortality tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis of Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA index" rate as of December 31, 2024.

Changes in Total OPEB Liability

Beginning at December 31, 2023	$ 8,081,308
Service Cost	271,037
Interest on the total OPEB liability	303,936
Differences between expected and actual experience	(28,693)
Change in assumptions	(387,694)
Benefit payments	(309,757)
Net change in total OPEB liability	(151,171)
Ending at December 31, 2024	$ 7,930,137

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

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

1% Decrease 3.08%	Current Discount Rate Assumption 4.08%	1 % Increase 5.08%
$ 9,287,505	$ 7,930,139	$ 6,847,856

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of $227,683.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 378	$ (172,100)
Difference in assumption changes	591,694	(1,959,429)
Employer contributions subsequent to the measurement date	237,072	-
	$ 829,144	$ (2,131,529)

Deferred outflows of resources of $237,072 related to OPEB resulting from retiree contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows or resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,	
2026	$ (387,488)
2027	(569,885)
2028	(515,109)
2029	(31,203)
Thereafter	(35,772)
Total	$ (1,539,457)

H. Self-Insurance

Self-insurance for general and auto liability exposure and workers' compensation is maintained in the Self-Insurance Fund of the Internal Service Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of $13,097,621 were collected from funds that participate in these. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and workers' compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2025, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2024 claims payable as of September 30, 2025 was estimated at $5,644,644.

Long-Term Disability (LTD) claims are paid from the LTD Insurance Fund, which is funded with City and employee contributions. A private company administers the long-term disability claims and losses for the City. Based on a current independent actuarial analysis, an actuarially determined liability of $3,228,223 has been established for projected future claims.

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2025, a short-term liability of $2,725,245 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported are calculated based on a monthly average for claims paid during the current fiscal year.

There were no significant reductions in insurance coverage in the current year from coverage in the prior year, nor have there been any settlements that have exceeded insurance coverage for each of the past three fiscal years.

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2024 and 2025 were:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year – End	Current Portion
Self-Insurance – 2024	$ 5,654,887	$ 821,073	$ (10,243)	$ 821,073	$ 5,644,644	$ 2,409,814
Self-Insurance – 2025	5,644,644	603,733	-	603,733	5,644,644	2,409,814
Long-Term Disability – 2024	3,677,127	355,052	(448,904)	355,052	3,228,223	315,204
Long-Term Disability – 2025	3,228,223	296,010	-	296,010	3,228,223	315,204
Group Health – 2024	1,795,110	33,422,227	419,804	33,422,227	2,214,914	2,214,914
Group Health – 2025	2,214,914	39,496,746	510,331	39,496,746	2,725,245	2,725,245

I. Texas Municipal Power Agency

The Texas Municipal Power Agency (TMPA) was created in 1975 pursuant to legislation that was passed by the 64th Legislative Session. TMPA, a municipal corporation, is governed by a Board of Directors, where each member city appoints two representatives to the Board. In 1976, the City along with the cities of Bryan, Denton, and Greenville (collectively "the Member Cities") entered into identical Power Sales Contracts with TMPA. For more than 40 years, the Power Sales Contract governed the relationship between, and the rights and obligations of, TMPA and each of the Member Cities with respect to, among other items, generation, transmission, and sale of electric energy to each Member City. On September 1, 2018, TMPA made the final debt service payment on TMPA's generation debt which extinguished the Member City's unconditional obligation with respect to such TMPA debt. The Power Sales Contract expired by its terms and none of the Member Cities elected to extend the Power Sales Contract beyond September 30, 2018.

TMPA and the Cities entered into a Joint Operating Agreement (JOA) effective September 1, 2016. The JOA represents the post-2018 plans for TMPA and the Cities and is intended to provide terms of agreement for (i) TMPA operations outside the scope of the Power Sales Contract, (ii) matters relating to decommissioning of the Gibbons Creek power plant, (iii) disposition of TMPA assets, and (iv) matters relating to dissolution of TMPA, at such time as it may be dissolved. Among other matters, the JOA (i) allocates the costs of TMPA transmission operations to the Member Cities in accordance with Member City percentages as they existed at expiration of the Power Sales Contract, (ii) establishes formulas for determining each Member City's ownership interest in TMPA assets (such calculations generally being based on each City's proportional share of payments made to TMPA) and used to allocate TMPA assets or proceeds of the sale thereof to each Member City, and (iii) provides for the allocation among the Member Cities of TMPA transmission assets if a majority of the Member Cities authorize the transfer of ownership of the TMPA transmission assets. The JOA divides TMPA assets and operations into three business categories – generation, transmission, and mining – and establishes protocols for Member Cities to exit one or more business categories.

During FY2025, the City paid TMPA $382,600 for charges related to ongoing operations.

Total debt of TMPA at September 30, 2025, amounted to $226,534,000 of which $7,950,000 represented the current portion. TMPA's outstanding long-term debt and short-term debt obligations are all associated with TMPA's transmission system and are payable from and secured by TMPA's transmission net revenues.

