

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

## PRELIMINARY OFFICIAL STATEMENT

Dated April 22, 2026

Ratings:

S&P: "A"

(See "OTHER INFORMATION – Ratings" herein)

### NEW ISSUE - Book-Entry-Only

*In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.*

### THE BONDS WILL NOT BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$52,610,000\*

CITY OF GREENVILLE, TEXAS

(Hunt County, Texas)

WATERWORKS AND SEWER SYSTEM NEW LIEN REVENUE BONDS, SERIES 2026

Dated Date: April 15, 2026; Interest Accrues from Date of Initial Delivery

Due: February 15, as shown on Page 2

**PAYMENT TERMS** . . . Interest on the \$52,610,000\* City of Greenville, Texas, Waterworks and Sewer System New Lien Revenue Bonds, Series 2026 (the "Bonds") will accrue from the date of initial delivery, and will be payable February 15 and August 15 of each year, commencing February 15, 2027 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a stated 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 for the Bonds is UMB Bank, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), particularly Chapter 1502, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Greenville, Texas (the "City"), and are special obligations of the City, payable, both as to principal and interest, together with the Previously Issued New Lien Bonds and any Additional New Lien Bonds (each as defined herein), solely from and secured by a lien on and pledge of the Net Revenues (hereinafter defined) of the City's waterworks and sewer system (the "System"); such lien on and pledge, however, being in all things junior and subordinate to the lien on and pledge of the Net Revenues made for the security and payment of the outstanding Previously Issued First Lien Bonds (identified and defined in the Ordinance). The City has covenanted in the Ordinance that it will not issue any additional obligations that are on a parity with the outstanding Previously Issued First Lien Bonds. At such time as there are no Previously Issued First Lien Bonds outstanding, the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds (the "New Lien Bonds") will become obligations equally secured by a first lien on and pledge of the Net Revenues of the System. **The City has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation and holders of the Bonds are not entitled to demand payment of the Bonds from any money raised by taxation.** See "THE BONDS – Authority for Issuance" and "– Security and Source of Payment".

**PURPOSE** . . . Proceeds from the sale of the Bonds will be used for the purposes of (i) improving and extending the System, the acquisition of land and facilities for a public works service center for the System; and (ii) paying the costs of issuing the Bonds (see "THE BONDS – Purpose" herein).

**BOND INSURANCE** . . . The City has applied for municipal bond insurance on the Bonds and the Purchaser will consider the purchase of such insurance after an analysis of the bids from such companies has been made (see "BOND INSURANCE" and "BOND INSURANCE RISKS" herein).

CUSIP PREFIX:

MATURITY SCHEDULE & CUSIP SUFFIX See Schedule on Page 2

**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion").

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on or about May 28, 2026.

**BIDS DUE ON TUESDAY, APRIL 28, 2026, AT 10:00 AM, CENTRAL TIME**

\* Preliminary, subject to change (see "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the Notice of Sale and Bidding Instructions).

**MATURITY SCHEDULE\***

Principal Amount	February 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 195,000	2027			
810,000	2028			
850,000	2029			
895,000	2030			
940,000	2031			
985,000	2032			
1,040,000	2033			
1,090,000	2034			
1,145,000	2035			
1,205,000	2036			
1,265,000	2037			
1,330,000	2038			
1,400,000	2039			
1,470,000	2040			
1,550,000	2041			
1,630,000	2042			
1,720,000	2043			
1,815,000	2044			
1,910,000	2045			
2,015,000	2046			
2,125,000	2047			
2,240,000	2048			
2,365,000	2049			
2,495,000	2050			
2,630,000	2051			
2,775,000	2052			
2,930,000	2053			
3,090,000	2054			
3,260,000	2055			
3,440,000	2056			

**(Interest Accrues from Date of Initial Delivery)**

\* Preliminary, subject to change (see “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the Notice of Sale and Bidding Instructions).

(1) CUSIP numbers are included solely for convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the City, the Purchaser, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**REDEMPTION.** . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). In the event any of the Bonds are structured as “term” Bonds, such term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

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

*No dealer, broker, salesman or other person has been authorized by the City or the Purchaser to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Purchaser. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.*

*The information set forth or included in this Official Statement has been provided by the City and from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City 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. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.*

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

NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

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

*The agreements of the City and others related to the Bonds are 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 the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.*

**TABLE OF CONTENTS**

<b>PRELIMINARY OFFICIAL STATEMENT SUMMARY</b> .....	4	INVESTMENTS	22
<b>CITY OFFICIALS, STAFF AND CONSULTANTS</b> .....	6	TABLE 9 - CURRENT INVESTMENTS	24
<b>INTRODUCTION</b> .....	7	<b>SELECTED PROVISIONS OF THE ORDINANCE</b> .....	25
<b>THE BONDS</b> .....	7	<b>TAX MATTERS</b> .....	35
<b>BOND INSURANCE</b> .....	15	<b>CONTINUING DISCLOSURE OF INFORMATION</b> .....	37
<b>BOND INSURANCE RISKS</b> .....	15	<b>OTHER INFORMATION</b> .....	38
<b>THE SYSTEM</b> .....	16	<b>APPENDICES</b>	
WATERWORKS SYSTEM.....	16	GENERAL INFORMATION REGARDING THE CITY .....	A
TABLE 1 – TOTAL ANNUAL HISTORICAL CUSTOMERS.....	16	EXCERPTS FROM THE ANNUAL FINANCIAL REPORT .....	B
TABLE 2 – HISTORICAL WATER CONSUMPTION .....	16	FORM OF BOND COUNSEL'S OPINION .....	C
TABLE 3 - TEN LARGEST WATER CUSTOMERS.....	17		
TABLE 4 - MONTHLY WATER RATES .....	17		
WASTEWATER SYSTEM .....	18		
TABLE 5 -MONTHLY SEWER RATES .....	18		
<b>DEBT INFORMATION</b> .....	19		
TABLE 6 – PRO-FORMA REVENUE BOND DEBT			
SERVICE REQUIREMENTS.....	19		
TABLE 7 – WATERWORKS AND SEWER SYSTEM			
OPERATING STATEMENT.....	21		
TABLE 8 – COVERAGE OF DEBT SERVICE			
REQUIREMENTS .....	21		

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

**PRELIMINARY OFFICIAL STATEMENT SUMMARY**

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

**THE CITY**..... The City of Greenville, Texas (The “City”) is a political subdivision and home rule municipal corporation of the State, located in Hunt County, Texas. The City covers approximately 33 square miles (see “INTRODUCTION – Description of the City”).

**THE BONDS**..... The \$52,610,000\* City of Greenville, Texas, Waterworks and Sewer System New Lien Revenue Bonds, Series 2026 are issued as serial bonds maturing February 15 in each of the years 2027 through 2056, unless the Purchaser designates one or more maturities as term bonds (the “Term Bonds”) (see “THE BONDS - Description of the Bonds”).

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

**AUTHORITY FOR ISSUANCE**..... The Bonds are issued pursuant to the Constitution and the general laws of the State, including particularly Chapter 1502, Texas Government Code, as amended, and an ordinance (the “Ordinance”) to be adopted by the City Council of the City. See “THE BONDS – Authority for Issuance” and “- Security and Source of Payment”.

**SECURITY FOR THE BONDS** ..... The Bonds constitute special obligations of the City, payable, both as to principal and interest, together with the Previously Issued New Lien Bonds and any Additional New Lien Bonds (each as defined herein), solely from and secured by a lien on and pledge of the Net Revenues of the City's waterworks, and sewer system (the “System”); such lien on and pledge, however, being in all things junior and subordinate to the lien on and pledge of the Net Revenues made for the security and payment of the outstanding Previously Issued First Lien Bonds (identified and defined in the Ordinance). The City has covenanted in the Ordinance that it will not issue any additional obligations that are on a parity with the outstanding Previously Issued First Lien Bonds. At such time as there are no Previously Issued First Lien Bonds outstanding, the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds (the “New Lien Bonds”) will become obligations equally secured by a first lien on and pledge of the Net Revenues of the System. **The City has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see “THE BONDS - Security and Source of Payment”).

**OPTIONAL REDEMPTION** ..... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). In the event any of the Bonds are structured as Term Bonds, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

**TAX EXEMPTION**..... In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See “TAX MATTERS” herein, including information regarding potential alternative minimum tax consequences for corporations.

**USE OF PROCEEDS** ..... Proceeds from the sale of the Bonds will be used for the purposes of (i) improving and extending the System, the acquisition of land and facilities for a public works service center for the System; and (ii) paying the costs of issuing the Bonds (see “THE BONDS – Purpose” herein).

\* Preliminary, subject to change (see “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the Notice of Sale and Bidding Instructions).

**RATINGS** ..... The Bonds are rated “A” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”). The City also has various issues outstanding which are rated by various commercial insurance companies (see “OTHER INFORMATION – Ratings”). The City has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, the Purchaser may elect to purchase municipal bond insurance to insure the Bonds (see "BOND INSURANCE" and “BOND INSURANCE RISKS” for a description of the current state of the financial guaranty insurance industry and information regarding downgrading and negative changes to the ratings outlook of multiple financial guaranty insurers).

**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 the payment of its bonded indebtedness.

For additional information regarding the City, please contact:

City of Greenville		Specialized Public Finance
Summer Spurlock		Steven A. Adams, CFA
City Manager	or	Paul N. Jasin
2821 Washington Street		4925 Greenville Ave., Suite 1350
Greenville, Texas 75401		Dallas, Texas 75206
(903) 457-3116		(214) 373-3911

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**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Jerry Ransom Mayor	5 Years	May, 2027	Retired
TJ Goss Mayor Pro Tem	1 Year	May, 2028	Chiropractor
Ramon Rodriguez	8 Months	May, 2028	Chief of Police - Greenville ISD
Philip Spencer	1 Year	May, 2026	Corporate Investigator
Tim Kruse	2 Years	May, 2026	Lead Rigger
Ben Collins	5 Years	May, 2027	Software Engineer
Kenneth Freeman	5 Years	May, 2027	Bus Driver

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service to City</u>
Summer Spurlock	City Manager	10 Years
Benjamin Petty	Director of Finance & Administrative Services	1 Year
Carla Oldacre, TRMC	City Secretary	5 Years

**CONSULTANTS AND ADVISORS**

Auditors .....	Whitley Penn LLP Dallas, Texas
Bond Counsel .....	Bracewell LLP Dallas, Texas
Financial Advisor .....	Specialized Public Finance Inc. Dallas, Texas

**OFFICIAL STATEMENT  
RELATING TO**

**\$52,610,000\***  
**CITY OF GREENVILLE, TEXAS**  
**(Hunt County, Texas)**  
**WATERWORKS AND SEWER SYSTEM NEW LIEN REVENUE BONDS, SERIES 2026**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the City of Greenville, Texas \$52,610,000\* Waterworks and Sewer System New Lien Revenue Bonds, Series 2026 (the “Bonds”). The Bonds are being issued pursuant to an ordinance (the “Ordinance”) to be adopted by the City Council. (See “THE BONDS – Security and Source of Payment”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein. There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City’s Financial Advisor, Specialized Public Finance Inc., Dallas, Texas.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see “OTHER INFORMATION – Forward-Looking Statements Disclaimer”).

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City first adopted its Home Rule Charter in 1953. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council Members who are elected in three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 25,557, while in 2020 the Census population was 28,164. The City covers approximately 33 square miles.

**THE BONDS**

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used for the purposes of (i) improving and extending the System, the acquisition of land and facilities for a public works service center for the System; and (ii) paying the costs of issuing the Bonds.

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

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1502 of the Texas Government Code, as amended, and the Ordinance.

\* See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the NOTICE OF SALE AND BIDDING INSTRUCTIONS. Preliminary, subject to change.

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds are special obligations of the City, payable, both as to principal and interest, together with the Previously Issued New Lien Bonds and any Additional New Lien Bonds that may be issued by the City in the future (the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds, collectively, the “New Lien Bonds”), solely from and secured by a lien on and pledge of the Net Revenues of the of the System; such lien on and pledge, however, being in all things junior and subordinate to the lien on and pledge of the Net Revenues made for the security and payment of the outstanding Previously Issued First Lien Bonds (identified and defined in the Ordinance). The City has covenanted in the Ordinance that it will not issue any additional obligations that are on a parity with the outstanding Previously Issued First Lien Bonds. At such time as there are no Previously Issued First Lien Bonds outstanding, the New Lien Bonds will become obligations equally secured by a first lien on and pledge of the Net Revenues of the System.

In the Ordinance, the City expressly retains the right to issue additional obligations secured by a lien on the Net Revenues of the System that is on a parity with or subordinate to the lien securing the New Lien Bonds. For additional information, including a description of the flow of funds relating to the Bonds, see “SELECTED PROVISIONS OF THE ORDINANCE.”

**ADDITIONAL NEW LIEN BONDS . . .** The City may issue Additional New Lien Bonds, if the following conditions have been met: (i) the chief financial officer or the finance director of the City signs a certificate to the effect that, except for the issuance of refunding bonds to cure a default, no default exists in connection with any of the covenants or requirements of the ordinances authorizing the issuance of all then outstanding bonds payable from and secured by a lien on and pledge of the Net Revenues and that the interest and sinking funds and the reserve funds contains the amounts then required to be on deposit therein; and (ii) either (A) the chief financial officer or the finance director of the City signs a certificate to the effect that, during either the next preceding Fiscal Year, or any twelve (12) consecutive calendar month period ending not more than ninety (90) days prior to the adoption of the ordinance authorizing the issuance of the then proposed Additional New Lien Bonds, the Net Revenues were at least equal to an aggregate of 125% of the average annual Debt Service requirements of all then outstanding Previously Issued First Lien Bonds and New Lien Bonds after giving effect to the Additional New Lien Bonds proposed for issuance; (B) in the event the certificate of the chief financial officer or the finance director of the City states that the Net Revenues for the period covered thereby were less than required above, the chief financial officer or the finance director of the City or a qualified consultant (provided such qualified consultant is also a certified public accountant) may set forth projections in a certificate which indicate that the estimated Net Revenues will be equal to least 125% of the average annual Debt Service requirements of all then outstanding Previously Issued First Lien Bonds and New Lien Bonds after giving effect to the Additional New Lien Bonds proposed for issuance. For purposes of determining the "estimated Net Revenues" referenced in the preceding sentence, such certificate of the chief financial officer or the finance director of the City or a qualified consultant shall take into account (x) the audited results of operations of the System and the existing customers of the System for the most recently completed Fiscal Year, and (y) any changes in the rates and charges of the System that have been approved by City Council at least 30 days prior to the delivery of the Additional New Lien Bonds. (See “SELECTED PROVISIONS OF THE ORDINANCE”).

**PREVIOUSLY ISSUED FIRST LIEN BONDS . . .** The City has outstanding bonds (the “Previously Issued First Lien Bonds”) secured by and payable from a first lien on the Net Revenues of the System that is senior to the New Lien Bonds, as follows:

<u>Dated Date</u>	<u>Outstanding Debt <sup>(1)</sup></u>	<u>Issue Description</u>
12/15/2007	\$ 4,770,000	Waterworks and Sewer System Revenue Bonds, Series 2008
12/1/2009	60,000	Waterworks and Sewer System Revenue Bonds, Series 2009

(1) As of April 1, 2026.

**PREVIOUSLY ISSUED NEW LIEN BONDS . . .** The City currently has outstanding Previously Issued New Lien Bonds secured by and payable from a subordinate lien on and pledge of the Net Revenues on a parity with the Bonds, as follows:

<u>Dated Date</u>	<u>Outstanding Debt <sup>(1)</sup></u>	<u>Issue Description</u>
4/15/2024	\$ 98,675,000	Waterworks and Sewer System New Lien Revenue Bonds, Series 2024
11/14/2024	88,495,000	Waterworks and Sewer System New Lien Revenue Bonds, Series 2024A (TWDB)

(1) As of April 1, 2026.

Neither the Previously Issued First Lien Bonds nor the New Lien Bonds are a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues, and no judgment against the City may be enforced for payment of the Bonds by levy and execution against any property owned by the City.

**NEW LIEN RESERVE FUND . . .** The Ordinance provides for the creation of a reserve fund (the “New Lien Reserve Fund”) for New Series Bonds in an amount, if any, established in each ordinance authorizing New Lien Bonds (such amount, the “New Lien Reserve Fund Requirement”). The Ordinance does not require the New Lien Reserve Fund for the Bonds to be funded and therefore the Reserve Fund Requirement for the Bonds is \$0. (See “SELECTED PROVISIONS OF THE ORDINANCE – New Lien Reserve Fund.”)

**NET REVENUES . . .** Net Revenues means include the Gross Revenues of the System less Operation and Maintenance Expenses plus other resources of the City which may, at the option of the City, be pledged to the payment of the New Lien Bonds. “Operation and Maintenance Expenses” means the expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions as, in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or might be necessary to meet some physical accident or condition that would otherwise impair the Bonds, the Previously Issued First Lien Bonds, and any Additional New Lien Bonds shall be included as Operation and Maintenance Expenses. Surplus revenues may be used for the prior redemption of the Bonds, the Previously Issued First Lien Bonds or any Additional New Lien Bonds, or for any lawful purpose. (See "SELECTED PROVISIONS OF THE ORDINANCE.")

**RATE COVENANT . . .** In the Ordinance, the City has covenanted that at all times it will charge and collect for services rendered by the System rates sufficient to (i) pay for all Operation and Maintenance Expenses; (ii) establish and maintain the Funds required by the Previously Issued First Lien Bond Ordinance and the Ordinance; (iii) produce Net Revenues each year in an amount reasonably estimated to be not less than the greater of (a) 1.25 times the average annual principal and interest requirements of the Previously Issued First Lien Bonds outstanding, or (b) 1.25 times the annual principal and interest requirements of the Previously Issued First Lien Bonds scheduled to come due and mature in each year; (iv) produce Net Revenues each year that will equal at least 1.10 times the annual Debt Service on the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds to pay promptly all of the Debt Service on all the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds; and (vi) pay all other outstanding indebtedness against said System as and when the same becomes due. See “SELECTED PROVISIONS OF THE ORDINANCE - Making and Collecting Rates and Charges.”

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

**NOTICE OF REDEMPTION . . .** Not less than thirty (30) days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the Owners of the Bonds to be redeemed at the address of the Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

In the Ordinance, the City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE CITY IN THE NOTICE, 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.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds will send any notice of redemption or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice.

Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "THE BONDS - Book-Entry-Only System" herein.

**DEFEASANCE . . .** The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds, as applicable, to pay principal and interest thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Bonds to maturity or redemption (if applicable) or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption (if applicable) of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, 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 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 which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption (if applicable) of the Bonds, as the case may be.

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

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

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this 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 Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

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

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system 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 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 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

Principal of and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants 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. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered in accordance with the Ordinance. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . .** In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

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

Principal of the Bonds at stated maturity or earlier redemption will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "THE BONDS – Record Date for Interest Payment" herein), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment as due. So long as CEDE & Co. is the registered owner of the Bonds, payment of principal of and interest on the Bonds will be made as described in "THE BONDS - Book-Entry-Only-System" above.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System is discontinued, Bond certificates will be printed and delivered to the registered 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 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 designated 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 Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption of such Bond; provided, however, such limitation on transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond called for redemption in part.

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

**BONDHOLDERS’ REMEDIES . . .** If the City defaults in the payment of principal of or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas Legislature has effectively waived the City’s sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the “Proprietary - Governmental Dichotomy”). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State’s sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of the municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson”), the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’ and protecting such municipalities ‘via the State’s immunity is not an efficient way to ensure efficient allocation of State resources.’” While the Court recognized that the distinction between governmental and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018, clarifying 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 inception of the contractual relationship. Notwithstanding the foregoing, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the Net Revenues, such provision is subject to judicial construction. 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 would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and as to general principles of equity that permit the exercise of judicial discretion.

In addition, while the City has covenanted to secure the Bonds by a lien on the Net Revenues, Bond Counsel will opine only that a valid and enforceable lien has been granted on the Net Revenues. Bond Counsel has not been requested to, and has not, rendered any opinion as to the priority status of the pledge of the Net Revenues.

**SOURCES AND USES OF FUNDS.** . . The proceeds from the sale of the Bonds will be used approximately as follows:

<b>SOURCES OF FUNDS</b>	
Par Amount of Bonds	\$ -
Bid Premium	-
Total Sources	<u>\$ -</u>
 <b>USES OF FUNDS</b>	
Deposit to Construction Fund	\$ -
Costs of Issuance/Rounding Amount	-
Total Uses	<u>\$ -</u>

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## **BOND INSURANCE**

The City has submitted applications to municipal bond insurance companies (an “Insurer”) to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy (a “Policy”). In the event the Bonds are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the insurance premium will be paid by the Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to any such municipal bond insurance policy.