TMPA
Outstanding Debt Amounts
September 30, 2025
(reported in thousands)

	Long-Term	Current	Total
Revenue Bonds	$ 211,984	$ 7,950	$ 219,934
Tax Exempt Commercial Paper	6,600	-	6,600
	$ 218,584	$ 7,950	$ 226,534

Prepaid Energy Costs, Impairment of Prepaid Energy Costs, and Regulatory Assets

On March 1, 2010, the City issued Combination Tax & Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 20 years for the purpose of prepaying certain contractual obligations to TMPA. The principal amount of the bonds was $126,885,000 with a reoffering premium and other bond issuance costs of $11,367,850 for a total of $138,252,850. Since the proceeds of this debt issuance were placed with TMPA and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of $138,252,850. The City is amortizing the Other Asset over a period of 20 years with a half year convention. The generation portion of the Other Asset was impaired in 2017 and 2018 leaving only the transmission portion of the Other Asset. On September 30, 2025, TMPA Transmission Asset had a balance of $2,086,733.

On September 30, 2017, the City impaired 37.9% of the generation portion of the Other Assets when the TMPA Board of Directors approved a plan of "seasonal operations". The total impairment was $50,045,780. On September 30, 2018, the City impaired the remaining generation portion of the Other Asset when ERCOT was notified of the plan to suspend operations indefinitely. The impaired portion was recorded as a GASB 62 Regulatory Asset in Other Assets to be amortized through FY2030. On September 30, 2025, the Generation Regulatory Asset had a balance of $29,020,159.

In February 2021, the state of Texas experienced an unprecedented winter weather event, Winter Storm Uri, resulting in severe cold weather, snow, and ice. The storm caused power outages across the state. As a result, energy and natural gas prices increased dramatically from February 11 to February 24, 2021. The City recorded a Regulatory Asset of $137,343,717. The asset was calculated by looking at historical prices for the same period and recording the additional costs incurred as a regulatory asset. The asset will be amortized over thirty years. In FY2023, the value of this Regulatory Asset was increased by $906,004. This adjustment reflects the recognition of ERCOT short payments that are not expected to be recovered. On September 30, 2025, the Winter Storm Uri regulatory asset had a balance of $117,552,794.

To qualify to utilize GASB 62, the following must apply:

- The regulated business-type activity's rate for regulated services provided to its customers are established by or are subject to approval of an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers.
- The regulated rates are designed to recover the specific regulated business-type activity's costs of providing the regulated services.
- In view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover the regulated business-type activity's costs can be charged to and collected from customers. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

The City of Garland qualifies to utilize GASB 62 due to:

- State and local statues empower the City of Garland City Council to establish retail rates.
- The City of Garland specific costs are recovered through City of Garland retail rates.
- Current and projected customer demand support the recovery of City of Garland cost of service.

	February 2021 Winter Storm URI	TMPA Transmission	GASB 62 TMPA PPD Demand Regulatory Asset	Total Other Asset
Balance Sept. 30, 2024	$ 122,162 708	$ 2,550,451	$ 35,469,083	$ 160,182,242
Other asset amortization	(4,609,914)	(463,718)	(6,448,924)	(11,522,556)
Balance Sept. 30, 2025	$ 117,552,794	$ 2,086,733	$ 29,020,159	$ 148,659,686

Financial statements for TMPA are available from the TMPA website texasmpa.org or through the City of Garland Financial Services Department.

J. Deferred Compensation Plan

The City offers its non-civil service employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all permanent City employees, permits participants to contribute annually the amount up to the annual contribution limit allowed by the IRS. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In addition, the City offers to civil service employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is known as the Retirement Stability Benefit Plan (RSB Plan). Due to the fact that Civil-Service employees do not contribute to Social Security, the City created the RSB plan to provide sworn Firefighters and Police Officers the option to supplement their retirement benefits by making both pre-tax and post-tax contributions to their plan. In FY2025, if civil-service employees contributed at least 3.00% of their gross pay per pay period, the City would match 2.50%. The total amount contributed by the City for Fiscal Year 2025 was $1,864,203. It should be noted that City Council approved an incremental increase of 0.25% to the plan for FY2026. Therefore, for FY2025 civil-service employees that contribute at least 3.0% of their gross pay per pay period will receive a 2.50% match from the City. This plan is available to all City civil-service employees and permits annual contributions from both employees and the City up to the annual contribution limit allowed by the IRS. The deferred compensation is not available to the civil service employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under both of the plans, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries.

K. Governmental Activity Component Units

The Garland Public Facility Corporation (GPFC) was organized for the purpose of assisting the City in financing, refinancing, or providing public facilities. GPFC is reported as a blended component unit in the non-major governmental fund. As of September 30, 2025, the condensed combining information for GPFC is $3,521,016 for contributed land reported in governmental activities on the government wide statement of net position and statement of activities.

The Garland Foundation for Development (GFFD) was organized to promote economic development within the City of Garland. GFFD is reported as a blended component unit in the non-major governmental fund. As of September 30, 2025, the condensed combining information for GFFD is $48,197,142 for contributed land reported in governmental activities on the government wide statement of net position and statement of activities.

L. Landfill Closure and Post-closure Care Cost

As of September 30, 2025, the total estimated landfill closure/ post-closure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is $1,943,649, $32,596,199 and $176,325 respectively. The $16,611,915 reported as landfill closure and post-closure care liability represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Castle landfill, 49.53% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of $1,653,452. The City will recognize the remaining estimated closure and post-closure care costs of $16,450,807 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2023, which estimated cost to perform all closure and post-closure care. In addition, the closure and post-closure care cost were adjusted for inflation annually based on the most recent Implicit Price Deflator for Gross National Product published by the United States Department of Commerce. Actual cost may differ from the estimate due to inflation, changes in technology, or regulatory changes. The Hinton landfill has an estimated remaining useful life of 26.5 years.

Since the City's Landfill operation is a general government function, a special revenue fund was established to account for actual landfill closure and post-closure care funding sources and expenditures as they are incurred. Based on the City's current landfill closure financial strategy, $2.4 million in Certificates of Obligation will be issued to finance the one time closure cost and the on-going post closure care will be paid from operating funds.

M. Economic Incentives and Tax Abatements

The City enters into economic development and tax abatement agreements in order to spur commercial activity, generate additional sales tax revenue, enhance the property tax base, and provide increased economic vitality to the City. All abatement projects meet a minimum threshold point total based on full-time jobs, annual payroll, value of new or remodeled facilities, value of machinery and equipment, value of inventory, annual sales tax generated, or Garland Power & Light electric usage. All abatements must be approved on a case-by-case basis negotiated by City staff and approved by the City Council. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, expanding operations, renewing facility leases and bringing targeted businesses to the City. Recipients are largely required to meet and maintain minimum thresholds of real and personal property values, full time employees, number of tenants or other provisions specific to an individual recipient. Agreements are generally made for a minimum of five years and generally contain recapture provisions which may require repayment or termination if a recipient fails to meet the required provisions.

The City has two categories of economic development agreements:

Tax Abatements – Under Chapter 312 of the Texas Tax Code the City is allowed to designate tax reinvestment zones and negotiate tax abatement agreements with applicants within these zones. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. A summary of Chapter 312 Tax Abatements for the year ended September 30, 2025, is as follows:

Abatement Type	Active Agreements	Total Taxes Abated FY25
Business Personal Property Tax	1	$ -

Tax Rebates – Under Chapter 380 of the Texas Local Government Code, the City is allowed to enter into agreements in order to stimulate economic activity. These agreements may rebate a flat amount or percentage of real property, personal property or sales taxes received by the City. A summary of Chapter 380 tax rebates for the year ended September 30, 2025 is as follows:

Abatement Type	Active Agreements	Total Taxes abated FY25
Ad Valorem Tax	4	$ 333,953
Business Personal Property Tax	8	197,764
Sales Tax	2	409,996

N. Commitments and Contingent Liabilities

The City has been named as a defendant or co-defendant in a number of personal injury cases. While the outcome of these cases is not known at this time, the City attorney and City management are of the opinion that any awards to injured parties which must be paid in excess of amounts covered by insurance will not be material to the financial position of the City.

A number of other claims against the City, as well as certain other matters of litigation, are pending with respect to various matters arising in the normal course of the City's operations. The City attorney and City management are of the opinion that the settlement of these other claims and pending litigation will not have a material adverse impact on the City's financial position.

The City participates in a number of State and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

On December 19, 2013, the City entered into a twenty (20) year energy purchase power agreement with Spinning Spur Wind Three, LLC. The agreement extends from the start hour 1:00 of the Commercial Operation Date and ends at the completion of hour 24:00 of the day immediately preceding the twentieth anniversary. The City purchases 26% of the output from the 194MW facility. Commercial Operations began September 28, 2015.

On August 28, 2014, the City entered into a twenty-five (25) year energy purchase power agreement with Los Vientos Windpower V, LLC. The agreement extends from the start of hour 1:00 of the Commercial Operation Date and ends at the completion of hour 24:00 of the day immediately preceding the twenty-fifth anniversary. The City purchases 45.96% of the output from the 110MW facility. Commercial Operations began December 23, 2015.

On June 12, 2015, the City entered into a fourteen (14) year energy purchase power agreement with Salt Fork Wind, LLC. The agreement extends from the start of hour 1:00 (CPT) of the Commercial Operation Date and ends at the completion of hour 24:00 (CPT) of the day immediately preceding the fourteenth anniversary. The City purchases up to 150MW from the facility. The City has contracts to sell 77% of this energy downstream. Commercial Operations began December 1, 2016.

On October 27, 2015, the City entered into a twenty (20) year energy purchase power agreement with Albercas Wind Energy II, LLC. From the effective date, the agreement extends until 23:59:59 (CPT) on the day prior to the 20th anniversary of the Commercial Operation Date. The City purchases up to 96MW from the facility. The City has contracts to sell 74% of this energy downstream. Commercial Operations began November 13, 2016.

On December 28, 2015, the City entered into a fifteen (15) year energy purchase power agreement with BNB Lemesa Solar LLC. The agreement extends from the start of hour 1:00 (CPT) of the Commercial Operation Date and ends at the completion of hour 24:00 (CPT) of the day immediately preceding the fifteenth anniversary. The Commercial Operation Date is anticipated to be no later than March 31, 2017. The City will purchase 102 MW from the facility. The City has contracts to sell 49% of this energy downstream. Commercial Operations began April 27, 2017.

On November 20, 2018, the City entered into renewable purchase power agreement with Engie Long Draw Solar LLC. The agreement extends fifteen (15) years following the Commercial Operation Date. The City will purchase up to 25 MW from the facility. Commercial Operations began December 11, 2020.