## **BOND INSURANCE RISKS**

*If an insurance policy is purchased, the following are risk factors relating to bond insurance.*

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

Payment of principal of and interest on the Bonds will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “THE BONDS – Bondholders’ Remedies”). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bondholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the Net Revenues. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

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

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

**CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . .** Moody’s Investor Services, Inc., Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and Fitch Ratings (the “Rating Agencies”) have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, previous events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

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## THE SYSTEM

### WATERWORKS SYSTEM

The City of Greenville has operated a water system since the 1890s. The first clarification treatment facility was built in 1926. A 6.0 MGD conventional treatment plant was constructed in 1955-1956. The facility was upgraded 1993-1994 to a 13 MGD facility at a cost of \$7,100,000.

The City of Greenville obtains untreated (raw water) from two sources, both of which are dependent upon the Sabine River for refilling. A series of off-channel reservoirs, located on the north side of Greenville, is the source of raw water that is used most of the year. The secondary source of raw water is Lake Tawakoni, which is used during the dry seasons of the year.

The City’s Wastewater Collection Division successfully completed a five-year plan in 2012 with the Texas Commission on Environmental Quality – SSO Program. The program was designed for City forces to replace existing problematic sewer main piping with new PVC piping, new service line piping and new pre-cast concrete manholes. The City continues to address these issues even after the completion of this program. Several new water and wastewater projects began construction during the past few fiscal years, including the rehabilitation of water plant clarifiers, replacement of the SCADA system, water treatment plant and filter rehabilitation, replacement of a 16” transmission line, various lift and pump station improvements, and the L3 water line extension. Several of these projects are long-term and still in progress, and the October 2021 issuance of a \$50 million certificates of obligations bond is currently funding the work and progress on the Tawakoni raw water line replacement.

**TABLE 1 – TOTAL ANNUAL HISTORICAL CUSTOMERS**

Fiscal Year Ended 9/30	Number of Water Customers
2021	10,716
2022	14,235
2023	13,589
2024	12,597
2025	12,329

Source: City Officials.

**TABLE 2 - HISTORICAL WATER CONSUMPTION**

Fiscal Year Ended 9/30	Average Daily Water Consumption (in Million Gallons)	Maximum Daily Water Consumption (in Million Gallons)	Total Usage (in Million Gallons)
2021	4.427	9.660	1,615.783
2022	5.281	8.640	1,927.659
2023	5.779	8.900	2,109.470
2024	5.648	11.970	2,061.450
2025	6.331	14.000	2,311.160

Source: City Officials.

**TABLE 3 - TEN LARGEST WATER CUSTOMERS (FISCAL YEAR 2025)**

Customer	Average Monthly Use (Gallons)
L3 Technologies	8,277,051
Sabert Corporation	2,617,799
HASA, Inc.	1,946,077
Cytec DBA Syensco	1,740,300
Hunt Regional Medical	1,061,587
International Grains & Cereal, Inc.	806,000
Orbis Corporation	722,373
Rock Tenn Corp	640,894
Weatherford Artificial Lift #224	414,401
City Sewer Disposal Plant	399,659
	18,626,141

Source: City Officials.

**TABLE 4 - MONTHLY WATER RATES (FISCAL YEAR 2025)**

	Rates per Month	
	Inside City	Outside City
3/4' Meter	\$ 36.63	\$ 42.12
1" Meter	63.59	73.02
1 1/2" Meter	122.80	178.90
2" Meter	191.87	361.47
3" Meter	387.22	759.59
4" Meter	711.38	1,463.94
6" Meter	1,422.77	3,584.00
8" Meter	2,855.87	-
10" Meter	4,342.50	-

Additional Charge by Volume (per 1,000 Gallons):

	Inside City	Outside City
Residential		
2,001-10,000	\$ 9.47	\$ 10.89
10,001-25,000	11.48	13.20
25,001 and up	13.92	16.01
Commercial		
2,001-25,000	\$ 9.47	\$ 10.89
25,001-50,000	11.48	13.20
50,001 and up	14.40	14.40

Source: City Officials.

**WASTEWATER SYSTEM**

The City built its first wastewater treatment plant around 1916. The original plant was replaced in 1953 with a trickling filter plant which was upgraded and expanded several times and then decommissioned in 2012 when the City started up a new \$22 million sequencing batch reactor (SBR) wastewater treatment plant. The new plant has a capacity of 6.0 Million Gallon per Day (MGD) and includes a new Administration Building and laboratory, new headworks with fine screens and lift station, septage receiving station, SBR activated sludge process, effluent equalization basin, ultra violet (UV) disinfection facility, sludge holding and dewatering facility and a new Supervisory Control and Data Acquisition (SCADA) system. The new facility was partially financed through a 30 year, \$20 million, zero interest loan through the Texas Water Development Board.

The plant is staffed with a total of 12 personnel. The Division also operates a laboratory and an industrial pretreatment program.

**TABLE 5 - MONTHLY SEWER RATES (FISCAL YEAR 2025)**

	<u>Residential Inside and Multifamily Inside</u>	<u>Residential Outside and Multifamily Outside</u>
Minimum Monthly Fee	\$ 27.40	\$ 35.18
Volumetric Rates (per 1,000 Gallons) 2,000 +	\$ 10.68	\$ 12.28
	<u>Commercial Inside</u>	<u>Commercial Outside</u>
Minimum Monthly Fee	\$ 27.40	\$ 35.18
Volumetric Rates (per 1,000 Gallons) 2,000 +	\$ 10.68	\$ 12.28

Source: City Officials.

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## DEBT INFORMATION

**TABLE 6 – PRO-FORMA REVENUE BOND DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Previously Issued First Lien Bonds Debt <sup>(1)</sup>			Outstanding Previously Issued New Lien Bonds <sup>(2)</sup>			The Bonds <sup>(3)</sup>			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
	2026	\$ 1,140,000	\$ 136,288	\$ 1,276,288	\$ 3,610,000	\$ 7,516,961	\$ 11,126,961	\$ -	\$ -	
2027	1,165,000	107,975	1,272,975	3,745,000	7,392,468	11,137,468	195,000	3,339,569	3,534,569	15,945,012
2028	1,195,000	78,681	1,273,681	3,875,000	7,262,731	11,137,731	810,000	2,725,149	3,535,149	15,946,561
2029	1,230,000	47,970	1,277,970	4,015,000	7,126,996	11,141,996	850,000	2,683,649	3,533,649	15,953,615
2030	1,240,000	16,120	1,256,120	4,165,000	6,984,366	11,149,366	895,000	2,640,024	3,535,024	15,940,510
2031	-	-	-	4,315,000	6,833,876	11,148,876	940,000	2,594,149	3,534,149	14,683,025
2032	-	-	-	4,480,000	6,675,093	11,155,093	985,000	2,546,024	3,531,024	14,686,117
2033	-	-	-	4,645,000	6,507,732	11,152,732	1,040,000	2,495,399	3,535,399	14,688,131
2034	-	-	-	4,825,000	6,331,751	11,156,751	1,090,000	2,442,149	3,532,149	14,688,899
2035	-	-	-	5,015,000	6,145,563	11,160,563	1,145,000	2,386,274	3,531,274	14,691,837
2036	-	-	-	5,215,000	5,947,345	11,162,345	1,205,000	2,327,524	3,532,524	14,694,868
2037	-	-	-	5,430,000	5,736,810	11,166,810	1,265,000	2,265,774	3,530,774	14,697,584
2038	-	-	-	5,660,000	5,513,690	11,173,690	1,330,000	2,200,899	3,530,899	14,704,589
2039	-	-	-	5,900,000	5,277,670	11,177,670	1,400,000	2,132,649	3,532,649	14,710,319
2040	-	-	-	6,155,000	5,028,071	11,183,071	1,470,000	2,060,899	3,530,899	14,713,970
2041	-	-	-	6,420,000	4,764,765	11,184,765	1,550,000	1,984,236	3,534,236	14,719,001
2042	-	-	-	6,705,000	4,487,982	11,192,982	1,630,000	1,901,536	3,531,536	14,724,518
2043	-	-	-	7,005,000	4,197,339	11,202,339	1,720,000	1,813,599	3,533,599	14,735,937
2044	-	-	-	7,315,000	3,890,151	11,205,151	1,815,000	1,720,805	3,535,805	14,740,956
2045	-	-	-	7,630,000	3,581,184	11,211,184	1,910,000	1,623,024	3,533,024	14,744,207
2046	-	-	-	7,945,000	3,273,876	11,218,876	2,015,000	1,519,993	3,534,993	14,753,868
2047	-	-	-	8,270,000	2,954,063	11,224,063	2,125,000	1,410,255	3,535,255	14,759,318
2048	-	-	-	8,610,000	2,617,751	11,227,751	2,240,000	1,293,491	3,533,491	14,761,242
2049	-	-	-	8,965,000	2,264,207	11,229,207	2,365,000	1,170,308	3,535,308	14,764,515
2050	-	-	-	9,345,000	1,893,883	11,238,883	2,495,000	1,040,303	3,535,303	14,774,185
2051	-	-	-	9,740,000	1,505,888	11,245,888	2,630,000	903,209	3,533,209	14,779,096
2052	-	-	-	10,155,000	1,098,388	11,253,388	2,775,000	758,278	3,533,278	14,786,666
2053	-	-	-	10,585,000	670,536	11,255,536	2,930,000	604,956	3,534,956	14,790,492
2054	-	-	-	11,040,000	226,078	11,266,078	3,090,000	443,169	3,533,169	14,799,247
2055	-	-	-	-	-	-	3,260,000	272,513	3,532,513	3,532,513
2056	-	-	-	-	-	-	3,440,000	92,450	3,532,450	3,532,450
	<u>\$ 5,970,000</u>	<u>\$ 387,034</u>	<u>\$ 6,357,034</u>	<u>\$ 190,780,000</u>	<u>\$ 133,707,211</u>	<u>\$ 324,487,211</u>	<u>\$ 52,610,000</u>	<u>\$ 53,392,252</u>	<u>\$ 106,002,252</u>	<u>\$ 436,846,496</u>

(1) Bonds issued through the Texas Water Development Board. The City has covenanted in the Ordinance not to issue any additional obligations on a parity with the Outstanding Previously Issued First Lien Bonds.

(2) The City currently has outstanding Previously Issued New Lien Bonds secured by and payable from a subordinate lien on and pledge of the Net Revenues on a parity with the Bonds.

(3) Interest on the Bonds has been calculated as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

**ANTICIPATED ISSUANCE OF REVENUE BONDS . . .** The City does not anticipate issuing additional revenue debt within the next twelve months.

**EMPLOYEE RETIREMENT AND PENSION PLANS . . .** The City participates in two retirement plans at September 30, 2025. The Firemen’s Relief and Retirement Fund (“FR&R”) is a single-employer, defined benefit pension plan covering the City’s firemen and certain employees of the Public Safety Communications Division. The City is also a member of the Texas Municipal Retirement System (“TMRS”), which is a statewide, nontraditional, joint contributory, hybrid defined benefit plan covering all eligible employees (excluding the City’s firemen and certain employees of the Public Safety Communications Division).

*TMRS . . .* The City’s TMRS benefit plan is one of over 866 administered by TMRS, an agent multiple-employer public employee retirement system. Benefits from the TMRS administered plan depend upon the sum of the employees’ contributions to the plan, with interest, and the City-financed monetary credits, with interest. Members can retire at ages 60 and above with 5 or more years of service or with 20 or more years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes.

*Fireman’s Relief and Retirement Fund (“FR&R”) . . .* The Plan’s benefit and contribution provisions are established under the authority of the Texas Local Fire Fighters’ Retirement Act (TLFFRA). Specific plan provisions are governed by a plan document and a trust agreement executed by the Board of Directors. Firefighters in the City of Greenville Fire Department, as well as certain employees of the Public Safety Communications Division, are covered by the FR&R (or Plan). The Board of Trustees of the Greenville FR&R is the administrator of a single-employer defined benefit pension plan. This pension fund is a trust fund. It is reported by the City as a related organization and is not considered to be a part of the City financial reporting entity.

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined. For the fiscal year ended September 30, 2025, contributions of \$2,860,734 were made by the City, and were equal to the required contributions.

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Of these available options, the City has adopted a 7% contribution rate for employees and a 200% City matching percentage. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2025, the City made contributions of 15.78% for the months in 2024 and 16.64% for the months in 2025.

For more detailed information concerning the Employee Retirement System, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” – Note 9.

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

*Supplemental Death Benefits...*The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS (the “SDBF”), and the City provides this coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). Retired employees are insured for \$7,500.

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

*Post-Employment Health Care . . .* Eligible retirees may purchase health insurance from the City’s healthcare provider at a premium rate established by the City based upon length of service to the City.

For more detailed information concerning the Other Postemployment Benefits, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” – Note 10.

**TABLE 7 – WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**

	Fiscal Year Ending September 30,				
	2025	2024	2023	2022	2021
Operating Revenues:					
Charges for Services	\$ 32,957,854	\$ 27,590,266	\$ 22,041,533	\$ 17,563,691	\$ 15,163,737
Investment Earnings	5,592,334	5,667,628	3,270,609	485,490	22,273
	<u>\$ 38,550,188</u>	<u>\$ 33,257,894</u>	<u>\$ 25,314,165</u>	<u>\$ 18,049,181</u>	<u>\$ 15,186,010</u>
<u>Operating Expenses<sup>(1)</sup>:</u>					
Personnel Services	\$ 6,076,159	\$ 5,210,077	\$ 7,867,567	\$ 3,554,525	\$ 3,173,718
Supplies	4,696,277	6,013,927	6,965,195	3,876,298	3,128,290
Contractual & Other Services	5,328,538	3,597,447	2,542,583	3,176,049	3,096,526
Total Expenses	<u>\$ 16,100,974</u>	<u>\$ 14,821,451</u>	<u>\$ 17,375,345</u>	<u>\$ 10,606,872</u>	<u>\$ 9,398,534</u>
Net Available for Debt Service	\$ 22,449,214	\$ 18,436,443	\$ 7,938,820	\$ 7,442,309	\$ 5,787,476
Annual Debt Service <sup>(2)</sup> :					
Principal	\$ 1,590,000	\$ 1,080,000	\$ 1,055,000	\$ 1,030,000	\$ 1,010,000
Interest	8,103,957	190,039	215,565	239,718	262,584
Total Debt Service	<u>\$ 9,693,957</u>	<u>\$ 1,270,039</u>	<u>\$ 1,270,565</u>	<u>\$ 1,269,718</u>	<u>\$ 1,272,584</u>
Coverage	2.32x	14.52x	6.25x	5.86x	4.55x

Source: City's Audited Financial Statements.

<sup>(1)</sup> Excludes Depreciation.

<sup>(2)</sup> Includes all Waterworks and Sewer System Revenue debt but excludes General Obligation debt supported by Water and Sewer Revenues.

**TABLE 8 – COVERAGE OF DEBT SERVICE REQUIREMENTS<sup>(1)</sup>**

Net System Income Available for Debt Service for Fiscal Year Ended 9/30/2025	\$22,449,214
Average Annual Principal and Interest Requirements (2026-2056)	\$14,091,822
Coverage of Average Annual Requirements by 2025 Net Revenues	1.59x
Maximum Principal and Interest Requirements, 2029	\$15,953,615
Coverage of Maximum Requirements by 2025 Net Revenues	1.41x

<sup>(1)</sup> Includes the Previously Issued first Lien Bonds, the Previously Issue New Lien Bonds and the Bonds being offered herein. Preliminary, subject to change.

## INVESTMENTS

The City may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by State law in accordance with investment policies approved by the city council. Both State law and the City's investment policies are subject to change.

**AUTHORIZED INVESTMENTS . . .** 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 City selects from a list the city council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City 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 City'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 City appoints as the City's custodian of the banking deposits issued for the City'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 SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State 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, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC 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 as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the 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 stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "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 not less than "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 United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the City may enter into 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, other than the prohibited obligations described below, (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) above, 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.

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 AAAM or an equivalent by at least one nationally recognized rating service, if the city council authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) 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 ordinance, order or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

**ADDITIONAL PROVISIONS . . .** Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an

interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City’s investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

The City’s current investment policy is in compliance with the State law requirements described above.

**TABLE 9 – CURRENT INVESTMENTS**

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

Description	Market Value	% of Total Market Value
TexPool	\$ 91,297	0.04%
TexStar	1,522,473	0.65%
Texas Connect	5,037,919	2.14%
Texas Daily	9,603,394	4.07%
Cash Fund Accounts	94,529,542	40.10%
Texas Fit	124,961,578	53.01%
Total Investments	<u>\$ 235,746,203</u>	<u>100.00%</u>

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

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## SELECTED PROVISIONS OF THE ORDINANCE

The following are selected provisions of the Ordinance. These excerpts should be qualified by reference to the exact terms of the Ordinance. Unless otherwise indicated, any references to sections listed below are to sections contained in the Ordinance and section headings contained in the following excerpts are to sections contained in the Ordinance.

### 1.01 Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance, the following terms shall have the meanings specified below:

“Additional New Lien Bonds” means the additional parity revenue bonds permitted to be issued by Section 8.01 of the Ordinance.

“Bondholder” or “Holder” or “Owner” means the person who is the registered owner of a Bond or Bonds.

“Bonds” means the bonds authorized to be issued by Section 3.01 of the Ordinance.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the State of Texas are generally authorized or obligated by law or executive order to close.

“Closing Date” means the date of the initial delivery of and payment for the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereinafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code, and (d) the regulations promulgated under the provisions described in (b) and (c).

“Debt Service” means, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts required to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear, or would have borne, interest at a rate equal to the greater of: (i) the actual rate in effect on the date of calculation, (ii) the average variable rate for the 12 months preceding the date of calculation if the outstanding obligations were subject to a variable rate during such 12 month period or (iii) (1) if interest on the indebtedness is excludable from gross income under the Code, the most recently reported Index rate as of the date of computation, plus 50 basis points; provided, however, that the yield of the Index shall be the maturity of the Index with a constant maturity most nearly equal to the period from the maturity date of the Bonds, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities, plus 50 basis points; and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named in this Ordinance, the Designated Payment/Transfer Office as designated in the Paying Agent/Registrar Agreement, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

“DTC” shall mean The Depository Trust Company of New York, New York, or any successor securities depository.

“DTC Participant” shall mean brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“EMMA” means the Electronic Municipal Market Access System.

“Event of Default” means any Event of Default as defined in Section 11.01 of this Ordinance.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Funds” means any of the funds and accounts established or confirmed in this Ordinance or the ordinances authorizing the issuance of the Previously Issued First Lien Bonds.

“Gross Revenues” means all of the revenues of every nature received through the operation of the System.

“Index” means the Municipal Market Data index, BVAL AAA Municipal Curves or any other comparable index provided by EMMA if the foregoing indexes do not exist as of the date of computation.

“Initial Bond” means the initial Bond specified in Section 3.04(d) hereof.

“Interest Payment Date” means the date or dates on which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being February 15 and August 15 of each year, commencing on February 15, 2027.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Revenues” means the Gross Revenues of the System less the Operation and Maintenance Expenses.

“New Lien Bonds” means collectively, the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds issued pursuant to Section 8.01 of the Ordinance.

“New Lien Interest and Sinking Fund” means the City of Greenville, Texas, Waterworks and Sewer System New Lien Bond Interest and Sinking Fund as described in Section 7.01 of the Ordinance.

“New Lien Reserve Fund” means the City of Greenville, Texas, Waterworks and Sewer System New Lien Revenue Bond Reserve Fund as described in Section 7.06 of the Ordinance.

“New Lien Reserve Fund Participants” shall mean with respect to New Lien Bonds, any series of New Lien Bonds designated by an ordinance authorizing the issuance of such New Lien Bonds as “Debt Service Reserve Fund Participants” and secured by a lien on the New Lien Reserve Fund Participant Account of the New Lien Reserve Fund.

“New Lien Reserve Fund Surety Bond” means any surety bond or insurance policy having a rating in one of the three highest generic rating categories by a Rating Agency issued to the City for the benefit of the Owners of the New Lien Bonds to satisfy any part of the New Lien Reserve Fund Requirement, if any, for such series of New Lien Bonds as provided in Section 1.01(c) of the Ordinance.

“New Lien Reserve Fund Requirement” means the amount, if any, specified in any ordinance authorizing New Lien Bonds as the New Lien Reserve Fund Requirement or, if not so specified, \$0. The Bonds do not have a New Lien Reserve Fund Requirement.

“Operation and Maintenance Expenses” means the expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions as, in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or might be necessary to meet some physical accident or condition that would otherwise impair the Bonds, the Previously Issued First Lien Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds shall be included as Operation and Maintenance Expenses.

“Paying Agent/Registrar” means initially UMB Bank, N.A., or any successor thereto as provided in this Ordinance.

“Previously Issued First Lien Bonds” shall mean the bonds of the following issues of the City to be outstanding upon the issuance of the Bonds authorized:

- (a) Waterworks and Sewer System Revenue Bonds, Series 2007; and
- (b) Waterworks and Sewer System Revenue Bonds, Series 2009.

“Previously Issued First Lien Bonds Interest and Sinking Fund” means the “City of Greenville, Texas, Waterworks and Sewer System Bond Retirement Fund” created and confirmed in the Previously Issued First Lien Bond Ordinance.