On December 11, 2018, the City entered into a renewable purchase power agreement with Concho Bluff LLC. The agreement extends fifteen (15) years following the Commercial Operation Date. The Commercial Operation Date of the facility occurred on February 12, 2021. The City is purchasing 50 MW from the facility. On or about May 1, 2022, a hail storm caused a forced outage to a portion of the facility. The facility is currently generating approximately 50% of the energy originally expected. On January 12,2024, an amendment to the original contract was signed. The amendment defines a Rebuild Commercial Operation Date of no later than December 31, 2025. Until the Rebuild Completion Date, the City's purchase power will be 31.25 MW. After the Rebuild Completion Date the agreement will adjust to 25 MW with the City retaining the first right of refusal of an additional 25 MW for a five (5) year period after the First Amendment Date. The amended contract extends twelve (12) years from Rebuild Commercial Operation Date.

The City executed confirmations through December 31, 2032, under its International Swaps and Derivatives Association Inc. (ISDA) Master Agreement to purchase electricity under specific terms and conditions. Management believes the purchase of electricity under the specific terms and conditions of the confirmation were for normal purchases/normal sales and non-speculative in nature.

O. Derivative Instruments

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, and congestion price volatility, the City has established a Risk Management Program. This program was authorized by the City Council and is led by the Risk Oversight Committee. Under this program, the City enters into forward contracts for natural gas and energy for the purpose of reducing exposure to natural gas and energy price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. The City typically settles these contracts by delivery of certain commodities.

The City applies GASB Statement No 53 – *Accounting and Financial Reporting for Derivative Instruments*, ("GASB 53"), which addresses the recognition, measurement, and disclosures related to derivative instruments. The City utilizes natural gas commodity swaps to hedge its exposure to fluctuating fuel prices. Since these derivative instruments are entered into for risk mitigation purposes, the instruments are considered potential hedging derivative instruments under GASB 53. The City evaluated all potential hedging derivative instruments for effectiveness utilizing the consistent critical terms method as of September 30, 2025, and as of September 30, 2024, and determined the derivative instruments to be effective in substantially offsetting the change in cash flows of the hedgeable items. These derivative instruments act as cash flow hedges.

At September 30, 2025, the total fair value of outstanding hedge instruments was a net liability of $214,392. Fuel hedging instruments with a fair value of $91,308 are classified on the Statement of Net Position as a non-current asset. Fuel hedging instruments with a fair value of $305,700 are classified on the Statement of Net Position as a current liability. As of September 30, 2024, the total fair value of outstanding hedge instruments was a net liability of $2,314,270. Fuel hedging instruments with a fair value of $2,246,360 are classified on the Statement of Net Position as a non-current asset. Fuel hedges with a fair value of $2,246,360 are classified as a current liability. Changes in fair value as of September 30, 2025, of $246,482 are reflected in deferred outflows. The following information details the City Electric Fund's hedging derivative instruments below:

Derivative transactions as of September 2025:

Type	Terms	Notional Amount (MMBtu)	Purchase Dates	Maturity Dates	Referenced Index	Fair Value
Commodity Swaps	City pays prices of $3.33 - $3.95	3,438,548	Nov 2023- Sep 2025	Oct 2025- Dec 2026	NYMEX	$ 214,392
		3,438,548				$ 214,392

Derivative transactions as of September 2024:

Type	Terms	Notional Amount (MMBtu)	Purchase Dates	Maturity Dates	Referenced Index	Fair Value
Commodity Swaps	City pays prices of $2.580 - $4.000	5,856,137	Dec 2022- Feb 2024	Oct 2024- Dec 2025	NYMEX	$ 2,314,270
		5,856,137				$ 2,314,270

At September 30, 2025, the City had twelve customers to provide wholesale power supply and/or qualified scheduling entity services. The contract terms extend up to December, 2036. For the power supply customers, the City charges an energy charge which is based on the quantity of power supplied multiplied by a fixed price, or multiplied by a fixed heat rate and a fuel index price. In order to hedge the City's risk, the City has entered into corresponding power supply agreements with counterparties to hedge against energy price or heat rate fluctuation in the market.

Congestion Revenue Rights

Pre-assigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow the City to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at fair market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. At September 30, 2025, the City held CRRs with a cost and fair value of $690,148, that the City expects to use in normal operations, which is recorded as prepaid expense in the Electric fund.

Risks

Credit Risk. The City's over-the-counter agreements for natural gas and energy expose the City to credit risk. In the event of default, the City's operations will not be materially affected. However, the City does not expect the counterparties to fail to meet their obligations. The City maintains contracts with contractual provisions under the ISDA, EEI (Edison Electric Institute), and NAESB (North American Energy Standards Board) agreements. As of September 30, 2024, the City had outstanding forward purchase contracts extending through December 31, 2032, which are expected to be settled through physical delivery.

The City monitors the credit ratings of all of its counterparties to adhere to the City's Risk Management Policy. Any counterparty that does not have at least a BBB- credit rating must be approved by the Risk Oversight Committee.

The congestion revenue rights expose the City to custodial credit risk in the event of default or nonperformance by ERCOT. In the event of default or nonperformance, the City's operations will not be materially affected. However, the City does not expect ERCOT to fail in meeting their obligations as they are a regulatory entity of the State of Texas.

Basis Risk. The City could be exposed to basis risk on its fuel hedges if the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub).

Termination Risk. Termination risk is the risk that a derivative instrument will terminate prior to its scheduled maturity date due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. The City's exposure to termination risk for over-the-counter agreements is minimal due to the high credit rating of the counterparties, and the contractual provisions under the ISDA, EEI, and NAESB agreements applied to these contracts. Termination risk is associated with all of the City's derivative instruments up to their fair value of the instrument.

Close-out Netting Arrangements. The City enters into close-out netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and set off the transaction's fair values so that a single sum will be owed by or owed to the non-defaulting party.

Asset Retirement Obligation

The City operates the Ray Olinger Power Plant. The 400-megawatt, gas-fired plant consists of four power generating units: three stream boilers and one turbine. In 2019, the City hired an outside engineering firm to access the environmental obligations and closure requirements in the event of a plant closure. It was determined that the four evaporation ponds and the above ground storage tank at the Olinger Power Plant are considered to be industrial solid waste management units subject to TCEQ closure requirements. The total cost was estimated to be $480,322. The City is estimating the life of the plant to be 10 years.

	Balance at Oct. 1, 2024	Additions	Amortization	Balance at Sept. 30, 2025
ARO Deferred Outflow	$ 353,840	$ 17,695	$ 41,282	$ 330,253

	Balance at Oct. 1, 2023	Additions	Reductions	Balance at Sept. 30, 2025
ARO Liability	$ 589,817	$ 17,695	$ -	$ 607,512

P. Subsequent Events

On January 29, 2026, the City issued $97,925,000 of Electric Utility System Revenue Refunding Bonds, New Series 2026, to refund outstanding revenue notes and EUS Revenue Bonds, Series 2016B.

City of Garland, Texas
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2025
(unaudited)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	$ 122,764,672	$ 120,076,537	$ 125,680,837	$ 5,604,300
Franchise fees	7,391,128	7,348,899	8,160,990	812,091
Service charges	43,930,092	43,114,294	43,911,450	797,156
Licenses and permits	5,655,620	7,420,411	7,372,539	(47,872)
Earnings on investments	3,635,700	4,588,251	4,913,063	324,812
Intergovernmental	5,407,341	6,454,867	8,087,972	1,633,105
Charges for services	12,358,330	12,358,330	12,006,330	(352,000)
Fines and forfeits	5,208,759	6,138,014	6,092,920	(45,094)
Rents and concessions	847,768	1,029,868	990,367	(39,501)
Total revenues	207,199,410	208,529,471	217,216,468	8,686,997
Expenditures:				
Current:				
General government	17,123,498	18,843,346	18,299,585	543,761
Public safety	131,192,631	133,672,694	139,917,468	(6,244,774)
Public works	64,340,049	71,946,319	49,847,728	22,098,591
Culture and recreation	22,895,729	24,268,137	21,355,473	2,912,664
Public health	4,227,115	4,988,842	4,963,515	25,327
Nondepartmental	43,953,885	45,792,114	115,049,871	(69,257,757)
Total expenditures	283,732,907	299,511,452	349,433,640	(49,922,188)
Excess (deficit) of revenues over (under) expenditures	(76,533,497)	(90,981,981)	(132,217,172)	(41,235,191)
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	393,217	393,217
Net Proceeds of long term debt	-	-	130,850,000	130,850,000
Transfer in	73,782,430	75,321,404	75,425,259	103,855
Transfers out	-	-	(38,125,451)	(38,125,451)
Total other financing sources (uses)	73,782,430	75,321,404	168,543,025	93,221,621
Net Change in fund balances	(2,751,067)	(15,660,577)	36,325,853	51,986,430
Fund balance, beginning of year	69,728,500	69,728,500	69,728,500	-
Fund balance, end of year	$ 66,977,433	$ 54,067,923	$ 106,054,353	$ 51,986,430

See notes to required supplementary information.