“Previously Issued First Lien Bond Ordinance” means, collectively, the ordinances authorizing the Previously Issued First Lien Bonds.

“Previously Issued First Lien Bonds Reserve Fund” means the “City of Greenville, Texas, Waterworks and Sewer System Revenue Bonds Reserve Fund” created and confirmed in the Previously Issued First Lien Bond Ordinance.

“Previously Issued New Lien Bonds” shall mean the bonds of the following issues of the City to be outstanding upon the issuance of the Bonds authorized:

- City of Greenville, Texas, Waterworks and Sewer System New Lien Revenue Bonds, Series 2024; and
- City of Greenville, Texas, Waterworks and Sewer System New Lien Revenue Bonds, Series 2024A.

“Purchaser” means \_\_\_\_\_.

“Rating Agency” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, Moody’s Investors Service, Inc. or Fitch Ratings Inc., or if such entities are no longer in existence, by a comparable service.

“Record Date” means the close of business on the last Business Day of the month next preceding the interest payment date.

“Register” means the Register specified in Section 3.06(a) of the Ordinance.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“Surplus Revenues” means those Net Revenues that are in excess of the amounts required to establish and maintain the funds as provided in this Ordinance.

“System” means the City’s existing waterworks and sewer system, including all present and future additions, extensions, replacements, and improvements thereto.

“System Fund” means the City of Greenville, Texas, Waterworks and Sewer System Fund as described in Section 7.03 of the Ordinance.

“TWDB” means the Texas Water Development Board, a state agency, or its successors and assigns.

“TWDB Bonds” means the Bonds Similarly Secured which are owned by the TWDB and further identified by issue or series as follows: (i) Waterworks and Sewer System New Lien Revenue Bonds, Series 2024A.

“TWDB New Lien Reserve Fund Account” means the “City of Greenville, Texas, New Lien Reserve Fund Participant Account for the TWDB Bonds” as described in Section 7.06(f) established for the TWDB Bonds.

“Unclaimed Payments” means money deposited with the Paying Agent/Registrar for the payment of Debt Service on the Bonds as the same come due and payable and remaining unclaimed by the Owners of such Bonds after the applicable payment or redemption date.

#### Section 2.01 Security for the Bonds.

The Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds are and shall be equally and ratably secured by and payable from an irrevocable lien on and pledge of the Net Revenues, such lien on and pledge, however, being in all things junior and subordinate to the lien on and pledge of the Net Revenues made for the security and payment of the Previously Issued First Lien Bonds and to the deposits required by the Previously Issued First Lien Bond Ordinance to be made to the various funds and accounts as security for the Previously Issued First Lien Bonds. At such time as all of the Previously Issued First Lien Bonds, the Previously Issued New Lien Bonds are no longer outstanding, the Bonds and any Additional New Lien Bonds shall be equally and ratably secured from an irrevocable first lien on and pledge of the Net Revenues. For the additional benefit of the owners of the New Lien Bonds that are not New Lien Reserve Fund Participants, the City may create one or more additional separate accounts within the New Lien Reserve Fund and grant a lien on such accounts for the benefit of the Owners of such series of such New Lien Bonds. Except with respect to the New Lien Reserve Fund Participant Account or the other separate accounts of the New Lien Reserve Fund described in this Section or applicable ordinance, all New Lien Bonds shall be in all respects on a parity with and of equal dignity with one another.

#### Section 2.02 Limited Obligations.

The Bonds, together with the Previously Issued First Lien Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds, are special obligations of the City, payable solely from the Net Revenues, and do not constitute a prohibited indebtedness of the City. None of the Bonds, the Previously Issued First Lien Bonds, the Previously Issued New Lien Bonds or any Additional New Lien Bonds shall ever be payable out of funds raised or to be raised by taxation.

#### Section 7.01 Creation of Funds.

In addition to the funds created by the Previously Issued First Lien Bond Ordinance authorizing the issuance of the Previously Issued First Lien Bonds, which funds and the requirements to make deposits thereto are hereby reaffirmed, the following special funds shall be established and maintained at the City’s depository bank so long as the Bonds, the Previously Issued New Lien Bonds or Additional New Lien Bonds are outstanding and unpaid; to wit:

- (a) “City of Greenville, Texas, Waterworks and Sewer System Revenue Fund,” herein called the “System Fund;”
- and
- (b) “City of Greenville, Texas, Waterworks and Sewer System New Lien Interest and Sinking Fund,” herein called the “New Lien Interest and Sinking Fund;” and
  - (c) “City of Greenville, Texas, Waterworks and Sewer System New Lien Reserve Fund,” herein called the “New Lien Reserve Fund.”

#### Section 7.03 System Fund.

- (a) All Gross Revenues, from day to day as collected, shall be deposited to the System Fund. The Operation and Maintenance Expenses shall be paid from the System Fund, upon approval of such payment by the City Council.

(b) The City shall transfer the Net Revenues from the System Fund to the Previously Issued First Lien Bonds Interest and Sinking Fund, the Previously Issued First Lien Bonds Reserve Fund, the New Lien Bonds Interest and Sinking Fund and the New Lien Bonds Reserve Fund at the times and in the amount provided by this Ordinance.

Section 7.04 Priority of Transfers to Funds.

(a) Until such time as Previously Issued First Lien Bonds are no longer outstanding and as provided in the Previously Issued First Lien Bond Ordinance authorizing the Previously Issued First Lien Bonds, all Gross Revenues, from day to day collected, shall be deposited to the "System Fund." Moneys on deposit in the System Fund shall first be used to pay all Operation and Maintenance Expenses upon approval of such payment by the City Council. Net Revenues shall be transferred from the System Fund to the other Funds, in the order of priority, in the manner, and in the amounts set forth below:

(i) First: In satisfaction of the requirements of the Previously Issued First Lien Bonds Interest and Sinking Fund in accordance with the terms and conditions of the Previously Issued First Lien Bond Ordinance authorizing the Previously Issued First Lien Bonds;

(ii) Second: In satisfaction of the requirements of the Previously Issued First Lien Bonds Reserve Fund in accordance with the terms and conditions of the Previously Issued First Lien Bond Ordinance authorizing the Previously Issued First Lien Bonds;

(iii) Third: In satisfaction of the requirements of the New Lien Interest and Sinking Fund in accordance with the terms and conditions of Section 7.05 hereof; and

(iv) Fourth: In satisfaction of the requirements of the New Lien Reserve Fund in accordance with the terms and conditions of Section 7.06 hereof.

(b) At such time as there are no Previously Issued First Lien Bonds outstanding, all Gross Revenues, from day to day collected, shall be deposited to the System Fund. Moneys on deposit in the System Fund shall first be used to pay all Operation and Maintenance Expenses, upon approval of such payment by the City Council. Net Revenues shall be transferred from the System Fund to the other Funds, in the order of priority, in the manner, and in the amounts set forth below:

(i) First: In satisfaction of the requirements of the New Lien Interest and Sinking Fund in accordance with the terms and conditions of Section 7.05 hereof; and

(ii) Second: In satisfaction of the requirements of the New Lien Reserve Fund in accordance with the terms and conditions of Section 7.06 hereof.

Section 7.05 New Lien Interest and Sinking Fund.

(a) The New Lien Interest and Sinking Fund shall be used to pay Debt Service on the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds as such become due and payable.

(b) The City shall make the following monthly deposits of Net Revenues to the credit of the New Lien Interest and Sinking Fund:

(i) such amounts in equal monthly installments, commencing on the 1st day of the month immediately succeeding the Closing Date, and on the 1st day of each month thereafter, as will be sufficient to pay the interest scheduled to come due on the New Lien Bonds on the next interest payment date, less any amounts already on deposit therein for such purpose derived from the proceeds of the New Lien Bonds or from any other lawfully available sources; and

(ii) such amounts, in equal monthly installments, commencing on the 1st day of the month immediately succeeding the Closing Date, and on the 1st day of each month thereafter, as will be sufficient to pay the next maturing principal of the New Lien Bonds.

(c) In addition to the foregoing requirements, the City shall make additional deposits into the New Lien Interest and Sinking Fund at the times and in the amounts specified in any ordinance authorizing the issuance of any Additional New Lien Bonds.

Section 7.06 New Lien Reserve Fund.

(a) The City hereby covenants and agrees to accumulate, and, when accumulated, to continuously maintain in the New Lien Reserve Fund an amount equal to at least the New Lien Reserve Fund Requirement, if any such requirement is designated in any ordinance authorizing New Lien Bonds.

(b) The City shall establish and maintain as hereinafter provided a balance in the New Lien Reserve Fund equal to the New Lien Reserve Fund Requirement for the New Lien Bonds that are secured thereby as established in any ordinance authorizing such New Lien Bonds. The City shall establish and maintain a balance in the New Lien Reserve Fund Participant Account of the New Lien Reserve Fund equal to the New Lien Reserve Fund Requirement for the New Lien Bonds that are secured thereby. In addition, within the New Lien Reserve Fund, subaccounts may be established pursuant to ordinances authorizing particular series of New Lien Bonds into which the applicable New Lien Reserve Fund Requirement for the particular series of

New Lien Bonds that are not New Lien Reserve Fund Participants being issued under any ordinance authorizing New Lien Bonds may be deposited.

Any increase in the New Lien Reserve Fund Requirement resulting from the issuance of any Additional New Lien Bonds shall be specified in any ordinance authorizing the issuance of such Additional New Lien Bonds. The New Lien Reserve Fund Requirement shall, as provided in any ordinance authorizing such Additional New Lien Bonds, be satisfied by depositing to the credit of the New Lien Reserve Fund Participant Account (in the case of Additional New Lien Bonds that are New Lien Reserve Fund Participants) or such other designated accounts, as applicable, (in the case of Additional New Lien Bonds that are not New Lien Reserve Fund Participants) of the New Lien Reserve Fund (i) after making (a) required transfers from the Previously Issued First Lien Bonds Reserve Fund into the funds and accounts required under the Previously Issued First Lien Bond Ordinance, including the Previously Issued First Lien Bonds Interest and Sinking Fund, and required transfers from the System Fund into the Previously Issued First Lien Bonds Reserve Fund, in amounts sufficient to accumulate within twelve (12) months the Required Reserve Fund Amount (as defined in the Previously Issued First Lien Bond Ordinance) for the Previously Issued First Lien Bonds; and (b) required transfers from the System Fund into the New Lien Interest and Sinking Fund, transfers into the New Lien Reserve Fund from the System Fund, in approximately equal monthly installments made on or before the first day of each month following the month of delivery of such Additional New Lien Bonds, amounts sufficient to accumulate within sixty (60) months the New Lien Reserve Fund Requirement; (ii) proceeds of such Additional New Lien Bonds or other lawfully appropriated funds in not less than the amount which, together with investment earnings thereon as estimated by the City, will be sufficient to fully fund the New Lien Reserve Fund Requirement by no later than the end of the period of time for which the payment of interest on such New Lien Bonds has been provided out of proceeds of such Additional New Lien Bonds or investment earnings thereon as estimated by the City or from other lawfully available funds other than Net Revenues; or (iii) a New Lien Reserve Fund Surety Bond that is in an amount equal to the amount required to be funded. Any downgrade of an issuer of a New Lien Reserve Fund Surety Bond shall have no effect on the value of such instrument for the purposes of meeting the New Lien Reserve Fund Requirement and the City shall have no obligation to supplement or replace such New Lien Reserve Fund Surety Bond or make additional cash contributions to the Previously Issued First Lien Bonds Reserve Fund as a result of such downgrade. The City further expressly reserves the right to substitute at any time a New Lien Reserve Fund Surety Bond for any funded amounts in the New Lien Reserve Fund and to apply the funds thereby released for any lawful purpose, including without limitation any purpose for which New Lien Bonds may be issued or in order to pay debt service on New Lien Bonds (and with respect to funds on deposit in the New Lien Reserve Fund that are proceeds of the New Lien Bonds, such released funds may only be used for any purpose for which New Lien Bonds may be issued or in order to pay debt service on the New Lien Bonds). The City also reserves the right to provide for the use of a New Lien Reserve Fund Surety Bond in relation to a series-specific debt service reserve requirement as may be required under any ordinance authorizing New Lien Bonds.

(c) In any month in which any account of the New Lien Reserve Fund contains less than the applicable New Lien Reserve Fund Requirement (or so much thereof as shall then be required to be therein if the City has elected to accumulate the New Lien Reserve Fund Requirement for any series of Additional New Lien Bonds as above provided), then on or before the last Business Day of such month, after making all required transfers to the New Lien Interest and Sinking Fund, there shall be transferred on a pro rata basis into the New Lien Reserve Fund Participant Account (in the case of New Lien Bonds that are New Lien Reserve Fund Participants) and such other designated accounts, as applicable, (in the case of New Lien Bonds that are not New Lien Reserve Fund Participants) of the New Lien Reserve Fund from the System Fund, such amounts as shall be required to permit the City to pay all New Lien Bonds under New Lien Reserve Fund Surety Bond allocable to the New Lien Reserve Fund Participant Account or such other designated accounts, as applicable, within a twelve (12) month period and such additional amounts as shall be sufficient to enable the City within a twelve (12) month period to reestablish in the New Lien Reserve Fund Participant Account or such other designated accounts within the New Lien Interest and Sinking Fund, as applicable, the New Lien Reserve Fund Requirement for the New Lien Bonds secured thereby; provided, however, that in the event that such monthly transfer requirements ever exceed one-twelfth (1/12th) of the maximum annual Debt Service scheduled to occur in any future Fiscal Year on all New Lien Bonds then outstanding, any remaining required transfers shall be accomplished pursuant to Section 7.07 below. After such amounts have been accumulated in the New Lien Reserve Fund Participant Account and such other designated accounts (as described above), and so long thereafter as such accounts contain the New Lien Reserve Fund Requirement, no further transfers shall be required to be made into the New Lien Reserve Fund Participant Account or such other designated accounts within the New Lien Reserve Fund, and any excess amounts in such accounts shall be transferred to the New Lien Interest and Sinking Fund or such other Funds as may be permitted by federal tax law. But if and whenever the balance in the New Lien Reserve Fund Participant Account or such other designated accounts is reduced below the applicable New Lien Reserve Fund Requirement, monthly transfers to such accounts shall be resumed and continued in such amounts as shall be required to restore the New Lien Reserve Fund Participant Account or such other designated accounts within the New Lien Reserve Fund, as applicable, to such amount within a twelve (12) month period.

(d) The New Lien Reserve Fund Participant Account shall be used to pay the Debt Service on the New Lien Bonds that are New Lien Reserve Fund Participants at any time when there is not sufficient money available in the System Fund for such purpose (with the requirement that all cash and investments on deposit in such account be depleted before drawing upon any New Lien Reserve Fund Surety Bond, unless provided otherwise in each of the New Lien Reserve Fund Surety Bonds allocable to the New Lien Reserve Fund Participant Account) and to repay amounts drawn under any New Lien Reserve Fund Surety Bond allocable to such New Lien Reserve Fund Participant Account for such purpose, together with interest thereon, in accordance with

the terms of the City's reimbursement obligations incurred in connection with such New Lien Reserve Fund Surety Bond. The New Lien Reserve Fund Participant Account may also be used to make the final payments for the retirement or defeasance of all New Lien Bonds then outstanding that are secured thereby.

With respect to any series of New Lien Bonds that are not New Lien Reserve Fund Participants, any account created within the New Lien Reserve Fund for the benefit of such series of New Lien Bonds shall be used to pay the Debt Service on such series of New Lien Bonds at any time when there is not sufficient money available if the New Lien Interest and Sinking Fund for such purpose (with the requirement that all cash and investments on deposit in such account be depleted before drawing upon any New Lien Reserve Fund Surety Bond Security, unless provided otherwise in each of the New Lien Reserve Fund Surety Bond Security allocable to such account) and to repay amounts drawn under any New Lien Reserve Fund Surety Bond Security allocable to such account for such purpose, together with interest thereon, in accordance with the terms of the City's reimbursement obligations incurred in connection with such New Lien Reserve Fund Surety Bond Security. Any such account shall also be used to make the final payments for the retirement and defeasance of the series of New Lien Bonds then outstanding that are secured thereby.

(e) The City directs and requires the Paying Agent/Registrar for any series of New Lien Bonds to ascertain the necessity for claim or draw upon the applicable New Lien Reserve Fund Surety Bond, and to provide notice to the issuer thereof in accordance with its terms and to make such claims or draws thereon as may be necessary to provide for the timely payment of Debt Service on the New Lien Bonds to which it pertains.

(f) The Bonds are not New Lien Reserve Fund Participants, and the Bonds do not have a New Lien Reserve Fund Requirement.

(g) (i) The TWDB Bonds are New Lien Debt Service Fund Participants and the City hereby establishes and shall maintain the "City of Greenville, Texas, New Lien Reserve Fund Participant Account for the TWDB Bonds" (the "TWDB New Lien Reserve Fund Account") for the TWDB Bonds as long as the TWDB is the owner of the TWDB Bonds for the purposes of (i) finally retiring the last of the TWDB Bonds and (ii) paying principal of and interest on the TWDB Bonds in the event moneys on hand in the New Lien Interest and Sinking Fund are insufficient for such purpose. The amount to be accumulated in the TWDB New Lien Reserve Fund Account shall be equal to the average annual debt service requirements on all outstanding TWDB Bonds (the "TWDB Required Reserve"). The TWDB Required Reserve shall be established and maintained with Net Revenues of the System or other lawfully available funds of the City, the proceeds of sale of TWDB Bonds or by depositing to the credit of the TWDB Reserve Fund, to the extent permitted by law, one or more surety bonds or insurance policies issued by a company or institution having a rating in the highest rating category by two nationally recognized rating agencies or services, or any combination thereof. The City hereby covenants and agrees that the initial TWDB Required Reserve to be deposited in the TWDB Reserve Fund in connection with the issuance of the Bonds shall be deposited from the proceeds of the sale of the Bonds.

(ii) If additional TWDB Bonds are issued to refund a portion of the then outstanding TWDB Bonds and there is a reduction in the average annual debt service of all the TWDB Bonds to be outstanding upon the issuance of the additional TWDB Bonds, the TWDB Required Reserve shall be reduced to reflect the average annual debt service requirements associated with such reduced requirement. So long as the TWDB Bonds are outstanding and owned by the Board, prior to the City utilizing one or more surety bonds or insurance policies to fund all or a portion of the TWDB Required Reserve, the City shall notify the Executive Administrator of the Board no less than 30 days prior to converting from a cash reserve fund to a surety policy. Such a conversion may only be made if the proposed insurer or surety meets the financial guarantees established in the Board's rules and has been approved by the Executive Administrator of the Board.

(iii) As and when additional TWDB Bonds are delivered or incurred, the TWDB Required Reserve shall be increased, if required, to an amount equal to the average annual debt service requirements calculated on a Fiscal Year basis for all TWDB Bonds then Outstanding and owned by the TWDB, as determined on the date each series of additional TWDB Bonds is initially delivered. Any additional amount required to be maintained in the TWDB New Lien Reserve Fund Account shall be so accumulated (i) by depositing to the credit of the TWDB New Lien Reserve Fund Account (immediately after the delivery of the then proposed additional TWDB Bonds) cash or an additional surety bond or insurance policy or revised surety bond or revised insurance policy with coverage in an amount sufficient to provide for the new TWDB Required Reserve to be fully or partially funded, or (ii) at the option of the City, by making monthly deposits from funds in the System Fund on or before the 1st day of each month following the month of delivery of the then proposed additional TWDB Bonds, of not less than 1/60th of the additional amount to be maintained in said TWDB Reserve Fund by reason of the issuance of the additional TWDB Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash or provided by a surety bond or insurance policy.) When and so long as the cash and investments in the TWDB New Lien Reserve Fund Account and/or coverage afforded by a surety bond or insurance policy held for the account of the TWDB New Lien Reserve Fund Account total not less than the TWDB Required Reserve, no deposits need be made to the credit of the TWDB New Lien Reserve Fund Account; but, if and when the TWDB New Lien Reserve Fund Account at any time contains less than the TWDB Required Reserve (or so much thereof as shall then be required to be contained therein if additional TWDB Bonds have been issued and the City has elected to accumulate all or a portion of the TWDB New Lien Required Reserve with Net Revenues), the City

covenants and agrees to cause monthly deposits to be made to the TWDB New Lien Reserve Fund Account on or before the 1st day of each month (beginning the month next following the month the deficiency in the TWDB Required Reserve occurred by reason of a draw on the TWDB New Lien Reserve Fund Account or as a result of a reduction in the market value of investments held for the account of the TWDB New Lien Reserve Fund Account) from Net Revenues of the System in an amount equal to either (1) 1/24th of the TWDB Required Reserve until the total TWDB Required Reserve then required to be maintained in said TWDB New Lien Reserve Fund Account has been fully restored or (2) the amounts to pay principal of and interest on TWDB Bonds held by an insurer, or evidenced by an instrument of assignment entitling an insurer to payment of principal of and interest on TWDB Bonds, as a result of payments or draws made on a surety bond or insurance policy held for the account of the TWDB New Lien Reserve Fund Account and such payments will result in the principal of and/or interest on such TWDB Bonds to be paid, as well as the restoration and replenishment of the surety bond or insurance policy coverage representing all or a portion of the TWDB Required Reserve. The City further covenants and agrees that, subject only to the payments to be made to the Previously Issued First Lien Bonds Interest and Sinking Fund, the Previously Issued First Lien Bonds Reserve Fund and the New Lien Interest and Sinking Fund, the Net Revenues of the System shall be applied and appropriated and used to establish and maintain the TWDB Required Reserve and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of additional TWDB Bonds. During such time as the TWDB New Lien Reserve Fund Account contains the total TWDB Required Reserve, the City may, at its option, withdraw any surplus above the TWDB Required Reserve and deposit such surplus in the System Fund; provided, however, that to the extent the surplus, including investment earnings, are derived from proceeds of bonds used to fund all or a portion of the TWDB Required Reserve such surplus may only be used for the same purposes for which said bond proceeds may be used.