City of Garland, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Calendar Years
(unaudited)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability										
Service Cost	$ 20,067,678	$ 21,522,671	$ 22,270,032	$ 23,370,261	$ 24,406,916	$ 26,203,127	$ 25,977,603	$ 26,268,489	$ 28,035,696	$ 34,499,150
Interest	56,833,734	57,958,342	60,506,232	63,285,856	66,121,119	69,127,800	72,367,235	74,927,679	77,329,845	88,223,013
Changes of benefit terms including substantively automatic status	-	-	-	-	-	-	-	-	-	127,899,258
Difference between expected and actual experience	(6,147,278)	84,986	928,620	892,041	2,799,800	7,470,398	(2,381,211)	(2,837,850)	(3,175,432)	6,519,048
Change of assumptions	15,651,656	-	-	-	1,605,156	-	-	-	(5,182,162)	-
Benefit payments, including refunds of employee contributions	(38,435,413)	(42,367,920)	(42,018,404)	(44,132,351)	(47,992,826)	(54,582,524)	(54,811,345)	(61,541,795)	(65,766,769)	(67,750,551)
Net Change in Total Pension Liability	47,970,377	37,198,079	41,686,480	43,415,807	46,940,165	48,218,801	41,152,282	36,816,523	31,241,178	189,389,918
Total Pension Liability - Beginning	821,094,349	869,064,726	906,262,805	947,949,285	991,365,092	1,038,305,257	1,086,524,058	1,127,676,340	1,164,492,863	1,195,734,041
Total Pension Liability - Ending	$ 869,064,726	$ 906,262,805	$ 947,949,285	$ 991,365,092	$ 1,038,305,257	$ 1,086,524,058	$ 1,127,676,340	$ 1,164,492,863	$ 1,195,734,041	$ 1,385,123,959
Plan Fiduciary Net Position										
Contributions - Employer	$ 14,462,360	$ 14,265,404	$ 15,640,715	$ 16,662,812	$ 16,995,099	$ 18,554,489	$ 18,626,665	$ 19,118,221	$ 19,450,670	$ 21,578,574
Contributions - Employee	9,304,889	9,694,895	10,035,625	10,546,061	11,021,733	11,777,742	11,649,149	11,815,278	12,572,061	13,559,072
Net Investment Income	1,220,504	54,933,203	117,621,308	(28,429,765)	139,604,497	77,545,208	140,045,792	(86,762,429)	123,942,041	120,465,537
Benefit payments, including refunds of employee contributions	(38,435,413)	(42,367,920)	(42,018,404)	(44,132,351)	(47,992,826)	(54,582,524)	(54,811,345)	(61,541,795)	(65,766,769)	(67,750,551)
Administrative Expense	(743,428)	(620,477)	(609,672)	(549,660)	(789,265)	(502,139)	(648,494)	(751,667)	(789,866)	(774,432)
Other	(36,717)	(33,430)	(30,898)	(28,717)	(23,709)	(19,593)	4,442	896,962	(5,521)	(18,112)
Net Change in Plan Fiduciary Net Position	(14,227,805)	35,871,675	100,638,674	(45,931,620)	118,815,529	52,773,183	114,866,209	(117,225,430)	89,402,616	87,060,088
Plan Fiduciary Net Position - Beginning	827,166,176	812,938,371	848,810,046	949,448,720	903,517,100	1,022,332,629	1,075,105,812	1,189,972,021	1,072,746,591	1,162,149,207
Plan Fiduciary Net Position - Ending	$ 812,938,371	$ 848,810,046	$ 949,448,720	$ 903,517,100	$ 1,022,332,629	$ 1,075,105,812	$ 1,189,972,021	$ 1,072,746,591	$ 1,162,149,207	$ 1,249,209,295
Net Pension Liability (Asset)	$ 56,126,355	$ 57,452,759	$ (1,499,435)	$ 87,847,992	$ 15,972,628	$ 11,418,246	$ (62,295,681)	$ 91,746,272	$ 33,584,834	$ 135,914,664
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.54%	93.66%	100.16%	91.14%	98.46%	98.95%	105.52%	92.12%	97.19%	90.19%
Covered Payroll	$ 132,898,533	$ 138,498,528	$ 143,307,799	$ 150,581,579	$ 157,362,452	$ 168,076,505	$ 166,416,417	$ 168,712,216	$ 179,600,871	$ 193,597,922
Net Pension Liability (Asset) as a Percentage of Covered Payroll	42.23%	41.48%	(1.05%)	58.34%	10.15%	6.79%	(37.43%)	54.38%	18.70%	70.20%

Measurement date December 31

City of Garland, Texas
Required Supplementary Information
TMRS Schedule of Contributions
Last Ten Fiscal Years
(unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	$ 15,134,606	$ 15,568,576	$ 16,665,242	$ 17,281,423	$ 17,978,839	$ 18,897,527	$ 19,328,261	$ 19,969,422	$ 21,773,233	$ 32,641,892
Contributions in relation to the actuarially determined contribution	15,134,606	15,568,576	16,665,242	17,281,423	17,978,839	18,897,527	19,328,261	19,969,422	21,773,233	32,641,892
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 142,253,130	$ 141,938,528	$ 148,461,246	$ 156,242,087	$ 160,756,322	$ 165,972,997	$ 167,564,375	$ 176,646,631	$ 190,211,842	$ 200,987,389
Contributions as a percentage of covered payroll	10.64%	10.97%	11.23%	11.06%	11.18%	11.39%	11.53%	11.30%	11.45%	16.24%

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to the experience study of the period ending 2022.
Mortality	Post-retirement: 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 convergance). Pre-retirement: PUB(10) mortality tables, with the 110% Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes: Adopted 50% non-retroactive repeating COLA.

City of Garland, Texas
Required Supplementary Information
City of Garland other postemployment plan
Schedule of Changes in OPEB Liability and Related Ratios
Last Eight Calendar Years
(unaudited)

	2017	2018	2019	2020	2021	2022	2023	2024
Total OPEB Liability								
Service Cost	$ 2,260,181	$ 2,220,788	$ 3,024,066	$ 3,024,066	$ 2,239,204	$ 2,142,366	$ 2,080,963	$ 3,197,177
Interest	3,284,435	3,291,786	3,403,827	3,525,395	3,545,372	5,106,386	5,260,690	6,114,158
Difference between expected and actual experience	(1,303,593)	917,146	8,472,720	2,095,099	2,307,370	-	816,935	-
Change of assumptions	7,017,755	(5,723,188)	1,369,232	-	8,803,333	(4,565,102)	30,319,531	(1,541,609)
Benefit payments, including refunds of employee contributions	(3,529,580)	(4,039,931)	(4,894,085)	(5,598,096)	(7,032,293)	(4,645,265)	(7,259,006)	(3,398,990)
Net Change in Total OPEB Liability	7,729,198	(3,333,399)	11,375,760	3,046,464	9,862,986	(1,961,615)	31,219,113	4,370,736
Total OPEB Liability - Beginning	70,652,262	78,381,460	75,048,061	86,423,821	89,470,285	99,333,271	97,371,656	128,590,769
Total OPEB Liability - Ending	$ 78,381,460	$ 75,048,061	$ 86,423,821	$ 89,470,285	$ 99,333,271	$ 97,371,656	$ 128,590,769	$ 132,961,505
Plan Fiduciary Net Position								
Contributions - Employer	$ 4,779,579	$ 5,374,931	$ 6,314,085	$ 7,103,096	$ 8,622,293	$ 4,645,265	$ 10,694,006	$ 5,243,990
Net Investment Income	527,289	(266,098)	1,218,881	1,357,858	1,119,635	(2,128,605)	2,059,481	1,733,647
Benefit payments, including refunds of employee contributions	(3,529,580)	(4,039,931)	(4,894,085)	(5,598,096)	(7,032,293)	(4,645,265)	(7,259,006)	(3,398,990)
Administrative Expense	(21,120)	(32,518)	(40,759)	(50,492)	(65,244)	(66,795)	(71,154)	(86,168)
Net Change in Plan Fiduciary Net Position	1,756,168	1,036,384	2,598,122	2,812,366	2,644,391	(2,195,400)	5,423,327	3,492,479
Plan Fiduciary Net Position - Beginning	3,767,364	5,523,532	6,559,916	9,158,038	11,970,404	14,614,795	12,419,395	17,842,722
Plan Fiduciary Net Position - Ending	$ 5,523,532	$ 6,559,916	$ 9,158,038	$ 11,970,404	$ 14,614,795	$ 12,419,395	$ 17,842,722	$ 21,335,201
Net OPEB Liability	$ 72,857,928	$ 68,488,145	$ 77,265,783	$ 77,499,881	$ 84,718,476	$ 84,952,261	$ 110,748,047	$ 111,626,304
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	7.00%	8.70%	10.60%	13.40%	14.71%	12.75%	13.88%	16.05%
Covered Payroll	$ 177,921,683	$ 178,663,144	$ 186,115,788	$ 198,597,431	$ 199,329,268	$ 209,553,251	$ 225,944,014	$ 258,451,553
Net OPEB Liability as a Percentage of Covered Payroll	40.95%	38.33%	41.50%	39.00%	42.50%	40.54%	49.02%	43.19%

Measurement date December 31
The City of Garland implemented Statement 75 in FY2018 and a full ten-year trend is not yet available.

Notes to Schedule:

Changes in assumptions . The initial discount rate for the 12/31/16 measurement was 4.75%.
2017-2018: The discount rate was decreased from 4.75% to 4.14%.
2018-2019: The discount rate was increased from 4.14% to 4.63%.
2019-2020: The discount rate was decreased from 4.63% to 4.02%.
2020-2021: The discount rate was increased from 4.02% to 5.15%.
2021-2022: The discount rate was increased from 5.15% to 5.49%.
2022-2023: The discount rate was decreased from 5.49% to 4.70%.
2023-2024: The discount rate was increased from 4.70% to 4.80%.

City of Garland, Texas
Required Supplementary Information
City of Garland other postemployment plan
OPEB Schedule of Contributions
Last Eight Fiscal Years
(unaudited)

	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	$ 6,502,862	$ 5,391,362	$ 8,109,928	$ 8,343,165	$ 9,090,276	$ 7,320,224	$ 10,074,127	$ 10,556,574
Contributions in relation to the actuarially determined contribution	5,024,715	6,632,454	6,664,631	8,122,773	6,826,969	7,039,741	7,045,425	8,378,331
Contribution deficiency (excess)	$ 1,478,147	$ (1,241,092)	$ 1,445,297	$ 220,392	$ 2,263,307	$ 280,483	$ 3,028,702	$ 2,178,243
Covered payroll	$ 148,461,246	$ 156,242,087	$ 160,756,322	$ 165,972,997	$ 167,564,375	$ 176,646,631	$ 190,211,842	$ 258,451,553
Contributions as a percentage of covered payroll	3.38%	4.24%	4.15%	4.89%	4.07%	3.99%	3.70%	3.24%

Notes to Schedule of Contributions

Valuation Date:	The Actuarially Determined Contribution is the sum of the current year's normal cost plus an amount necessary to amortize the unfunded liability over a closed 17-year period. Actuarial valuation has been performed as of December 31.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 Years
Asset Valuation Method	Fair value
Inflation	2.5%
Salary Increases	3.0%
Discount Rate	4.80%
Healthcare cost trend rates	Capped at 3.0%
Mortality	Non-Annuitants: Sex distinct PUB 2010 general employee headcount weighted mortality table with mortality improvement scale MP-2021. Annuitants: sex distinct PUB 2010 retiree headcount weighted mortality table with mortality improvement scale MP-2021.