#### Section 7.07 Deficiencies in Funds.

If in any month the City shall, for any reason, fail to deposit into any Fund hereinabove created or reaffirmed the full amounts required to be deposited therein, amounts equivalent to such deficiencies shall be set apart and deposited to those funds from the first available and unallocated revenues of the following month or months, and such deposits shall be in addition to the deposits otherwise required to be made to those funds during such month or months.

#### Section 7.08 Surplus Revenues.

Surplus Revenues may be used for the prior redemption of the Bonds, the Previously Issued First Lien Bonds, the Previously Issued New Lien Bonds or any Additional New Lien Bonds, or for any lawful purpose.

#### Section 7.09 Security of Funds.

All funds created or reaffirmed by this Ordinance shall be secured in the manner and to the fullest extent permitted by the laws of the State of Texas for the security of public funds, and such funds shall be used only for the purposes permitted in this Ordinance and the Previously Issued First Lien Bond Ordinance.

#### Section 7.10 Construction Fund.

(a) Moneys on deposit in the Construction Fund shall be used for the purposes of making permanent public improvements for which the Bonds were issued (as specified in Section 3.01(i) hereof) and paying the costs and expenses incurred in connection with the delivery of the Bonds.

(b) Moneys on deposit in the Construction Fund, at the option of the City, may be invested in any securities or obligations permitted under applicable law. Income derived from the investment of the money on deposit in the Construction Fund shall be retained therein, subject to Section 7.10 hereof.

#### Section 7.11 Excess Bond Proceeds.

Upon completion of the improvements financed with the Bonds, any amount (exclusive of that amount retained for the payment of costs of such improvements not then due and payable) that remains in the Construction Fund shall be, at the option of the City, (i) transferred to the New Lien Interest and Sinking Fund, segregated in a special escrow account and invested pursuant to Section 9.01 hereof, and used to redeem Bonds at the earliest date that the City has the option to redeem Bonds without premium or penalty; or (ii) used for the purpose of making permanent public improvements to the System for which additional bonds could be issued.

#### Section 8.01 Additional New Lien Bonds Generally.

(a) The City reserves the right at any time and from time to time, and in one or more series or issues, to issue additional revenue bonds ("Additional New Lien Bonds") payable from the Net Revenues in the manner provided by law. Additional New Lien Bonds may mature on February 15 and August 15 in any of the years in which they are scheduled to mature.

(b) Additional New Lien Bonds, when issued, shall be payable from and equally secured by a lien on and pledge of the Net Revenues in the same manner and to the same extent as the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds and shall in all respects be of equal dignity; such lien and pledge being in all things junior and

subordinate to the lien on and pledge of the Net Revenues made for the security of the Previously Issued First Lien Bonds; provided, however, that for the additional benefit of the Owners each series of Additional New Lien Bonds, the City may establish an account within the New Lien Reserve Fund and grant a lien on such account for the benefit of the Owners of such series of Additional New Lien Bonds.

Section 8.02 Conditions Precedent to Issuance of Additional New Lien Bonds.

(a) The City may issue Additional New Lien Bonds, if the following conditions have been met:

(i) The chief financial officer or the finance director of the City signs a certificate to the effect that, except for the issuance of refunding bonds to cure a default, no default exists in connection with any of the covenants or requirements of the ordinances authorizing the issuance of all then outstanding bonds payable from and secured by a lien on and pledge of the Net Revenues and that the interest and sinking funds and the reserve funds contains the amounts then required to be on deposit therein; and

(ii) either:

(A) the chief financial officer or the finance director of the City signs a certificate to the effect that, during either the next preceding Fiscal Year, or any twelve (12) consecutive calendar month period ending not more than ninety (90) days prior to the adoption of the ordinance authorizing the issuance of the then proposed Additional New Lien Bonds, the Net Revenues were at least equal to an aggregate of 125% of the average annual Debt Service requirements of all then outstanding Previously Issued First Lien Bonds and New Lien Bonds after giving effect to the Additional New Lien Bonds proposed for issuance; or

(B) in the event the certificate of the chief financial officer or the finance director of the City states that the Net Revenues for the period covered thereby were less than required above, the chief financial officer or the finance director of the City or a qualified consultant (provided such qualified consultant is also a certified public accountant) may set forth projections in a certificate which indicate that the estimated Net Revenues will be equal to least 125% of the average annual Debt Service requirements of all then outstanding Previously Issued First Lien Bonds and New Lien Bonds after giving effect to the Additional New Lien Bonds proposed for issuance. For purposes of determining the "estimated Net Revenues" referenced in the preceding sentence, such certificate of the chief financial officer or the finance director of the City or a qualified consultant shall take into account (x) the audited results of operations of the System and the existing customers of the System for the most recently completed Fiscal Year, and (y) any changes in the rates and charges of the System that have been approved by City Council at least 30 days prior to the delivery of the Additional New Lien Bonds.

Section 8.03 Additional New Lien Bonds Reserve Fund Requirement.

Whenever Additional New Lien Bonds are issued, the amount to be accumulated and maintained in the New Lien Reserve Fund, if any, shall be increased to an amount equal to the New Lien Reserve Fund Requirement for all New Lien Bonds to be outstanding after the issuance of the Additional New Lien Bonds. Such additional amount shall be so accumulated in equal monthly installments during a period not to exceed five years from the date of the Additional New Lien Bonds.

Section 8.04 Subordinate Lien Bonds.

The City reserves the right to issue, as authorized by law, bonds of inferior lien that are junior and subordinate in right and lien to the New Lien Bonds.

Section 8.05 Refunding New Lien Bonds.

The City reserves the right to issue refunding bonds for the purpose of refunding outstanding Previously Issued First Lien Bonds or New Lien Bonds in principal amount, after giving effect to any premiums received on the sale thereof, sufficient to provide for the payment thereof. Refunding bonds shall not be subject to the provisions of Section 8.02 herein if they meet either of the following conditions: (i) the issuance of the refunding bonds would result in a net present value savings of Debt Service to the City; or (ii) the issuance of the refunding bonds would result in a reduction of the City's average annual Debt Service for all outstanding Previously Issued First Lien Bonds and New Lien Bonds.

Section 8.06 No Further Issuance of First Lien Bonds.

The City covenants not to issue any bonds superior in lien and pledge to the New Lien Bonds, including specifically additional bonds authorized under the Previously Issued First Lien Bond Ordinance.

Section 10.01 Making and Collecting Rates and Charges.

The City covenants, reaffirms and agrees with the Holders of the Bonds, the Previously Issued First Lien Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds that:

- (a) the City at all times will charge and collect for services rendered by the System rates sufficient to:
- (1) pay for all Operation and Maintenance Expenses;
  - (2) establish and maintain the Funds required by the Previously Issued First Lien Bond Ordinance and this Ordinance;
  - (3) produce Net Revenues each year in an amount reasonably estimated to be not less than the greater of
    - (i) 1.25 times the average annual principal and interest requirements of the Previously Issued First Lien Bonds outstanding, or
    - (ii) 1.25 times the annual principal and interest requirements of the Previously Issued First Lien Bonds scheduled to come due and mature in each year; and
  - (4) produce Net Revenues each year that will equal at least 1.10 times the annual Debt Service on the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds to pay promptly all of the Debt Service on all the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds; and
  - (5) pay all other outstanding indebtedness against said System as and when the same becomes due.

(b) if the System should become legally liable for any other obligations or indebtedness, the City shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

Section 10.02 Maintenance and Operation of System: Insurance.

(a) The City covenants, reaffirms and agrees to maintain the System in good condition and to operate the System in an efficient manner and at a reasonable cost.

(b) So long as any of the Bonds, the Previously Issued First Lien Bonds, the Previously Issued New Lien Bonds, or any Additional New Lien Bonds are outstanding, the City agrees to maintain, for the benefit of the Holder or Holders of such bonds, insurance on the System of a kind and in an amount that usually would be carried by private companies engaged in a similar type of business.

(c) Nothing in this Ordinance shall be construed as requiring the City to expend any funds that are derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the City from doing so.

Section 10.03 Records and Accounts.

The City hereby covenants, reaffirms and agrees that it has installed and that, so long as any of the Bonds, or any interest thereon remain outstanding and unpaid, it will keep proper books of records and accounts (separate from all other records and accounts of the City) in which complete and correct entries shall be made of all transactions relating to the System.

Section 10.04 System Fiscal Year.

The System shall be operated on the basis of a fiscal year commencing October 1 in each year, continuing through and ending September 30 of the following year.

Section 10.05 Other Representations and Covenants.

(a) The City has the lawful power to pledge the Net Revenues and has lawfully exercised said power under the Constitution and laws of the State of Texas, including said power existing under Chapter 1502.

(b) The City covenants that the Bonds, the Previously Issued New Lien Bonds and any Additional New Lien Bonds, shall be ratably secured under the pledge of the Net Revenues in such manner that no one bond shall have preference over any other bond; provided, however, that such lien on and pledge of the Net Revenues is in all things junior and subordinate to the lien on and pledge of the Net Revenues made for the payment of the Previously Issued First Lien Bonds.

(c) The City covenants and represents that, other than for payment of the Bonds, the Previously Issued New Lien Bonds and the Previously Issued First Lien Bonds, the rents, revenues, and income of the System have not in any manner been pledged to the payment of any debts or obligation of the City or of the System.

(d) The City covenants that so long as any of the New Lien Bonds or the Previously Issued First Lien Bonds remain outstanding, the City will not sell or encumber the System or any substantial part thereof, and that, with the exception of any Additional New Lien Bonds, it will not encumber any revenue thereof unless such encumbrance is made junior and subordinate to the provisions of this Ordinance.

(e) The City covenants that no free service of the System will be allowed and that, should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City from sources other than the revenues and income of the System.

(f) To the extent that it legally may do so, the City covenants, reaffirms and agrees that, so long as any of the Bonds, the Previously Issued First Lien Bonds, the Previously Issued New Lien Bonds or any Additional New Lien Bonds or any interest

thereon are outstanding, no franchise shall be granted for the installation or operation of any competing waterworks or sewer systems and that the City will prohibit the operation of any water or sewer system other than the System. The operation of any such system by anyone other than this City is hereby prohibited.

(g) The City represents that, under Chapter 1208.002, Texas Government Code, a security interest in property, other than real property, that is created by the City is valid and effective according to the terms of the security agreement and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a document, or another act. The City covenants that, if Chapter 1208.002 is amended at any time while the Bonds are outstanding and unpaid, the City shall take all actions required in order to preserve for the registered owners of the Bonds a perfected security interest in the property in which such security interest is granted pursuant to Section 2.01 hereof.

Section 11.01 Default and Remedies.

(a) In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees that, in the event the City (i) defaults in the timely payment of Debt Service on any of the Bonds, (ii) fails to make any deposit required by Sections 7.05 and 7.06 of this Ordinance to be made to the New Lien Interest and Sinking Fund and the New Lien Reserve Fund, or (iii) defaults in the observance or performance of any other covenant, condition or obligation set forth in this Ordinance, any Owner shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and all other officers of the City to observe and perform such covenant, condition or obligation; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(b) No delay or omission to exercise any right or power accruing upon any default under this Ordinance shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 15.01 Amendments.

This Ordinance shall constitute a contract with the Owners, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains outstanding except as permitted in this Section. The City may, without consent of or notice to any Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of the Owners of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of outstanding Bonds, no such amendment, addition, or rescission shall 1. extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, 2. give any preference to any Bond over any other Bond, or 3. reduce the aggregate principal amount of Bonds required to be held by Owners for consent to any such amendment, addition, or rescission.

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## TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership, and disposition of the Bonds.

**TAX EXEMPTION . . .** In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds for gross income for federal income tax purposes and, in addition, will rely on representations by the City and other parties involved with the issuance of the Bonds, with respect to matters solely within the knowledge of the City and such other parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

**ADDITIONAL FEDERAL INCOME TAX CONSEQUENCES...Collateral Tax Consequences.** Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

**Tax Accounting Treatment of Original Issue Premium.** If the issue price of a maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

**Tax Accounting Treatment of Original Issue Discount.** If the issue price of a maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “Original Issue Discount Bonds”). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “ Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Purchaser has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues 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 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Bond.

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

**Tax Legislative Changes.** Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

### CONTINUING DISCLOSURE OF INFORMATION

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

**ANNUAL REPORTS . . .** The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 9 and in APPENDIX B. The City will update and provide this information in the numbered Tables within six months after the end of each fiscal year ending in or after 2026 and, if then available, audited financial statements of the City. If audited financial statements are not available when the information is provided, the City will provide audited financial statements within 12 months after the end of each fiscal year, when and if they become available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet 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, updated unaudited information included in the above-reference Tables must be provided 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 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

**EVENT NOTICES . . .** The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City(1); (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports.”

For these purposes, (A) any event described in the immediately preceding clause (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 of business of the City, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

**AVAILABILITY OF INFORMATION . . .** All information and documentation filings required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at [www.emma.msrb.org](http://www.emma.msrb.org).

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 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 agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Report” 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 previous five years, the City believes it has complied in all material respects with all of the continuing disclosure agreements made by it in accordance with the Rule except as follows: In 2024 the City filed their ACFR and annual disclosure past the required March 31, 2025 deadline. These documents have posted along with a late notice.

## **OTHER INFORMATION**

**RATINGS . . .** The Bonds are rated “A” by S&P. The City also has various issues outstanding which are rated by various commercial insurance companies. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of a company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Bonds. The City has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, the Purchaser may elect to purchase municipal bond insurance to insure the Bonds (see “BOND INSURANCE” and “BOND INSURANCE RISKS” for a description of the current state of the financial guaranty insurance industry and information regarding downgrading and negative changes to the ratings outlook of multiple financial guaranty insurers).

**LITIGATION . . .** It is the opinion of the City Attorney and City Staff that there is no pending, or to their knowledge, threatened litigation or other proceeding against the City that would have a material adverse financial impact upon the City or its operations.

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

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .** Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State

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

**LEGAL MATTERS . . .** The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding special obligations of the City payable from Net Revenues. Issuance of the Bonds is also subject to the legal opinion of Bracewell LLP ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the City payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City.

The various 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 the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

**NO-LITIGATION CERTIFICATE . . .** The City will furnish to the Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the Mayor and City Secretary of the City, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

**NO MATERIAL ADVERSE CHANGE . . .** The obligation of the Purchaser to take and pay for the Bonds, and of the City to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the City from that set forth or contemplated in the Official Statement.

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

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

**FORWARD-LOOKING STATEMENTS DISCLAIMER . . .** The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies of the City 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 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 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. The Ordinance authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

**CERTIFICATION AS TO OFFICIAL STATEMENT . . .** The City, acting by and through its City Council in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the City and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the City, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the City has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in “CONTINUING DISCLOSURE OF INFORMATION” herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the “end of the underwriting period” which shall end when the City delivers the Bonds to the Purchaser at closing, unless extended by the Purchaser. All information with respect to the resale of the Bonds subsequent to the “end of the underwriting period” is the responsibility of the Purchaser.

This Official Statement has been approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission’s rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

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Mayor  
City of Greenville, Texas

ATTEST:

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City Secretary  
City of Greenville, Texas

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

**THE CITY**

**LOCATION . . .** The City of Greenville, county seat of Hunt County, Texas, is located 45 miles northeast of Dallas, Texas on Interstate Highway 30. Greenville encompasses approximately 33 square miles and is situated within the Blackland Belt of the Gulf Coastal Plains, 400 to 700 feet above sea level. The City is in close proximity to Lake Tawakoni, a major water supply facility and a popular recreation area for East Texas.

**POPULATION**

The U.S. Census Bureau City of Greenville estimated population for 2026 is 34,355.

<u>Year</u>	<u>Population</u>
2000	23,960
2010	25,557
2020	28,164

Source: U.S. Census Bureau.

**CITY OF GREENVILLE EMPLOYMENT STATISTICS**

	December	Average Annual			
	2025	2024	2023	2022	2021
Civilian Labor Force	16,329	16,080	13,180	12,828	12,347
Total Employed	15,696	15,431	12,607	12,280	11,634
Total Unemployed	633	649	573	548	713
% Unemployed	3.9%	4.0%	4.3%	4.3%	5.8%

Source: Texas Labor Market Information.

**CITY OF GREENVILLE LARGEST EMPLOYERS . . .** Greenville benefits from the influence of the Dallas-Fort Worth Metroplex, resulting in a diversified industrial base. Some of the largest employers in the City are shown below:

<u>Company</u>	<u>Product</u>	<u>Number of Employees</u>
L-3 Communication Integrated Systems	Aircraft Systems Integration	5,500
Hunt Regional Hospital	Healthcare	1,800
Greenville ISD	Education	950
SYENSQO	Manufacturing	350
Walmart	Retail	300
Masonite Int'l Corp	Manufacturing	250
Innovations First	Electronics/Robotics Systems	225
Raytheon	Backoffice Support	200
West Rock	Specialty Paperboard Containers	165
Sabert Corporation	Consumer Food Packaging	125
		9,865

Source: Greenville Economic Development.

**TRANSPORTATION . . .** There are six major highways serving the City Highways 66, 380, 34, 224, 69 and Interstate 30. Worldwide air service is readily and conveniently accessible to the City at Dallas Love Field, approximately one hour by auto, and the Dallas-Fort Worth International Airport, approximately one and one-half hours by auto. Charter air service and service for private aircraft are provided at Greenville's Municipal Airport. Two railroads, an interstate bus line, four motor freight companies and two express companies service the City, with air freight service allowing overnight delivery to most major continental U.S. points.

**MUNICIPAL AIRPORT . . .** The Greenville Municipal Airport has a heavy duty hard surface runway, 8,029 feet in length, capable of handling even the largest of aircraft. Most of the airport's large aircraft traffic is connected with L3 Communications. This company leases the bulk of the airport's facilities, including large aircraft hangers, which house fabrication and modification operations. Charter air service and service for private aircraft are provided by a fixed base operator.

**EDUCATION . . .** The Greenville Independent School District enrolls approximately 5,200 students annually and includes seven elementary campuses. The District also includes an Intermediate School for fifth and sixth grades, a Middle School for seventh and eighth grades and a traditional High School for grades nine through twelve. Also available is the Houston Education Center, an alternative learning center for high school students who have been identified as having personal, academic, economic or attitudinal needs and the L.P. Waters Childhood which houses the District's three and four year-old students. The vocational program offers courses in vocational office education (lab and co-operative training), technical training for electronic industries, mechanical training, upholstery and furniture repair skills, agriculture production, agriculture co-operative training, building trades, auto mechanics, home economics, co-operative education, industrial co-operative training, metal trades, distributive education, and radio and TV repair. Night classes provide adults with vocational training in office skill upgrading and technical and industrial upgrading. Fine arts programs include choral music, band, art, speech, drama, and foreign languages. Paris Junior College is operating Greenville Technical Center to provide post secondary educational opportunities and skills training. PACE (Providing the Academically Capable Enrichment) is a program designed to challenge the abilities of gifted and talented students in grades 3-12. In addition, a full range of special education services is available, including diagnostics and counseling. A Regional Center for the Deaf operates under the auspices of the Special Education Department. Texas A&M University - Commerce is located only 15 miles away in Commerce. Paris Junior College is 50 miles from Greenville in Paris, Texas, and the Dallas-Fort Worth Metroplex area offers a wide selection of institutes of higher education within commuting distance.

**APPENDIX B**

EXCERPTS FROM THE  
CITY OF GREENVILLE, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

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



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Greenville, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Greenville, Texas (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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*

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.

To the Honorable Mayor and  
Members of the City Council

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

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, general fund budgetary comparison schedule, pension information, and other-post employment benefit 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and  
Members of the City Council

***Supplementary Information***

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

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, statistical section 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.