Other Information:

Notes

The City of Garland implemented Statement 75 in FY2018 and a full ten-year trend is not yet available.

City of Garland, Texas
Required Supplementary Information
TMRS Supplemental Death Benefit
Schedule of Changes in OPEB liability and Related Ratios
Last Eight Calendar Year
(unaudited)

	2017	2018	2019	2020	2021	2022	2023	2024
Total OPEB Liability								
Service Cost	$ 214,962	$ 255,989	$ 236,042	$ 336,153	$ 399,399	$ 438,652	$ 233,483	$ 271,037
Interest	238,314	240,384	286,023	234,005	200,979	194,069	300,454	303,936
Difference between expected and actual experience	-	497,210	(966,665)	(169,737)	(201,508)	(54,745)	586	(28,693)
Change of assumptions	542,752	(474,877)	1,259,391	1,249,459	297,565	(3,359,629)	379,624	(387,694)
Benefit payments	(57,323)	(60,233)	(62,945)	(67,232)	(216,341)	(219,326)	(269,401)	(309,757)
Net Change in Total OPEB Liability	938,705	458,473	751,846	1,582,648	480,094	(3,000,979)	644,746	(151,171)
Total OPEB Liability - Beginning	6,225,775	7,164,480	7,622,953	8,374,799	9,957,447	10,437,541	7,436,562	8,081,308
Total OPEB Liability - Ending	$ 7,164,480	$ 7,622,953	$ 8,374,799	$ 9,957,447	$ 10,437,541	$ 7,436,562	$ 8,081,308	$ 7,930,137
Covered Employee Payroll	$ 143,307,799	$ 150,581,579	$ 157,362,452	$ 168,076,505	$ 166,416,417	$ 168,712,216	$ 179,600,871	$ 193,597,922
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.00%	5.06%	5.32%	5.92%	6.27%	4.41%	4.50%	4.10%

Measurement date December 31
The City of Garland implemented Statement 75 in FY2018 and a full ten-year trend is not yet available.

Notes to Schedule:

Changes in assumptions. The initial discount rate for the 12/31/16 measurement was 3.81%.
The discount rate for the 12/31/17 measurement was 3.31%.
The discount rate for the 12/31/18 measurement was 3.71%.
The discount rate for the 12/31/19 measurement was 2.75%.
The discount rate for the 12/31/20 measurement was 2.00%.
The discount rate for the 12/31/21 measurement was 1.84%.
The discount rate for the 12/31/22 measurement was 4.05%.
The discount rate for the 12/31/23 measurement was 3.77%.
The discount rate for the 12/31/24 measurement was 4.08%.

No assets accumulated in a trust meets the criteria to pay related benefits for the OPEB plan.

City of Garland, Texas
Notes to Required Supplementary Information

Budgets and Budgetary Accounting

Annual appropriations for the General Fund are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

The City Charter contains the following requirements, which are adhered to by the City Council and management, regarding preparation of the annual Budget:

1. Prior to August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted prior to September 15 to obtain taxpayer comments.
3. Prior to September 20, annual appropriations are approved through the passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, is deemed to have been adopted by the City Council.
4. The level of control (level at which expenditures may not exceed budget) is the fund. The City Manager is authorized to transfer unexpended balances within each fund. The City Council, however, must approve any revisions in fund appropriations.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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McCALL
PARKHURST & HORTON
Focused on Public Finance since 1919.

Proposed Form of Opinion of Bond Counsel

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

CITY OF GARLAND, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $__________

AS BOND COUNSEL for the City of Garland, Texas (the "Issuer"), we have examined into the legality and validity of the issue of bonds described above (the "Bonds"), which bear interest from the date specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing serially on the dates specified in the text of the Bonds, all in accordance with the Ordinance adopted by the City Council of the Issuer authorizing the issuance of the Bonds (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas; a transcript of certified proceedings of the Issuer relating to the authorization, issuance, sale and delivery of the Bonds, including the Ordinance; certificates of officials of the Issuer; and other pertinent instruments relating to the issuance of the Bonds. We have also examined one of the executed Bonds which we found to be in due form and properly executed.

BASED ON SAID EXAMINATION, it is our opinion that the Bonds have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to governmental immunity and bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the Ordinance, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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

Respectfully,

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Proposed Form of Opinion of Bond Counsel

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

CITY OF GARLAND, TEXAS
GENERAL OBLIGATION BONDS, TAXABLE SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_________

AS BOND COUNSEL for the City of Garland, Texas (the "Issuer"), we have examined into the legality and validity of the issue of bonds described above (the "Bonds"), which bear interest from the date specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing serially on the dates specified in the text of the Bonds, all in accordance with the Ordinance adopted by the City Council of the Issuer authorizing the issuance of the Bonds (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas; a transcript of certified proceedings of the Issuer relating to the authorization, issuance, sale and delivery of the Bonds, including the Ordinance; certificates of officials of the Issuer; and other pertinent instruments relating to the issuance of the Bonds. We have also examined one of the executed Bonds which we found to be in due form and properly executed.

BASED ON SAID EXAMINATION, it is our opinion that the Bonds have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to governmental immunity and bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as provided in the Ordinance.

IT IS FURTHER OUR OPINION that the Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended.

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.

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

Respectfully,

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