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Dallas, Texas  
April 17, 2026



**CITY OF GREENVILLE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Greenville, we offer the reader of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2025, by \$197,541,272 (net position). Of this amount, (\$33,395,962) is a deficit unrestricted net position.
- The City's total net position increased by \$11,733,895 due to operations. Business-type activities increased primarily due to increase in rates and usage along with capital grants. Governmental activities decreased primarily due to a decrease in grant revenues, and increase in expenditures related to payroll and other unexpected costs.
- At the close of the fiscal year ended September 30, 2025, the City's governmental funds reported combined ending fund balances of \$42,965,900, a decrease of \$62,912,850 when compared to the prior year. Unassigned fund balance of \$1,939,839 is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,209,966, or 5%, of total general fund expenditures. The General Fund total fund balance decreased \$6,809,683 over prior year due to an increase in expenditures related to increases in payroll and benefit costs and other emergency costs.
- The City's total bond debt increased by \$81,941,000, or 24.49%. This is due to the issuance of debt for capital projects in the business-type activities.

**Overview of the Financial Statements**

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

**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 of the City's assets, deferred inflows, liabilities, and deferred outflows with the difference between the four 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 City's net position changed during the fiscal year. All of the changes in net position are reported when 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 the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

## CITY OF GREENVILLE, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

In the statement of net position and the statement of activities, the City is divided between two kinds of primary government activities: governmental activities and business-type activities. These statements also include the activities of five component units.

- **Governmental Activities** – Most of the City's basic services are reported here, including police, fire, library, community development, public services, recreation and cultural, Exchange Building operations and general government. Property taxes, sales taxes and franchise fees finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help cover all, or most, of the cost of certain services it provides. The City's water and sewer, sanitation, airport and golf services are reported here.
- **Component Units** – The City includes five separate legal entities in its report – Greenville Board of Development (BOD), Greenville Industrial Development Corporation (IDC), 4A Economic Development Corporation (4A EDC), Greenville Economic Development Corporation (GEDC) and Greenville Electric Utility System (GEUS). Although legally separate, these component units are important and are included because of their financial relationships to the City. GEUS is the only component unit which issues its own separate complete financial statements.

#### Reporting the City's Most Significant Funds

**Fund Financial Statements** – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Establishment of some funds is required by state law or bond covenants. However, the City Council establishes other funds to help control and manage money for particular purposes or as evidence of meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the available balances at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there has been an increase or decrease in financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other 10 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 and certain budgetary schedules in this report.

**Proprietary Funds** – The City charges customers for the services it provides through service delivery agreements to outside customers or through customer service agreements within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in government-wide statements but with additional detail and information, such as cash flows.

**CITY OF GREENVILLE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The City maintains four enterprise funds. The City uses enterprise funds to account for water, sewer and sanitation services provided to the City's retail and wholesale customers. The City also maintains enterprise funds to account for municipal airport and golf services. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities such as the City's insurance fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included principally within governmental activities in the government-wide financial statements but are combined into a single, aggregated presentation in the proprietary fund financial statements.

The City maintains four internal service funds to account for funds accumulated for self-insurance and worker's compensation claims, Central Service for building and fleet maintenance, management information systems and to fund future vehicle and equipment purchases for various departments of the City.

**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.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees, other postemployment benefits and the budgetary schedule for the general fund.

The combining statements referred to earlier, in connection with nonmajor governmental funds and internal services funds, are presented immediately following the required supplementary information on pensions.

**Government-wide Financial Analysis**

The City's combined net position was \$197,541,272 as of September 30, 2025 a total increase of \$11,733,895 compared to fiscal year 2024. As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position is \$157,033,125, an increase of from prior year. This analysis focuses on the net position and changes in general revenues of the City's governmental and business-type activities.

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any outstanding debt used to acquire those assets. 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.

The City's net investment in capital assets as of September 30, 2025 is \$225,459,916. This is an increase of 19%. Net investment will increase over time as the related debt is reduced.

**CITY OF GREENVILLE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The largest portion of net position is invested in capital assets and it amounts to \$225,459,916. An additional portion of the City's net position, \$5,477,318, represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted deficit net position of (\$33,395,962).

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 68,500,059	\$ 113,188,140	\$ 183,743,549	\$ 129,525,881	\$ 252,243,608	\$ 242,714,021
Capital assets	201,419,429	147,367,301	260,798,593	204,458,712	462,218,022	351,826,013
<b>Total Assets</b>	<b>269,919,488</b>	<b>260,555,441</b>	<b>444,542,142</b>	<b>333,984,593</b>	<b>714,461,630</b>	<b>594,540,034</b>
<b>Deferred Outflows of Resources</b>	<b>6,990,181</b>	<b>8,391,378</b>	<b>872,697</b>	<b>1,110,086</b>	<b>7,862,878</b>	<b>9,501,464</b>
Long-term liabilities	211,849,045	216,859,463	269,462,334	183,003,717	481,311,379	399,863,180
Other liabilities	22,485,037	6,603,225	18,398,392	9,755,936	40,883,429	16,359,161
<b>Total Liabilities</b>	<b>234,334,082</b>	<b>223,462,688</b>	<b>287,860,726</b>	<b>192,759,653</b>	<b>522,194,808</b>	<b>416,222,341</b>
<b>Deferred Inflows of Resources</b>	<b>2,067,440</b>	<b>1,717,956</b>	<b>520,988</b>	<b>293,824</b>	<b>2,588,428</b>	<b>2,011,780</b>
<b>Net Position:</b>						
Net investment in capital assets	69,678,668	68,599,017	155,781,248	120,835,603	225,459,916	189,434,620
Restricted	5,477,318	3,442,880	-	-	5,477,318	3,442,880
Unrestricted	(34,647,839)	(28,275,722)	1,251,877	21,205,599	(33,395,962)	(7,070,123)
<b>Total Net Position</b>	<b>\$ 40,508,147</b>	<b>\$ 43,766,175</b>	<b>\$ 157,033,125</b>	<b>\$ 142,041,202</b>	<b>\$ 197,541,272</b>	<b>\$ 185,807,377</b>

Current and other assets have increased by \$9,529,587 due to an increase in receivables of \$6,351,714 primarily due to the delay in billing in September and October 2024. Cash and investments increased by \$3,022,317 in part due to the issuance of bonds for projects not yet completed and timing of invoices. Capital assets increased by \$110,392,009 due to projects in progress and those completed.

Long-term liabilities increased due to the issuance of bonds in the water and wastewater funds. Other liabilities increased primarily due to the timing of invoices and related to projects in progress.

**CITY OF GREENVILLE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The following table provides a summary of the City's operations for the year ended September 30, 2025 and 2024.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 7,086,558	\$ 6,563,088	\$ 43,182,381	\$ 37,412,372	\$ 50,268,939	\$ 43,975,460
Operating grants and contributions	214,192	7,159,116	-	33,736	214,192	7,192,852
Capital grants and contributions	-	-	1,988,370	-	1,988,370	-
General revenues:						
Property taxes	21,523,530	19,607,338	-	-	21,523,530	19,607,338
Sales taxes	13,074,030	12,268,431	-	-	13,074,030	12,268,431
Other taxes and fees	5,149,729	5,339,293	-	-	5,149,729	5,339,293
Unrestricted investment earnings	4,232,462	4,270,890	5,626,366	5,985,196	9,858,828	10,256,086
Miscellaneous revenue	879,605	39,397	-	16,558	879,605	55,955
<b>Total Revenues</b>	<b>52,160,106</b>	<b>55,247,553</b>	<b>50,797,117</b>	<b>43,447,862</b>	<b>102,957,223</b>	<b>98,695,415</b>
<b>Expenses</b>						
General government	5,076,133	2,983,886	-	-	5,076,133	2,983,886
Public safety	26,494,488	23,612,884	-	-	26,494,488	23,612,884
Public works	5,225,758	3,182,557	-	-	5,225,758	3,182,557
Community development	2,232,198	2,036,730	-	-	2,232,198	2,036,730
Culture and recreation	7,808,831	7,756,277	-	-	7,808,831	7,756,277
Water and sewer	-	-	25,814,707	24,411,838	25,814,707	24,411,838
Airport, sanitation & golf	-	-	14,081,561	12,336,368	14,081,561	12,336,368
Interest on long-term debt	4,489,652	6,231,850	-	-	4,489,652	6,231,850
<b>Total Expenses</b>	<b>51,327,060</b>	<b>45,804,184</b>	<b>39,896,268</b>	<b>36,748,206</b>	<b>91,223,328</b>	<b>82,552,390</b>
Change in net position before transfers	833,046	9,443,369	10,900,849	6,699,656	11,733,895	16,143,025
Transfers in (out)	(4,091,074)	2,165,806	4,091,074	(2,165,806)	-	-
Change in net position	(3,258,028)	11,609,175	14,991,923	4,533,850	11,733,895	16,143,025
<b>Total Net Position, Beginning</b>	<b>43,766,175</b>	<b>32,157,000</b>	<b>142,041,202</b>	<b>137,507,352</b>	<b>185,807,377</b>	<b>169,664,352</b>
<b>Total Net Position, Ending</b>	<b>\$ 40,508,147</b>	<b>\$ 43,766,175</b>	<b>\$ 157,033,125</b>	<b>\$ 142,041,202</b>	<b>\$ 197,541,272</b>	<b>\$ 185,807,377</b>

**Governmental Activities**

The City's general revenues from governmental activities increased \$3,334,007 , or 8.0% when compared to the prior year. The ad valorem tax revenue increased \$1,916,192 , or 9.8% due to an increase in property values of approximately 28% offset by a slight decrease in the tax rate. Sales taxes increased \$805,599 , or 6.6%. This is due in part to inflation and increased prices as well as an increase in the population.

	Governmental Activities General Revenues		
	2025	2024	Increase (Decrease)
Property taxes	\$ 21,523,530	\$ 19,607,338	\$ 1,916,192
Sales taxes	13,074,030	12,268,431	805,599
Franchise fees	3,834,584	3,939,962	(105,378)
Mixed beverage taxes	91,844	97,838	(5,994)
Pilot	436,149	460,420	(24,271)
Hotel/motel	787,152	841,073	(53,921)
Investment income	4,232,462	4,270,890	(38,428)
Miscellaneous	879,605	39,397	840,208
	<b>\$ 44,859,356</b>	<b>\$ 41,525,349</b>	<b>\$ 3,334,007</b>

**CITY OF GREENVILLE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Revenues increased primarily due to an increase in property values and property taxes. Sales tax increased due to increased development and activity in the City. All other sources remained consistent with previous year.

**Business-type Activities**

Revenues of the City's business-type activities were \$50,797,117 for the fiscal year ended September 30, 2025. Revenues increased \$7,349,255 compared to the prior fiscal year. The increase is primarily due to additional customers (8% increase) and increase in rates in accordance with the water rate study. The airport also received a grant in the amount of \$1,988,370 for a perimeter fence. Expenses for the City's business-type activities increased \$3,148,062, or 8.6%, due to an increase in interest expense plus an increase in the cost of providing additional services.

**Financial Analysis of the Government's Funds**

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

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$42,965,900, a decrease of \$62,912,850 due to operations and the use of bond funds for projects. The most significant projects include the recreation facility and emergency operations center. Approximately 5% of this total amount (\$1,939,839) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is non-spendable or restricted, to indicate that it is not available for new spending because it has already been committed (a) to pay debt service (\$26,395), (b) to liquidate inventory (\$41,139), (c) restricted for future capital projects (\$35,481,209) and (d) restricted for specific programs (\$5,477,318).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,209,966 while total fund balance was \$2,251,105. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 5% of total general fund expenditures.

The fund balance of the City's General Fund decreased by \$6,809,683 from operations. The 2025 final budgetary plan included a fund balance decrease of \$796,648. The actual decrease was higher due to revenues coming in under budget and expenditures being over budget.

The Debt Service Fund has a total fund balance of \$26,395, a decrease of \$1,909,332, all of which is restricted for the payment of debt service. The decrease is due to the increase in interest and principal due after the debt issuance in FY24.

The Capital Projects Fund has a total fund balance of \$35,481,209, a decrease of \$55,913,497 all of which is restricted for capital project expenditures. The decrease was due to the progress payments on capital projects.

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

Unrestricted Net Position (deficit) by fund was: Water and Sewer fund, \$674,087 ; Airport fund, \$3,836,056 and Sanitation fund, (\$2,755,287 ). Each fund's total change in net position: Water and Sewer fund, \$17,194,918 ; Airport fund, (\$1,041,258 ) and Sanitation fund, (\$1,068,559 ). Factors concerning the finances of these funds are addressed in the prior discussion of the City's business-type activities.

**CITY OF GREENVILLE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**General Fund Budgetary Highlights**

During fiscal year 2025, the City 's 55.8 cents per \$100 assessed value produced revenues slightly lower than the previous year.

For fiscal year 2025, actual expenditures were \$40,496,261 compared to the final budget expenditures of \$34,200,451 . The variance of (\$6,295,810 ) was primarily due to overspending in public safety and culture and recreation. Actual revenue was \$32,969,536 compared to the final budget of \$34,834,460 . The (\$1,864,924) variance resulted primarily due taxes coming in under budget.

**Capital Assets and Debt Administration**

**Capital Assets** – The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2025, amount to \$462,218,022 (net of accumulated depreciation). This investment in capital assets includes land, buildings, park facilities, vehicles and equipment, roads, bridges and water and sewer lines.

Capital assets, net of accumulated depreciation, for governmental and business-type activities are summarized as follows:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 4,044,385	\$ 4,044,385	\$ 1,820,586	\$ 1,820,586	\$ 5,864,971	\$ 5,864,971
Construction in progress	72,229,610	47,211,488	136,472,993	74,572,418	208,702,603	121,783,906
Buildings	9,664,389	10,127,680	61,989,588	64,654,080	71,653,977	74,781,760
Infrastructure	90,021,904	68,046,133	-	-	90,021,904	68,046,133
Improvements	13,156,876	7,325,317	54,397,606	57,784,156	67,554,482	65,109,473
Equipment	12,302,265	10,612,298	6,117,820	5,627,472	18,420,085	16,239,770
<b>Total</b>	<b>\$ 201,419,429</b>	<b>\$ 147,367,301</b>	<b>\$ 260,798,593</b>	<b>\$ 204,458,712</b>	<b>\$ 462,218,022</b>	<b>\$ 351,826,013</b>

Additional information on the City’s capital assets can be found in Note 4 to the basic financial statements.

**Long-term Debt** – At the end of the current fiscal year, the City had total bonds and certificates outstanding of \$416,520,000 and premium and other obligations of \$19,343,425.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 135,683,909	\$ 139,199,823	\$ 491,091	\$ 734,177	\$ 136,175,000	\$ 139,934,000
Certificates of obligation	22,006,755	23,063,750	61,588,245	63,741,250	83,595,000	86,805,000
Revenue bonds	-	-	196,750,000	107,840,000	196,750,000	107,840,000
Unamortized Premium	6,379,512	6,513,170	6,428,078	6,444,000	12,807,590	12,957,170
Sales tax obligation	3,384,041	4,478,831	-	-	3,384,041	4,478,831
Financed purchase	3,151,794	2,719,571	-	-	3,151,794	2,719,571
<b>Total</b>	<b>\$ 170,606,011</b>	<b>\$ 175,975,145</b>	<b>\$ 265,257,414</b>	<b>\$ 178,759,427</b>	<b>\$ 435,863,425</b>	<b>\$ 354,734,572</b>

The City’s total debt increased by \$81,128,853, or 23%, during the current fiscal year due to issuance of debt during the current year offset by the principal payments. The City’s Water Utilities revenue debt was rated “A+” and “AA-” by Standards & Poor’s and Fitch, respectively. Moody Investor Services has given the Water Utility Revenue bonds a rating of A1.

**CITY OF GREENVILLE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The City is permitted by Article XI, Section 5, of the *State of Texas Constitution* to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to assessed value of all taxable property is 1.58%.

Additional information about the City's long-term debt can be found in Note 5.

**Economic Factors and Next Year's Budgets and Rates**

The fiscal year 2026 budget increased the property tax rate of \$.558 per \$100 valuation to \$.568 per \$100 valuation. Greenville's certified taxable value for 2025 is \$3.47 billion and did not exceed 2024 tax year assessed values. The estimated decrease in revenue from this value is \$17.93 million, or a 0.51% decrease from the 2024 fiscal year. This decrease is driven primarily by lower overall assessed property values.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The City of Greenville, Finance Department, P.O. Box 1049, Greenville, Texas 75403-1049.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2025**

Exhibit A-1

	Primary Government		Total	Component Units
	Governmental	Business-type		
	Activities	Activities		
<b>Assets</b>				
Cash and cash equivalents	\$ 60,225,841	\$ 165,877,720	\$ 226,103,561	\$ 130,863,512
Investments	2,870,764	190,568	3,061,332	4,591,998
Receivables, net of allowance:				
Accounts	-	11,007,876	11,007,876	17,256,825
Property tax	1,292,660	-	1,292,660	-
Sales tax	1,940,642	-	1,940,642	185,745
Other	1,630,051	90,110	1,720,161	15,100
Internal balances	(572,498)	572,498	-	-
Prepaid and other assets	-	-	-	4,161,301
Due from primary government	-	-	-	200,216
Note receivable	-	-	-	68,082
Inventories	1,112,599	301,762	1,414,361	8,933,687
Restricted:				
Cash and cash equivalents	-	5,703,015	5,703,015	2,846,395
Capital Assets:				
Nondepreciable	76,273,995	138,293,579	214,567,574	40,048,401
Depreciable (net)	125,145,434	122,505,014	247,650,448	77,847,730
Regulatory asset	-	-	-	13,085,925
<b>Total Assets</b>	<b>269,919,488</b>	<b>444,542,142</b>	<b>714,461,630</b>	<b>300,104,917</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows - pension - TMRS	2,735,718	815,750	3,551,468	2,088,906
Deferred outflows - pension - Fire Fighters	4,047,242	-	4,047,242	-
Deferred outflows - OPEB - SDBF	69,152	17,876	87,028	36,571
Deferred outflows - OPEB - RHCP	138,069	39,071	177,140	70,916
<b>Total Deferred Outflows of Resources</b>	<b>6,990,181</b>	<b>872,697</b>	<b>7,862,878</b>	<b>2,196,393</b>
<b>Liabilities</b>				
Accounts payable	3,933,565	1,616,211	5,549,776	1,149,803
Accrued liabilities	17,660,738	12,876,108	30,536,846	4,810,678
Due to component unit	196,287	-	196,287	-
Accrued bond interest	694,447	-	694,447	-
Payable from restricted assets:				
Accrued bond interest	-	1,198,637	1,198,637	2,524,818
Customer deposits	-	2,707,436	2,707,436	2,846,395
Noncurrent liabilities:				
Due within one year	9,203,619	7,350,127	16,553,746	4,884,273
Due in more than one year	202,645,426	262,112,207	464,757,633	183,460,521
<b>Total Liabilities</b>	<b>234,334,082</b>	<b>287,860,726</b>	<b>522,194,808</b>	<b>199,676,488</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pension - TMRS	794,828	237,006	1,031,834	606,904
Deferred inflows - pension - Fire Fighters	276,544	-	276,544	-
Deferred inflows - OPEB - SDBF	138,918	41,424	180,342	106,073
Deferred inflows - OPEB - RHCP	857,150	242,558	1,099,708	440,254
Deferred inflows - gain on refunding	-	-	-	2,993,222
<b>Total Deferred Inflows of Resources</b>	<b>2,067,440</b>	<b>520,988</b>	<b>2,588,428</b>	<b>4,146,453</b>
<b>Net Position</b>				
Net investment in capital assets	69,678,668	155,781,248	225,459,916	11,766,301
Restricted for:				
Tourism	1,077,002	-	1,077,002	-
Federal funds	13,762	-	13,762	-
State funds	64,758	-	64,758	-
Forest Park Cemetery	585,056	-	585,056	-
Road maintenance	3,690,179	-	3,690,179	-
Police	12,781	-	12,781	-
Tax increment financing	33,780	-	33,780	-
Unrestricted	(34,647,839)	1,251,877	(33,395,962)	86,712,068
<b>Total Net Position</b>	<b>\$ 40,508,147</b>	<b>\$ 157,033,125</b>	<b>\$ 197,541,272</b>	<b>\$ 98,478,369</b>

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2025**

Functions/Programs	Expenses	Charges for Services	Program Revenue	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ 5,076,133	\$ 1,736,385	\$ 201,469	\$ -
Public safety	26,494,488	77,353	12,723	-
Public works	5,225,758	-	-	-
Community development	2,232,198	4,364,194	-	-
Culture and recreation	7,808,831	908,626	-	-
Interest on long-term debt	4,489,652	-	-	-
<b>Total Governmental Activities</b>	<b>51,327,060</b>	<b>7,086,558</b>	<b>214,192</b>	<b>-</b>
<b>Business-type Activities:</b>				
Water and sewer	25,814,707	32,957,854	-	-
Airport	4,524,078	1,460,418	-	1,988,370
Sanitation	8,965,682	8,397,123	-	-
Golf	591,801	366,986	-	-
<b>Total Business-type Activities</b>	<b>39,896,268</b>	<b>43,182,381</b>	<b>-</b>	<b>1,988,370</b>
<b>Total Primary Government</b>	<b>\$ 91,223,328</b>	<b>\$ 50,268,939</b>	<b>\$ 214,192</b>	<b>\$ 1,988,370</b>
<b>Component Units</b>				
<b>Governmental Activities:</b>				
4A Economic Development	\$ 832,372	\$ -	\$ -	\$ -
Board of Development	391,350	-	723,924	-
Economic Development	8	-	-	-
<b>Total Governmental Activities</b>	<b>1,223,730</b>	<b>-</b>	<b>723,924</b>	<b>-</b>
<b>Business-type Activities:</b>				
Electric and cable	92,826,124	93,298,238	-	-
<b>Total Component Units</b>	<b>\$ 94,049,854</b>	<b>\$ 93,298,238</b>	<b>\$ 723,924</b>	<b>\$ -</b>

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2025**

*Exhibit A-2*  
*Page 2 of 2*

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Component Units
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ (3,138,279)	\$ -	\$ (3,138,279)	
Public safety	(26,404,412)	-	(26,404,412)	
Public works	(5,225,758)	-	(5,225,758)	
Community development	2,131,996	-	2,131,996	
Culture and recreation	(6,900,205)	-	(6,900,205)	
Interest on long-term debt	(4,489,652)	-	(4,489,652)	
<b>Total Governmental Activities</b>	<b>(44,026,310)</b>	<b>-</b>	<b>(44,026,310)</b>	
<b>Business-type Activities:</b>				
Water and sewer	-	7,143,147	7,143,147	
Airport	-	(1,075,290)	(1,075,290)	
Sanitation	-	(568,559)	(568,559)	
Golf	-	(224,815)	(224,815)	
<b>Total Business-type Activities</b>	<b>-</b>	<b>5,274,483</b>	<b>5,274,483</b>	
<b>Total Primary Government</b>	<b>(44,026,310)</b>	<b>5,274,483</b>	<b>(38,751,827)</b>	
<b>Component Units</b>				
<b>Governmental Activities:</b>				
4A Economic Development			\$ (832,372)	
Board of Development			332,574	
Economic Development			(8)	
<b>Total Governmental Activities</b>			<b>(499,806)</b>	
<b>Business-type Activities:</b>				
Electric and cable			472,114	
<b>Total Component Units</b>			<b>(27,692)</b>	
<b>General Revenues:</b>				
Property taxes	21,523,530	-	21,523,530	-
Sales taxes	13,074,030	-	13,074,030	1,066,240
Franchise taxes	3,834,584	-	3,834,584	-
Mixed beverage taxes	91,844	-	91,844	-
Pilot	436,149	-	436,149	-
Hotel/motel tax	787,152	-	787,152	-
Unrestricted investment earnings	4,232,462	5,626,366	9,858,828	5,563,029
Miscellaneous	879,605	-	879,605	-
<b>Transfers</b>	<b>(4,091,074)</b>	<b>4,091,074</b>	<b>-</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>	<b>40,768,282</b>	<b>9,717,440</b>	<b>50,485,722</b>	<b>6,629,269</b>
Change in net position	(3,258,028)	14,991,923	11,733,895	6,601,577
<b>Net Position - Beginning</b>	<b>43,766,175</b>	<b>142,041,202</b>	<b>185,807,377</b>	<b>91,876,792</b>
<b>Net Position - Ending</b>	<b>\$ 40,508,147</b>	<b>\$ 157,033,125</b>	<b>\$ 197,541,272</b>	<b>\$ 98,478,369</b>

**CITY OF GREENVILLE, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2025**

*Exhibit A-3*

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,788,542	\$ 137,081	\$ 48,616,141	\$ 5,126,771	\$ 55,668,535
Investments	199,751	15,307	1,773,277	492,875	2,481,210
Receivables, net of allowance:					
Property taxes	714,117	350,675	-	227,868	1,292,660
Sales tax	1,939,954	-	-	-	1,939,954
Other	1,146,223	-	-	8,102	1,154,325
Due from other funds	40,690	-	-	813,281	853,971
Inventories	41,139	-	-	-	41,139
<b>Total Assets</b>	<u>\$ 5,870,416</u>	<u>\$ 503,063</u>	<u>\$ 50,389,418</u>	<u>\$ 6,668,897</u>	<u>\$ 63,431,794</u>
<b>Liabilities</b>					
Accounts payable	\$ 98,118	\$ -	\$ 3,803,083	\$ 12,410	\$ 3,913,611
Accrued liabilities	1,051,251	-	11,105,126	1,400,675	13,557,052
Due to other funds	967,814	-	-	-	967,814
Due to component unit	196,287	-	-	-	196,287
<b>Total Liabilities</b>	<u>2,313,470</u>	<u>-</u>	<u>14,908,209</u>	<u>1,413,085</u>	<u>18,634,764</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	1,305,841	476,668	-	48,621	1,831,130
<b>Total Deferred Inflows of Resources</b>	<u>1,305,841</u>	<u>476,668</u>	<u>-</u>	<u>48,621</u>	<u>1,831,130</u>
<b>Fund Balances</b>					
Nonspendable:					
Inventories	41,139	-	-	-	41,139
Restricted:					
Debt service	-	26,395	-	-	26,395
Capital projects	-	-	35,481,209	-	35,481,209
Tourism	-	-	-	1,077,002	1,077,002
Federal grants	-	-	-	13,762	13,762
State grants	-	-	-	64,758	64,758
Forest Park Cemetery	-	-	-	585,056	585,056
Road maintenance	-	-	-	3,690,179	3,690,179
Police	-	-	-	12,781	12,781
Tax increment financing	-	-	-	33,780	33,780
Unassigned	2,209,966	-	-	(270,127)	1,939,839
<b>Total Fund Balances</b>	<u>2,251,105</u>	<u>26,395</u>	<u>35,481,209</u>	<u>5,207,191</u>	<u>42,965,900</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 5,870,416</u>	<u>\$ 503,063</u>	<u>\$ 50,389,418</u>	<u>\$ 6,668,897</u>	<u>\$ 63,431,794</u>

**CITY OF GREENVILLE, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2025**

**Exhibit A-4**

<b>Total Fund Balance of Governmental Funds in the Governmental Funds Balance Sheet</b>	\$ 42,965,900
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	192,658,114
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(694,447)
Certain other unavailable assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Unavailable revenue	1,831,130
Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	
Bonds payable, at maturity	(135,683,909)
Certificates of obligation	(22,006,755)
Excess sales tax due to State of Texas	(3,384,041)
Premium on issuance of debt	(6,379,512)
Compensated absences	(6,163,048)
Net pension liability	(31,826,455)
Total OPEB liability	(2,163,646)
Deferred outflows (inflows) of resources relating to pension activities	5,563,264
Deferred outflows (inflows) of resources relating to OPEB activities	(727,816)
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>6,519,368</u>
<b>Net Position of Governmental Activities in the Statement of Net Position</b>	<u><u>\$ 40,508,147</u></u>

**CITY OF GREENVILLE, TEXAS**

*Exhibit A-5*

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2025*

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes:					
Property	\$ 9,966,641	\$ 10,051,180	\$ -	\$ 1,323,461	\$ 21,341,282
Sales	13,074,030	-	-	-	13,074,030
Franchise	3,806,978	-	27,606	-	3,834,584
Mixed beverage	91,844	-	-	-	91,844
Pilot	436,149	-	-	-	436,149
Hotel/motel	-	-	-	787,152	787,152
Licenses, permits and fees	1,313,253	-	-	-	1,313,253
Intergovernmental - local and state	193,178	-	-	14,211	207,389
Intergovernmental - component units	518,921	-	-	-	518,921
Charges for services	1,560,433	-	-	3,103,362	4,663,795
Fines and forfeitures	513,372	-	-	-	513,372
Investment earnings	743,978	18,736	3,367,611	53,277	4,183,602
Other revenue	750,759	-	1,991	15,533	768,283
<b>Total Revenues</b>	<u>32,969,536</u>	<u>10,069,916</u>	<u>3,397,208</u>	<u>5,296,996</u>	<u>51,733,656</u>
<b>Expenditures</b>					
Current:					
General government	4,298,601	-	36	799,875	5,098,512
Public works	2,874,576	-	2,809	-	2,877,385
Public safety	24,307,195	-	-	6,021	24,313,216
Community development	2,163,726	-	-	-	2,163,726
Cultural and recreation	6,767,084	-	-	929,332	7,696,416
Debt service:					
Principal	-	4,572,909	-	-	4,572,909
Interest and fiscal charges	-	6,722,719	-	-	6,722,719
Capital outlay:					
Public works	-	-	4,480,420	-	4,480,420
Public safety	29,600	-	11,858,968	-	11,888,568
Cultural and recreation	55,479	-	44,213,260	1,460,106	45,728,845
<b>Total Expenditures</b>	<u>40,496,261</u>	<u>11,295,628</u>	<u>60,555,493</u>	<u>3,195,334</u>	<u>115,542,716</u>
Revenues over (under) expenditures	<u>(7,526,725)</u>	<u>(1,225,712)</u>	<u>(57,158,285)</u>	<u>2,101,662</u>	<u>(63,809,060)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	2,152,830	-	1,244,788	-	3,397,618
Transfers out	(1,435,788)	(683,620)	-	(382,000)	(2,501,408)
<b>Total Other Financing Sources (Uses)</b>	<u>717,042</u>	<u>(683,620)</u>	<u>1,244,788</u>	<u>(382,000)</u>	<u>896,210</u>
Net changes in fund balances	(6,809,683)	(1,909,332)	(55,913,497)	1,719,662	(62,912,850)
<b>Fund Balances - Beginning</b>	<u>9,060,788</u>	<u>1,935,727</u>	<u>91,394,706</u>	<u>3,487,529</u>	<u>105,878,750</u>
<b>Fund Balances - Ending</b>	<u>\$ 2,251,105</u>	<u>\$ 26,395</u>	<u>\$ 35,481,209</u>	<u>\$ 5,207,191</u>	<u>\$ 42,965,900</u>

**CITY OF GREENVILLE, TEXAS**

*Exhibit A-6*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2025**

**Net Changes in Governmental Fund Balances in the Statement of Revenues, Expenditures and Changes in Fund Balances** \$ (62,912,850)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays (\$55,828,014) exceeds depreciation (\$3,661,516) in the current period. 52,166,348

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 199,866

Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt. 4,572,909

Current year payments of \$294,627 made to the State of Texas Comptroller for excess sales and use tax are expenditures in the fund financial statements but are shown as decreases in the liabilities in the government-wide financial statements. 1,094,790

Deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Position. The net change for each represents an increase/(decrease) in net position.

Bond premiums/discounts 133,658

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

Changes in accrued interest	2,228,158
Changes in accrued compensated absences	(970,678)
Changes in pension liabilities and related deferred outflows and inflows of resources	(668,493)
Changes in pension OPEB and related deferred outflows and inflows of resources	(356,799)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain internal service funds is reported with governmental activities. 1,255,063

**Change in Net Position of Governmental Activities in the Statement of Activities** \$ (3,258,028)

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2025**

*Exhibit A-7*  
*Page 1 of 2*

	Business-type Activities - Enterprise Funds					Governmental
	Water and	Sanitation			Total	Activities
	Sewer Fund	Airport Fund	Fund	Golf Fund		Internal
					Service Funds	
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 164,164,478	\$ 1,713,042	\$ -	\$ 200	\$ 165,877,720	\$ 4,557,306
Investments	-	190,568	-	-	190,568	389,554
Receivables, net of allowance:						
Accounts receivable	7,195,220	-	1,822,454	-	9,017,674	-
Other receivables	62,652	1,990,202	-	27,458	2,080,312	476,384
Due from other funds	137,975	-	16,558	-	154,533	-
Inventories, at cost	293,460	-	-	8,302	301,762	1,071,460
Restricted cash and cash equivalents for:						
Customer deposits	2,339,287	-	-	-	2,339,287	-
Revenue bond construction	3,363,728	-	-	-	3,363,728	-
<b>Total current assets</b>	<b>177,556,800</b>	<b>3,893,812</b>	<b>1,839,012</b>	<b>35,960</b>	<b>183,325,584</b>	<b>6,494,704</b>
<b>Noncurrent Assets:</b>						
Capital assets:						
Nondepreciable	135,718,263	2,482,316	-	93,000	138,293,579	-
Depreciable (net)	55,029,879	67,287,323	-	187,812	122,505,014	8,692,936
<b>Total noncurrent assets</b>	<b>190,748,142</b>	<b>69,769,639</b>	<b>-</b>	<b>280,812</b>	<b>260,798,593</b>	<b>8,692,936</b>
<b>Total Assets</b>	<b>368,304,942</b>	<b>73,663,451</b>	<b>1,839,012</b>	<b>316,772</b>	<b>444,124,177</b>	<b>15,256,019</b>
<b>Deferred Outflows of Resources</b>						
Deferred outflows - pension	721,291	-	44,281	50,178	815,750	209,066
Deferred outflows - OPEB - SDBF	15,806	-	970	1,100	17,876	4,581
Deferred outflows - OPEB - RHCP	34,319	-	2,640	2,112	39,071	10,560
<b>Total Deferred Outflows of Resources</b>	<b>771,416</b>	<b>-</b>	<b>47,891</b>	<b>53,390</b>	<b>872,697</b>	<b>224,207</b>

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2025**

*Exhibit A-7*  
*Page 2 of 2*

	Business-type Activities - Enterprise Funds					Governmental
	Water and Sewer Fund	Airport Fund	Sanitation Fund	Golf Fund	Total	Internal Service Funds
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 9,549,596	\$ 42	\$ 837	\$ -	\$ 9,550,475	\$ 19,924
Accrued liabilities	145,806	2,879	4,001,095	792,064	4,941,844	4,103,686
Due to other funds	40,690	-	-	-	40,690	-
Payable from restricted assets:						
Customer deposits	2,339,287	-	368,149	-	2,707,436	-
Accrued bond interest	1,198,637	-	-	-	1,198,637	-
Current compensated absences	290,644	8,616	37,574	1,674	338,508	141,787
Financed purchase - current	-	-	-	-	-	971,608
Bonds payable - current	7,011,619	-	-	-	7,011,619	-
<b>Total current liabilities</b>	<b>20,576,279</b>	<b>11,537</b>	<b>4,407,655</b>	<b>793,738</b>	<b>25,789,209</b>	<b>5,237,005</b>
<b>Noncurrent Liabilities:</b>						
Compensated absences	502,631	46,219	19,140	29,554	597,544	103,541
Financed purchase	-	-	-	-	-	2,180,186
Bonds payable (net of unamortized premiums)	258,245,795	-	-	-	258,245,795	-
Net pension liability (asset)	2,295,714	-	140,938	159,706	2,596,358	665,414
Total OPEB liability - SDBF	165,447	-	10,157	11,510	187,114	47,955
Total OPEB liability - RHCP	426,361	-	32,797	26,238	485,396	131,188
<b>Total noncurrent liabilities</b>	<b>261,635,948</b>	<b>46,219</b>	<b>203,032</b>	<b>227,008</b>	<b>262,112,207</b>	<b>3,128,284</b>
<b>Total Liabilities</b>	<b>282,212,227</b>	<b>57,756</b>	<b>4,610,687</b>	<b>1,020,746</b>	<b>287,901,416</b>	<b>8,365,289</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflows - pension	209,562	-	12,865	14,579	237,006	60,742
Deferred inflows - OPEB - SDBF	36,627	-	2,249	2,548	41,424	10,616
Deferred inflows - OPEB - RHCP	213,058	-	16,389	13,111	242,558	65,556
<b>Total Deferred Inflows of Resources</b>	<b>459,247</b>	<b>-</b>	<b>31,503</b>	<b>30,238</b>	<b>520,988</b>	<b>136,914</b>
<b>Net Position (Deficit)</b>						
Net investment in capital assets	85,730,797	69,769,639	-	280,812	155,781,248	5,609,521
Unrestricted	674,087	3,836,056	(2,755,287)	(961,634)	793,222	1,368,502
<b>Total Net Position (Deficit)</b>	<b>\$ 86,404,884</b>	<b>\$ 73,605,695</b>	<b>\$ (2,755,287)</b>	<b>\$ (680,822)</b>	<b>\$ 156,574,470</b>	<b>\$ 6,978,023</b>

The assets and liabilities of certain internal service funds are not included in the fund financial statements, but are included in the business-type activities on the statement of net position.

458,655

**Total Net Position per Government-Wide Financial Statements**

\$ 157,033,125



**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2025**

**Exhibit A-8**

	Business-type Activities - Enterprise Funds					Governmental
	Water and Sewer Fund	Airport Fund	Sanitation Fund	Golf Fund	Total	Activities Internal Service Funds
<b>Operating Revenues</b>						
Charges for services	\$ 32,957,854	\$ 1,460,418	\$ 8,407,123	\$ 366,986	\$ 43,192,381	\$ 12,472,020
<b>Total Operating Revenues</b>	<u>32,957,854</u>	<u>1,460,418</u>	<u>8,407,123</u>	<u>366,986</u>	<u>43,192,381</u>	<u>12,472,020</u>
<b>Operating Expenses</b>						
Personnel services	6,076,159	138,121	414,729	377,946	7,006,955	1,880,738
Contractual services	2,652,332	152,357	7,984,483	85,755	10,874,927	9,197,829
Supplies and materials	4,696,277	419,501	23,885	92,768	5,232,431	1,209,394
Administrative	2,676,206	20,620	542,585	15,674	3,255,085	50
Depreciation	3,185,140	3,793,479	-	19,658	6,998,277	1,326,230
<b>Total Operating Expenses</b>	<u>19,286,114</u>	<u>4,524,078</u>	<u>8,965,682</u>	<u>591,801</u>	<u>33,367,675</u>	<u>13,614,241</u>
Operating income (loss)	<u>13,671,740</u>	<u>(3,063,660)</u>	<u>(558,559)</u>	<u>(224,815)</u>	<u>9,824,706</u>	<u>(1,142,221)</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment earnings	5,592,334	34,032	-	-	5,626,366	64,376
Gain (loss) on sale of assets	-	-	-	-	-	(36,746)
Interest and fiscal charges	(7,798,052)	-	-	-	(7,798,052)	(139,799)
Other revenue	-	-	-	-	-	1,736,091
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(2,205,718)</u>	<u>34,032</u>	<u>-</u>	<u>-</u>	<u>(2,171,686)</u>	<u>1,623,922</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>11,466,022</u>	<u>(3,029,628)</u>	<u>(558,559)</u>	<u>(224,815)</u>	<u>7,653,020</u>	<u>481,701</u>
<b>Capital Contributions and Transfers</b>						
Contributions	7,660,106	1,988,370	-	-	9,648,476	-
Transfers in	-	-	-	-	-	905,000
Transfers out	(1,931,210)	-	(510,000)	-	(2,441,210)	-
Change in net position	<u>17,194,918</u>	<u>(1,041,258)</u>	<u>(1,068,559)</u>	<u>(224,815)</u>	<u>14,860,286</u>	<u>1,386,701</u>
<b>Net Position, Beginning of Year</b>	<u>69,209,966</u>	<u>74,646,953</u>	<u>(1,686,728)</u>	<u>(456,007)</u>	<u>141,714,184</u>	<u>5,591,322</u>
<b>Net Position, End of Year</b>	<u>\$ 86,404,884</u>	<u>\$ 73,605,695</u>	<u>\$ (2,755,287)</u>	<u>\$ (680,822)</u>	<u>156,574,470</u>	<u>\$ 6,978,023</u>
Change in net position above					\$ 14,860,286	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business-Type Activities.					<u>131,638</u>	
<b>Change in Business-Type Activities in Net Position per Government-Wide Financial Statements</b>					<u>\$ 14,991,924</u>	

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2025**

**Exhibit A-9**  
**Page 1 of 2**

	Business-type Activities - Enterprise Funds					Governmental
	Water and Sewer Fund	Airport Fund	Sanitation Fund	Golf Fund	Total	Internal Service Funds
<b>Operating Activities</b>						
Receipts from customers and users	\$ 31,037,174	\$ 1,551,611	\$ 7,740,852	\$ 1,140,446	\$ 41,470,083	\$ -
Receipts from interfund charges for services	-	-	-	-	-	12,471,997
Disbursed for personnel services	(5,815,575)	(115,585)	(348,526)	(302,086)	(6,581,772)	(1,767,310)
Disbursed for goods and services	(4,251,270)	(740,366)	(4,611,533)	(194,197)	(9,797,366)	(10,869,514)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>20,970,329</b>	<b>695,660</b>	<b>2,780,793</b>	<b>644,163</b>	<b>25,090,945</b>	<b>(164,827)</b>
<b>Noncapital Financing Activities</b>						
Other nonoperating revenue	-	-	-	-	-	-
Transfers from (to) other funds	(1,931,210)	-	(2,780,793)	(634,462)	(5,346,465)	-
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<b>(1,931,210)</b>	<b>-</b>	<b>(2,780,793)</b>	<b>(634,462)</b>	<b>(5,346,465)</b>	<b>-</b>
<b>Capital And Related Financing Activities</b>						
Acquisition and construction of capital assets	(54,951,453)	(732,820)	-	(9,701)	(55,693,974)	(1,857,952)
Financing sources	-	-	-	-	-	905,000
Capital grant received	-	-	-	-	-	1,736,091
Interest and fiscal charges	(10,267,747)	-	-	-	(10,267,747)	(139,799)
Proceeds from issuance of debt	90,500,000	-	-	-	90,500,000	-
Principal payment on bonds payable/financed purchase	(3,986,091)	-	-	-	(3,986,091)	(958,581)
<b>Net Cash Provided By (Used In) Capital And Related Financing Activities</b>	<b>21,294,709</b>	<b>(732,820)</b>	<b>-</b>	<b>(9,701)</b>	<b>20,552,188</b>	<b>(315,241)</b>
<b>Investing Activities</b>						
Sales (purchase) of investments, net	-	(87,443)	-	-	(87,443)	(154,240)
Investment income	5,592,334	34,032	-	-	5,626,366	64,376
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>5,592,334</b>	<b>(53,411)</b>	<b>-</b>	<b>-</b>	<b>5,538,923</b>	<b>(89,864)</b>
Net change in cash and cash equivalents	45,926,162	(90,571)	-	-	45,835,591	(569,932)
<b>Cash and Cash Equivalents - Beginning</b>	<b>123,941,331</b>	<b>1,803,613</b>	<b>-</b>	<b>200</b>	<b>125,745,144</b>	<b>5,127,238</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 169,867,493</b>	<b>\$ 1,713,042</b>	<b>\$ -</b>	<b>\$ 200</b>	<b>\$ 171,580,735</b>	<b>\$ 4,557,306</b>

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2025**

**Exhibit A-9**  
**Page 2 of 2**

	Business-type Activities - Enterprise Funds					Governmental
	Water and Sewer Fund	Airport Fund	Sanitation Fund	Golf Fund	Total	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</b>						
Operating income (loss)	\$ 13,671,740	\$ (3,063,660)	\$ (558,559)	\$ (224,815)	\$ 9,824,706	\$ (1,142,221)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	3,185,140	3,793,479	-	19,658	6,998,277	1,326,230
Change in assets and liabilities:						
(Increase) decrease in trade receivables	(2,754,853)	-	(690,591)	-	(3,445,444)	-
(Increase) decrease in other receivables	84,879	91,193	-	-	176,072	(459,406)
(Increase) decrease in inventories	-	-	-	-	-	(148,454)
(Increase) decrease in deferred outflows - pension	242,518	-	(13,951)	(4,223)	224,344	53,975
(Increase) decrease in deferred outflows - OPEB	13,078	-	640	(673)	13,045	3,080
Increase (decrease) in account payable and accrued liabilities	5,773,545	(147,888)	3,939,420	773,460	10,338,537	4,009,338
Increase (decrease) in due to other funds	-	-	-	-	-	(3,863,742)
Increase (decrease) in customer deposits	749,294	-	24,320	-	773,614	-
Increase (decrease) in compensated absences	218,524	22,536	10,199	15,674	266,933	61,214
Increase (decrease) in net pension liability	(375,901)	-	56,865	32,322	(286,714)	(63,716)
Increase (decrease) in total OPEB liability	(30,267)	-	(2,933)	13,611	(19,589)	(1,949)
Increase (decrease) in deferred inflows - pension	121,048	-	10,080	10,359	141,487	36,585
Increase (decrease) in deferred inflows - OPEB	71,584	-	5,303	8,790	85,677	24,239
Total adjustments	7,298,589	3,759,320	3,339,352	868,978	15,266,239	977,394
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$ 20,970,329</u>	<u>\$ 695,660</u>	<u>\$ 2,780,793</u>	<u>\$ 644,163</u>	<u>\$ 25,090,945</u>	<u>\$ (164,827)</u>
<b>Non-cash Capital Financing Activities</b>						
Contributions of capital assets from developers	\$ 7,660,106	\$ -	\$ -	\$ -	\$ 7,660,106	\$ -
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>						
Cash and cash equivalents	\$ 164,164,478	\$ 1,713,042	\$ -	\$ 200	\$ 165,877,720	\$ 4,557,306
Restricted for customer deposits	2,339,287	-	-	-	2,339,287	-
Restricted for revenue bond construction	3,363,728	-	-	-	3,363,728	-
<b>Total Cash and Cash Equivalents</b>	<u>\$ 169,867,493</u>	<u>\$ 1,713,042</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 171,580,735</u>	<u>\$ 4,557,306</u>



**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF NET POSITION - COMPONENT UNITS**  
**September 30, 2025**

**Exhibit A-10**

	Governmental Activities				Business-type	Total
	IDC Greenville	4A Economic Development	Board of Development	Economic Development	Activities	
					Electric Utility	
<b>Assets</b>						
Equity in pooled cash and cash equivalents	\$ 30,756	\$ 4,061,348	\$ 839,301	\$ 54,616	\$ 125,877,491	\$ 130,863,512
Investments	-	-	-	-	4,591,998	4,591,998
Receivables (net of allowance for uncollectible amounts):						
Accounts	-	-	-	-	17,256,825	17,256,825
Sales tax	-	185,745	-	-	-	185,745
Other	-	-	-	-	15,100	15,100
Prepaid expense	-	-	-	-	4,161,301	4,161,301
Due from primary government	-	-	200,216	-	-	200,216
Note receivable	-	-	68,082	-	-	68,082
Inventories	-	-	-	-	8,933,687	8,933,687
Restricted:						
Equity in pooled cash and cash equivalents	-	-	-	-	2,846,395	2,846,395
Capital Assets:						
Nondepreciable	-	2,153,839	-	1,192,060	36,702,502	40,048,401
Depreciable (net)	-	-	-	-	77,847,730	77,847,730
Regulatory asset	-	-	-	-	13,085,925	13,085,925
<b>Total Assets</b>	<b>30,756</b>	<b>6,400,932</b>	<b>1,107,599</b>	<b>1,246,676</b>	<b>291,318,954</b>	<b>300,104,917</b>
<b>Deferred Outflows of Resources</b>						
Deferred outflows - pension	-	-	56,404	-	2,032,502	2,088,906
Deferred outflows - OPEB - SDBF	-	-	1,236	-	35,335	36,571
Deferred outflows - OPEB - RHCP	-	-	-	-	70,916	70,916
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>57,640</b>	<b>-</b>	<b>2,138,753</b>	<b>2,196,393</b>
<b>Liabilities</b>						
Accounts payable	-	3,803	728	-	1,145,272	1,149,803
Accrued liabilities	-	9,756	533	-	4,800,389	4,810,678
Accrued compensated absences - current	-	-	26,251	-	843,022	869,273
Revenue bonds payable - current	-	-	-	-	4,015,000	4,015,000
Payable from restricted assets:						
Customer deposits	-	-	-	-	2,846,395	2,846,395
Accrued interest	-	-	-	-	2,524,818	2,524,818
Noncurrent liabilities:						
Revenue bonds payable	-	-	-	-	162,130,000	162,130,000
Bond premium (discount), net	-	-	-	-	12,896,964	12,896,964
Accrued compensated absences	-	-	-	-	424,865	424,865
Net pension liability	-	-	179,521	-	6,469,013	6,648,534
Total OPEB liability	-	-	12,938	-	1,347,220	1,360,158
<b>Total Liabilities</b>	<b>-</b>	<b>13,559</b>	<b>219,971</b>	<b>-</b>	<b>199,442,958</b>	<b>199,676,488</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflows - pension - TMRS	-	-	16,387	-	590,517	606,904
Deferred inflows - OPEB - SDBF	-	-	2,864	-	103,209	106,073
Deferred inflows - OPEB - RHCP	-	-	-	-	440,254	440,254
Deferred inflows - gain on refunding	-	-	-	-	2,993,222	2,993,222
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>19,251</b>	<b>-</b>	<b>4,127,202</b>	<b>4,146,453</b>
<b>Net Position</b>						
Net investment in capital assets	-	2,153,839	-	1,192,060	8,420,402	11,766,301
Unrestricted	30,756	4,233,534	926,017	54,616	81,467,145	86,712,068
<b>Total Net Position</b>	<b>\$ 30,756</b>	<b>\$ 6,387,373</b>	<b>\$ 926,017</b>	<b>\$ 1,246,676</b>	<b>\$ 89,887,547</b>	<b>\$ 98,478,369</b>

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF ACTIVITIES - COMPONENT UNITS**  
**For the Year Ended September 30, 2025**

*Exhibit A-11*  
*Page 1 of 3*

	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities:</b>			
4A Economic Development:			
4A development costs	\$ 829,707	\$ -	\$ -
Interest on long-term debt	2,665	-	-
Total 4A Economic Development	<u>832,372</u>	<u>-</u>	<u>-</u>
Board of Development:			
Community development	391,350	-	723,924
Economic Development:			
Community development	8	-	-
<b>Total Governmental Activities</b>	<u>1,223,730</u>	<u>-</u>	<u>723,924</u>
<b>Business-type Activities:</b>			
GEUS:			
Electric operations	73,622,842	87,574,664	-
Cable operation	4,752,864	5,723,574	-
Interest and amortization on long-term debt	8,879,643	-	-
Administrative expenses	5,570,775	-	-
<b>Total Business-type Activities</b>	<u>92,826,124</u>	<u>93,298,238</u>	<u>-</u>
<b>Total Component Units</b>	<u>\$ 94,049,854</u>	<u>\$ 93,298,238</u>	<u>\$ 723,924</u>

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF ACTIVITIES - COMPONENT UNITS**  
**For the Year Ended September 30, 2025**

**Exhibit A-11**  
**Page 2 of 3**

	Net (Expense) Revenue and Changes in Net Position			
	Governmental Activities			
	IDC Greenville	4A Economic Development	Board of Development	Economic Development
<b>Governmental Activities:</b>				
4A Economic Development:				
4A development costs	\$ -	\$ (829,707)	\$ -	\$ -
Interest on long-term debt	-	(2,665)	-	-
<b>Total 4A Economic Development</b>	<b>-</b>	<b>(832,372)</b>	<b>-</b>	<b>-</b>
Board of Development:				
Community development	-	-	332,574	-
Economic Development:				
Community development	-	-	-	(8)
<b>Total Governmental Activities</b>	<b>-</b>	<b>(832,372)</b>	<b>332,574</b>	<b>(8)</b>
<b>Business-type Activities:</b>				
GEUS:				
Electric operations	-	-	-	-
Cable operation	-	-	-	-
Interest and amortization on long-term debt	-	-	-	-
Administrative expenses	-	-	-	-
<b>Total Business-type Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Component Units</b>	<b>-</b>	<b>(832,372)</b>	<b>332,574</b>	<b>(8)</b>
<b>General Revenues:</b>				
Sales taxes	-	1,066,240	-	-
Investment income	9	199,425	63	-
<b>Total General Revenues</b>	<b>9</b>	<b>1,265,665</b>	<b>63</b>	<b>-</b>
Changes in net position	9	433,293	332,637	(8)
<b>Net Position - Beginning</b>	<b>30,747</b>	<b>5,954,080</b>	<b>593,380</b>	<b>1,246,684</b>
<b>Net Position - Ending</b>	<b>\$ 30,756</b>	<b>\$ 6,387,373</b>	<b>\$ 926,017</b>	<b>\$ 1,246,676</b>

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF ACTIVITIES - COMPONENT UNITS**  
**For the Year Ended September 30, 2025**

**Exhibit A-11**  
**Page 3 of 3**

	<b>Business-type Activities</b>	
	<b>GEUS</b>	<b>Total</b>
<b>Governmental Activities:</b>		
4A Economic Development:		
4A development costs	\$ -	\$ (829,707)
Interest on long-term debt	-	(2,665)
<b>Total 4A Economic Development</b>	<u>-</u>	<u>(832,372)</u>
Board of Development:		
Community development	-	332,574
Economic Development:		
Community development	-	(8)
<b>Total Governmental Activities</b>	<u>-</u>	<u>(499,806)</u>
<b>Business-type Activities:</b>		
GEUS:		
Electric operations	13,951,822	13,951,822
Cable operation	970,710	970,710
Interest and amortization on long-term debt	(8,879,643)	(8,879,643)
Administrative expenses	(5,570,775)	(5,570,775)
<b>Total Business-type Activities</b>	<u>472,114</u>	<u>472,114</u>
<b>Total Component Units</b>	<u>472,114</u>	<u>(27,692)</u>
<b>General Revenues:</b>		
Sales taxes	-	1,066,240
Investment income	5,363,532	5,563,029
<b>Total General Revenues</b>	<u>5,363,532</u>	<u>6,629,269</u>
Changes in net position	5,835,646	6,601,577
<b>Net Position - Beginning</b>	<u>84,051,901</u>	<u>91,876,792</u>
<b>Net Position - Ending</b>	<u>\$ 89,887,547</u>	<u>\$ 98,478,369</u>

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**As of December 31, 2024**

*Exhibit A-12*

	<b>Pension Trust Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 371,824
Interest receivable	1,094
Due from City	94,848
Investments:	
Westwood Large Cap Value Equity	1,764,233
LSV Emerging Markets	351,165
iShares Core S&P 500 ETF	707,593
iShares S&P Midcap 100 Index	344,263
iShares Russell 1000 Value Index	351,192
Westwood Smid Cap Value Equity	691,410
Westwood Small Cap Value Equity	342,959
RBC Emerging Markets Equity	867,613
Pgim Jennison Growth Fund	1,398,994
Vanguard FTSE Developed Markets Index ETF	2,439,107
Vanguard Scottsdal Russell 2000	511,901
Westwood High Income	1,069,533
iShares 20 Year Treasury Bond ETF	350,281
Core Investment Grade Bond	3,775,110
Westwood Income Opportunity	2,494,860
Westwood Alternative Income	179,725
<b>Total Assets</b>	<b><u>18,107,705</u></b>
<b>Liabilities</b>	
Accounts payable	19,301
<b>Total Liabilities</b>	<b><u>19,301</u></b>
<b>Net Position Restricted for Pensions</b>	<b><u>\$ 18,088,404</u></b>

**CITY OF GREENVILLE, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Year Ended December 31, 2024**

*Exhibit A-13*

	<b>Pension Trust Fund</b>
<b>Additions</b>	
<b>Investment Income (Loss)</b>	
Net appreciation (depreciation) in fair value	\$ 1,045,442
Interest and dividends on investments	528,961
Less investment expense	<u>(69,303)</u>
<b>Net Investment Income (Loss)</b>	<u>1,505,100</u>
<b>Contributions</b>	
Employer	1,371,670
Employee	<u>1,049,682</u>
<b>Total Contributions</b>	<u>2,421,352</u>
<b>Total Additions (Loss)</b>	<u>3,926,452</u>
<b>Deductions</b>	
Benefits paid directly to participants	2,081,550
Administrative expenses	<u>17,701</u>
<b>Total Deductions</b>	<u>2,099,251</u>
Change in net position	1,827,201
<b>Net Position Restricted for Pensions, Beginning of Year</b>	<u>16,261,201</u>
<b>Net Position Restricted for Pensions, End of Year</b>	<u><u>\$ 18,088,402</u></u>

# CITY OF GREENVILLE, TEXAS

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### Note 1 - Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

The City of Greenville, Texas (City) is a municipal corporation governed by an elected mayor and a six-member council and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and sewer utilities and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB) which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's general-purpose financial statements.

The City is a municipal corporation governed by an elected mayor and six-member governing council. The accompanying financial statements represent the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

Discretely presented component units:

- Greenville Board of Development (BOD) was created by the City Council with the purpose of promoting the industrial and business growth and development of the City of Greenville. The Board of Directors are appointed by City Council and consists of seven members. All meetings are open to the public and the meeting dates and agenda are posted at City Hall. The BOD works to attract industry and a diverse job base. The City provides the majority of the financial support for this board through transfers of franchise fees obtained from GEUS as defined by City charter. There are no separately issued financial statements of the Board of Development. The Board is reported as a governmental fund.
- Industrial Development Corporation (IDC) was formed by the City Council in 1995. It is a tax-exempt public corporation that has the same purpose and powers as the Greenville Board of Development and the Greenville Economic Development Corporation. Administration fees fund this organization and its meetings are open to the public, like the City. City Council appoints the Board of Directors and the City has the ability to impose its will. There are no separately issued financial statements of the Greenville Industrial Development Corporation which is reported as a governmental fund.
- 4A Economic Development Corporation (4A EDC) was approved by the citizens of Greenville on May 4, 2002. The 4A EDC is governed by a five-member board appointed by and serving at the pleasure of the City Council. The funding for the 4A EDC occurs by the City transferring sales tax of 1/8 of 1%, currently collected by the City, to the 4A EDC. Adding the creation of the 4A EDC to the resources already available more than doubled the ability to assist economic development prospects. All of the 4A EDC funding can be used for direct assistance to prospects and continued development of infrastructure. There are no separately issued financial statements of the 4A EDC which is reported as a governmental fund.
- Greenville Economic Development Corporation (GEDC) was formed by the City Council in 1988 for the purpose of purchasing land for promoting the industrial and business growth and development of the City of Greenville. The Directors from the Greenville Board of Development (BOD) are also appointed by City Council as Directors of the GEDC which consist of seven members. It receives the majority of its support to finance its land purchases or related debt payment from BOD or 4A EDC. There are no separately issued financial statements of the GEDC. GEDC is reported as a governmental fund.

## CITY OF GREENVILLE, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 1 - Summary of Significant Accounting Policies (continued)

##### A. Financial Reporting Entity (continued)

- Greenville Electric Utility System (GEUS) provides electric, cable and internet services to customers in an approximately 96 square-mile area, which includes the City. Until 1989, the electric system was owned and operated by the City. Pursuant to Article XI-A of the Charter of the City (adopted at an election held on May 8, 1988) and Article 1115a, Vernon's Texas Civil Statutes, the City transferred management control and operation of the electric system to the newly created five-member Board of Trustees (Board) of GEUS. Among the powers delegated to the Board is the power to establish rates and charges for services supplied by the electric system, the power of condemnation for electrical use, as well as the power to issue revenue obligations. The Board has the primary responsibility for the payment of all obligations which are payable from the revenues of the electric system. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, the City guarantees the unpaid debt. See *Note 9, Commitments and Contingent Liabilities, Agreement with TMPA*. In fiscal year 1989, obligations of the City relating to its electric system were transferred to GEUS.

Although the City Council and GEUS' Board jointly appoint all GEUS Board members, the Board members may only be removed by a vote of the citizens of the City. GEUS' operating and capital expenditures, including debt service, are financed entirely through electric rates. Financial transactions between GEUS and the City, reported in GEUS' financial statements, reflect contractual agreements between the parties for the provision of special services by the City to GEUS. GEUS currently provides a PILOT (payment in lieu of taxes) to the City and transfers 5% of adjusted gross revenues to the City and 1% of adjusted revenues are transferred to support the City's Board of Development Board. Separate financial statements are available by contacting GEUS' business office. GEUS is reported as an enterprise fund.

The financial statements are formatted to allow the user to clearly distinguish between primary government and the discretely presented component units.

##### B. Government Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

##### C. Basis of Presentation – Government-Wide Financial Statements

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

## CITY OF GREENVILLE, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 1 - Summary of Significant Accounting Policies (continued)

##### D. Basis of Presentation - Fund Financial Statements

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

The City reports the following major governmental funds:

- **General Fund** – is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Debt Service Fund** – accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- **Capital Projects Fund** – accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The City reports the following proprietary funds:

Enterprise Funds – The City's Enterprise Funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City reports the following major enterprise funds:

- **Water and Sewer Fund** – accounts for the operations of the water and sanitary sewer utilities which are self-supporting activities rendering services on a user-charge basis.
- **Airport Fund** – accounts for the operations of the airport which is a self-supporting activity rendering services on a user-charge basis.
- **Sanitation Fund** – accounts for the solid waste services of the City which is a self-supporting activity rendering services on a user-charge basis.

Additionally, the City reports the following nonmajor enterprise fund:

- **Golf Fund** – accounts for the operations of the golf course which is a self-supporting activity rendering services on a user-charge basis.

Additionally, the City reports the following fund types:

Internal Service Funds – The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governmental units on a cost-reimbursement basis. The City utilizes the following Internal Service Funds:

- **Central Services Fund** – accounts for the provision of building maintenance, fleet maintenance and insurance to the General Fund, the Water and Sewer Fund and the Airport Fund.
- **Insurance Fund** – accounts for the costs associated with property and plant insurance, medical insurance and workers' compensation programs established for City and GEUS employees and their covered dependents.
- **Vehicle/Equipment Replacement Fund** – accounts for the pre-funding of vehicles and equipment for the City. These vehicles and equipment are funded by contributions from operating funds and debt proceeds.
- **MIS Fund** – accounts for the provision of management information system services to the General Fund, the Water and Sewer Fund, the Golf Course Fund, the Central Services Fund and the Electric Utility Fund. These funds contribute financially to the operation of the services which include maintenance of the City's hardware, software and network systems.

## **CITY OF GREENVILLE, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 1 - Summary of Significant Accounting Policies (continued)**

##### **D. Basis of Presentation - Fund Financial Statements (continued)**

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by the City in a trustee capacity. The City reports the pension trust fund for the activities of the Greenville Firefighters Relief and Retirement Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative fees and other charges between the City's water and sewer function and various other functions of the City on a cost- reimbursement basis. Elimination 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, miscellaneous revenue and investment income.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer and golf course enterprise funds are charges to customers for sales and services. The Water and Sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 year or soon enough thereafter to pay liabilities of the current year.

For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current 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 and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal year are all considered to be susceptible to accrual and thus have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the City.

## **CITY OF GREENVILLE, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 1 - Summary of Significant Accounting Policies (continued)**

##### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

###### **1. Cash and Cash Equivalents**

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.

Investments maturing within one year of date of purchase are stated at cost or amortized cost; all other investments are stated at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income is recognized in the appropriate fund's statement of activity and or statement of revenues, expenditures and changes in fund balance.

State law and the City's investment policy restrict both time and demand deposits, including certificates of deposit (CD); to those depositories doing business in the state of Texas and further require full insurance and/or pledging of collateral. CDs are limited to a stated maturity not exceeding one year. Pledged collateral, equal to not less than 102% of the covered account balance is required for all deposits and is limited to obligations of the U.S. government, its agencies or instrumentalities and municipal obligations rated not less than AA or equivalent by two nationally recognized rating agencies. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the depository.

State law and the City's investment policy limit repurchase agreements to those with defined termination dates executed with a Texas bank or a primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement and a minimum of 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed 90 days to stated maturity.

###### **2. Investments**

State law and the City's investment policy require commercial paper be rated A1/P1 or equivalent by two nationally recognized rating agencies and restricts maturity to a maximum maturity of 185 days.

State law and the City's investment policy restrict investment in SEC registered mutual funds to money market mutual funds striving to maintain a \$1 net asset value as further defined by state law. A rating of the mutual fund is not required.

State law requires that local government investment pools be rated AAA, or equivalent, by at least one nationally recognized rating agency. The City investment policy further restricts investments to AAA rated, "2a-7 like" (constant dollar) local government investment pools.

###### **3. 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 noncurrent 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."

Trade and property tax receivables are shown net of an allowance for uncollectible amounts.

**CITY OF GREENVILLE, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**4. Inventories and Prepaid Items**

All inventories are valued at cost using the weighted-average cost method. The consumption method is used to account for governmental fund type inventories. Under the consumption method, inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

**5. Capital Assets**

Capital assets, which include land, buildings, equipment and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types.

The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at acquisition value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	20 - 45
Improvements other than buildings	10 - 45
Utility improvements	10 - 50
Vehicles	5
Machinery and equipment	5 - 15
Furniture and office equipment	3 - 15
Infrastructure	10 - 45

## CITY OF GREENVILLE, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 1 - Summary of Significant Accounting Policies (continued)

#### F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

##### 6. Deferred Outflows/Inflows of Resources

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

- *Deferred outflows of resources for pension activities* - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; and 3) differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred outflows of resources for other post-employment benefits (OPEB)* – Reported in the government-wide financial statement of net position, these deferred outflows result from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits.

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

- *Deferred inflows of resources for unavailable revenues* - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- *Deferred inflows of resources for pension activities* - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred inflows of resources for other post-employment benefits (OPEB)* – Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience. These amounts will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB.
- *Deferred inflows of resources for deferred gain on refunding* – Reported in the government wide financial statement of net position, these deferred inflows result primarily from a gain on a previous refunding of debt. The amount is deferred and recognized as an inflow of resources over the shorter of the life of the refunded debt or the new debt.

## **CITY OF GREENVILLE, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 1 - Summary of Significant Accounting Policies (continued)**

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

###### **7. Compensated Employee Absences**

City employees accrue vacation at one and one-quarter days per month. In the event of termination, an employee is reimbursed for up to 30 days of accumulated vacation. Employees, other than policemen and firemen, are reimbursed for accumulated sick leave, upon termination, up to 16 days calculated as a percentage of the sick leave accumulated. Non civil-service employees retiring from either the Texas Municipal Retirement System (TMRS) or the Firefighter's Relief and Retirement Fund (FR&R) shall be eligible to receive a lump-sum payment for up to 90 days of their accrued sick leave. Policemen and firemen are reimbursed for unused sick leave up to 90 days. Liabilities for compensated absences have been recorded as a liability in the government- wide and proprietary fund financial statements and are not reflected in the governmental fund statements since they are not payable from currently available financial resources. GEUS compensated absences are based on a PTO system. Employees of five years or more earn 160 hours of PTO annually. Employees of less than five years earn 120 hours. Forty hours or less of each year's hours may be accumulated. The maximum bank cannot exceed 720 hours or the amount the employee held at the time of the conversion from the City system.

###### **8. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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 received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

###### **9. Net Position Flow Assumption**

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

## **CITY OF GREENVILLE, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 1 - Summary of Significant Accounting Policies (continued)**

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

##### **10. Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

##### **11. Restricted Net Position**

Certain proceeds of Water and Sewer fund revenue bonds are classified as restricted net position on the statement of net position because their use is limited by applicable bond covenants. Other restrictions include amounts earmarked for capital projects, maintenance of Forest Park Cemetery and debt service and federal grants.

##### **12. Fund Balance**

The City establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe the constraints imposed upon the use of the resources reported in governmental funds on accordance with GASB Statement No. 54. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balance represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted fund balance consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources as approved by the City Council or by their designated body or official.

Committed fund balances are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined and approved by formal action of the City Council, which is the highest level of decision-making authority for the city. The same level of formal action is required to remove the constraint.

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council or the City Manager as defined in the Financial Policies.

Unassigned fund balance represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

## **CITY OF GREENVILLE, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 1 - Summary of Significant Accounting Policies (continued)**

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

##### **13. Estimates**

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

##### **14. Other Post-Employment Benefits**

The City provides postemployment medical care benefits to its retirees. Retirees who elect COBRA cannot later elect retiree coverage. Employees separating employment with the City who have had at least five years of service with the City and who are eligible for Texas Municipal Retirement System retirement benefits at the date of separation may purchase retiree health insurance through the City. An employee must participate in Health Compare Exchange Market Place to receive OPEB subsidies for health care. All medical care benefits are provided through a selected health care provider in Exchange Market Place. Retirees may remain covered until age 65 or eligibility for Medicare. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

##### **15. Pensions**

For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TMRS and the FR&R and additions to/deductions from the TMRS and FR&R fiduciary net position have been determined on the same basis as they are reported by TMRS and FR&R. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Information regarding the City's total pension liability is obtained from FR&R through a report prepared for the City by FR&R consulting actuary, John Crider, Jr. in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

#### **G. Revenues and Expenditures/Expenses**

##### **1. Program Revenues**

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 noncurrent 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."

Trade and property tax receivables are shown net of an allowance for uncollectible amounts.

# CITY OF GREENVILLE, TEXAS

## NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

### Note 1 - Summary of Significant Accounting Policies (continued)

#### G. Revenues and Expenditures/Expenses (continued)

##### 2. Property Taxes

###### *Property Taxes*

Property taxes attach as an enforceable lien on property located in the City as of January 1. Taxes are levied on October 1, and are due and payable on or before January 31, of the following year. The Hunt County Tax Assessor/Collector's office bills and collects the City's property taxes.

The statutes of the state of Texas do not prescribe a legal limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 in population, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year ended September 30, 2025, the City had a tax rate of \$0.5580 per \$100 assessed valuation based upon the maximum rates described above.

###### *Property Tax Calendar*

Property taxes are levied on October 1 by the City based on the January 1; property values as assessed by the Hunt County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year.

After January 31, the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the state legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

##### 3. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### H. Stewardship, Compliance, and Accountability

Annual budgets are adopted for all funds. The general fund, enterprise fund, and debt service fund are primarily funded through tax revenues and charges for services. Annual appropriations for these funds lapse at fiscal year-end.

The remaining funds are primarily funded by (1) annually appropriated transfers from the general fund and enterprise fund, (2) proceeds from voter approved bond issuances, and (3) restricted revenue sources such as donations, grants, and municipal court fees. Appropriations for these funds do not lapse at fiscal year-end. Appropriations for the capital project funds are project-length while appropriations for the special revenue fund are based on the available restricted revenue sources mentioned above.

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**H. Stewardship, Compliance, and Accountability (continued)**

**1. Implementation of New Accounting Standards**

The following GASB pronouncements were effective during fiscal year 2025.

GASB issued Statement No. 101, *Compensated Absences*, was issued in June 2022. The primary objective of this Statement is 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 fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and the impact is reflected in the financial statements. A restatement to beginning net position as of October 1, 2024 or 2023, was not required for proper presentation in accordance with GASB 101.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The primary 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and assessed to not have an impact to the financial statements.

**Note 2 - Deposits (Cash) and Investments**

At year-end, the government’s carrying amount of deposits was \$43,402,039 and the bank balance was \$15,523,311. At September 30, 2025, the City did not have deposits that were uncollateralized by federal deposit insurance and collateral pledged by the depository in the City’s name and held by the City’s agent.

Investments and local government pools (considered cash equivalents) as of September 30, 2025, are classified in the accompanying financial statements as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Rating As of Year End</u>
<b>Primary Government</b>			
TexPool	\$ 1,422,807	1	AAAm
Logic	490,516	1	AAAm
Texas Connect	97,279,009	13	AAAf
Texas Range	59,015	1	AAAmmf
Texas FIT	107,132,108	26	AAAm
TexSTAR	481,939	1	AAAm
U.S. Treasury Obligations	3,061,332	2	Aaa
<b>Total Fair Value</b>	<u>209,926,726</u>		
<b>Discretely Presented Component Unit (EDC)</b>			
Texas FIT	2,138,281	1	AAAm
<b>Total Fair Value</b>	<u>2,138,281</u>		
<b>Discretely Presented Component Unit (GEUS)</b>			
TexPool	2,134,209	1	AAAm
Logic	735,773	1	AAAm
Texas Connect	3,808,415	1	AAAf
Texas Range	87,593,875	12	AAAmmf
TexSTAR	722,908	1	Aaa
U.S. Treasury Obligations	4,591,998	2	
<b>Total Fair Value</b>	<u>99,587,178</u>		
<b>Total Fair Value - Reporting Entity</b>	<u>\$ 311,652,185</u>	62	

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Statement of Net Position**

**Primary Government:**

Cash and cash equivalents	\$ 222,739,833
Restricted cash and cash equivalents	5,703,015
Investments	3,061,332

**Component Units:**

Cash and cash equivalents	130,863,512
Restricted cash and cash equivalents	2,846,395
Investments	4,591,998
	\$ 369,806,085

The table below identifies the investment types that are authorized for the City by the *Public Funds Investment Act* (Government Code Chapter 2256). The table also identifies certain provisions of the City’s investment policy that address interest rate risk, credit risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	None	None
U.S. Agencies securities	5 years	None	None
State of Texas Treasury obligations	5 years	None	None
State of Texas securities	5 years	None	None
Certificates of deposits	5 years	None	None
Money market	90 days	None	None
Repurchase agreements	90 days	30%	None
Mutual funds	2 years	None	None
Investment pools	90 days	None	None
Banker's acceptance	270 days	30%	None
Commercial paper	270 days	30%	None
Collateralized mortgage obligations	5 years	None	None

The City’s investment policy limits the maximum maturity of investments and the weighted average of the portfolio based on four major fund types which are general operating funds, debt service funds, reserve funds and capital improvement funds. The details relating to these limits may be obtained from the City’s finance department.

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

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. The State Comptroller has established an advisory board composed of both participants in TexPool and others not otherwise associated. TexPool uses amortized cost to report net position to compute share prices.

Accordingly, the City’s investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

## CITY OF GREENVILLE, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Deposits (Cash) and Investments (continued)

The City is invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC uses amortized cost to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

The City is invested in Texas Daily and TexasTERM, portfolios of the TexasTERM Local Government Investment Pool (Pool) which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an Advisory Board of experienced local government finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field.

The City is invested in TexSTAR. TexSTAR is a local government investment pool offering professionally managed portfolios to government entities in the state of Texas. The portfolio offers daily liquidity and is rated AAAM by Standard and Poor's and uses net asset value to report net position to compute share prices. The governing board of directors selects co-administrators for TexSTAR that provide fund management and compliance with the *Texas Public Funds Investment Act*.

TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund maintains a maturity of 60 days or less, with a maximum of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of Texas PFIA for local government investment pools.

TexSTAR is overseen by a five-member governing board made up of three participants and one of each of the program's professional administrators. The responsibility of the board includes the ability to influence operations, designation of management, and accountability for fiscal matters. In addition, the pool has a Participant Advisory Board which provides input and feedback on the operations and direction of the program and Standard and Poor's reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. Although TexSTAR is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB Statement No. 79 allows external investment pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value to report net assets to compute share price. The fair value of the City's position in TexSTAR is the same as the value of TexSTAR shares.

The City is also invested in Texas CLASS. The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created as a local government investment pool (LGIP) pursuant to Section 2256.016 of the *Public Funds Investment Act, Texas Government Code (PFIA)*. Per state code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds.

Texas CLASS is overseen by the Texas CLASS Board of Trustees, comprised of active members of the pool and elected by the Participants, guided by the Advisory Board. The Board is responsible for selecting the Administrator and Investment Advisor. The Board retains the services of Public Trust Advisors, LLC (Public Trust).

The City participates in the Texas Range Investment Pool, a local government investment pool established under the authority of the Texas Public Funds Investment Act (PFIA) and the Interlocal Cooperation Act. The Pool is designed to provide eligible Texas governmental entities with investment options that prioritize safety, liquidity, and yield.

## CITY OF GREENVILLE, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Deposits (Cash) and Investments (continued)

Texas Range offers multiple investment options, including

- TexasDAILY and TexasDAILY Select: Daily liquidity funds with a stable \$1.00 net asset value (NAV), rated AAmmf by Fitch Ratings.
- TexasTERM: Fixed-rate, fixed-term investments with maturities ranging from 60 days to one year, rated AAf.
- TexasTERM CD Purchase Program: FDIC-insured certificates of deposit with maturities from 90 days to five years.

The Pool is managed by PFM Asset Management LLC, a division of U.S. Bancorp Asset Management. Oversight is provided by an Advisory Board composed of representatives from participating entities.

The Pool complies with all requirements of the PFIA, including, investment in authorized instruments, maintenance of appropriate maturity and credit quality standards, disclosure of investment holdings, performance, and governance. Recent legislative updates (e.g., House Bill 5270) have enhanced transparency requirements for investment pools, including disclosure of advisory board members, investment types, and performance history. Investments in the Pool are not insured or guaranteed by the City, the State of Texas, or any other government entity. However, the Pool's structure and oversight are designed to minimize credit and custodial risks. The City's investments in the Pool are reported at amortized cost or fair value, depending on the specific fund, in accordance with GASB Statement No. 31 and No. 72.

The City participates in the Texas Fixed Income Trust (TX-FIT), a local government investment pool established to provide Texas public entities with investment options that comply with the Texas Public Funds Investment Act (PFIA).

TX-FIT is not registered with the SEC but operates in accordance with Texas statutes governing public funds. The Trust offers multiple investment pools, including a Daily Yield Pool and a Government Pool, each maintaining a stable net asset value (NAV) of \$1.00 per share.

TX-FIT does not meet all criteria under GASB Statement No. 79, paragraph 4, to qualify as a 2a7-like pool. Therefore, in accordance with GASB Statement No. 31, paragraph 11, the City reports its investments in TX-FIT at fair value. Fair value is determined using the guidelines established by FASB ASC Topic 820 – Fair Value Measurement, which defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. TX-FIT pools are not insured or guaranteed by the City, the State of Texas, or any other government entity. The pools are managed to minimize credit risk through diversification and adherence to PFIA guidelines.

**Concentration of Credit Risk** – The City's investment policy recognizes that overconcentration of assets by market sector or maturity as a risk to the portfolio. Diversification is a major object of the investment program.

**Interest Rate Risk** – In order to limit interest and market rate risk from changes in interest rates, the City has set a maximum stated maturity date of two years, with a weighted-average maturity of 180 days for the total portfolio. Longer maturities may be utilized for bond proceeds, but only if matched to planned expenditures of the funds.

**Custodial Credit Risk – Investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The *Public Funds Investment Act* and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The *Public Funds Investment Act* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balance less the Federal Depository Insurance Corporation (FDIC) insurance at all times.

**CITY OF GREENVILLE, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Custodial Credit Risk – Deposits** – In the case of time and demand deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City requires all deposits to be covered by FDIC insurance and/or be collateralized by qualified securities pledged by the City’s depository in the City’s name and held by the depository’s agent.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

**Note 3 - Receivables**

Receivables as of year-end for the government’s individual major funds and nonmajor funds in the aggregate except for property taxes and sales taxes and customer accounts receivable, including the applicable allowances for uncollectible accounts, are as follows:

	<b>Governmental Activities</b>				<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor Funds</b>	<b>Internal Service</b>	
Property tax	\$ 934,831	\$ 623,993	\$ 242,896	\$ -	\$ 1,801,720
Sales tax	1,939,954	-	-	-	1,939,954
Fines	1,361,025	-	-	-	1,361,025
Franchise	96,079	-	-	-	96,079
Other	340,076	-	1,340	476,361	817,777
<b>Gross receivable</b>	<b>4,671,965</b>	<b>623,993</b>	<b>244,236</b>	<b>476,361</b>	<b>6,016,555</b>
Allowance for uncollectible accounts	(871,671)	(273,318)	(8,266)	-	(1,153,255)
<b>Net Total Receivables</b>	<b>\$ 3,800,294</b>	<b>\$ 350,675</b>	<b>\$ 235,970</b>	<b>\$ 476,361</b>	<b>\$ 4,863,300</b>

  

	<b>Business-type Activities</b>				<b>Total</b>
	<b>Water and Sewer</b>	<b>Airport Fund</b>	<b>Sanitation Fund</b>	<b>Golf Fund</b>	
Customer accounts	\$ 7,580,428	\$ 1,990,202	\$ 2,040,436	\$ -	\$ 11,611,066
Other	62,652	-	-	27,458	90,110
<b>Gross receivable</b>	<b>7,643,080</b>	<b>1,990,202</b>	<b>2,040,436</b>	<b>27,458</b>	<b>11,701,176</b>
Allowance for uncollectible accounts	(385,208)	-	(217,982)	-	(603,190)
<b>Net Total Receivables</b>	<b>\$ 7,257,872</b>	<b>\$ 1,990,202</b>	<b>\$ 1,822,454</b>	<b>\$ 27,458</b>	<b>\$ 11,097,986</b>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets**

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

	Balance October 1, 2024	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2025
<b>Governmental Activities</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 4,044,385	\$ -	\$ -	\$ -	\$ 4,044,385
Construction in progress	47,211,488	55,039,171	-	(30,089,428)	72,161,231
<b>Total Capital Assets Not Being Depreciated</b>	<b>51,255,873</b>	<b>55,039,171</b>	<b>-</b>	<b>(30,089,428)</b>	<b>76,205,616</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings	19,749,375	-	-	-	19,749,375
Infrastructure	89,504,368	-	-	24,228,036	113,732,404
Improvements other than buildings	14,345,796	459,827	-	5,861,392	20,667,015
Equipment	9,914,683	328,866	-	-	10,243,549
<b>Total Capital Assets Being Depreciated</b>	<b>133,514,222</b>	<b>788,693</b>	<b>-</b>	<b>30,089,428</b>	<b>164,392,343</b>
<b>Less Accumulated Depreciation For:</b>					
Buildings	9,621,695	463,291	-	-	10,084,986
Infrastructure	21,458,235	2,252,265	-	-	23,710,500
Improvements other than buildings	7,020,479	489,660	-	-	7,510,139
Equipment	6,177,920	456,300	-	-	6,634,220
<b>Total Accumulated Depreciation</b>	<b>44,278,329</b>	<b>3,661,516</b>	<b>-</b>	<b>-</b>	<b>47,939,845</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>89,235,893</b>	<b>(2,872,823)</b>	<b>-</b>	<b>30,089,428</b>	<b>116,452,498</b>
<b>Total Governmental Funds Capital Assets, Net</b>	<b>140,491,766</b>	<b>52,166,348</b>	<b>-</b>	<b>-</b>	<b>192,658,114</b>
<b>Internal Service Funds:</b>					
<b>Capital Assets Not Being Depreciated:</b>					
Construction in progress	-	68,379	-	-	68,379
<b>Total Capital Assets Not Being Depreciated</b>	<b>-</b>	<b>68,379</b>	<b>-</b>	<b>-</b>	<b>68,379</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings	100,832	-	-	-	100,832
Equipment	16,782,123	3,180,376	(832,838)	-	19,129,661
<b>Total Capital Assets, Being Depreciated</b>	<b>16,882,955</b>	<b>3,180,376</b>	<b>(832,838)</b>	<b>-</b>	<b>19,230,493</b>
<b>Less Accumulated Depreciation for:</b>					
Buildings	100,832	-	-	-	100,832
Equipment	9,906,588	1,326,230	(796,093)	-	10,436,725
<b>Total Accumulated Depreciation</b>	<b>10,007,420</b>	<b>1,326,230</b>	<b>(796,093)</b>	<b>-</b>	<b>10,537,557</b>
Capital Assets Being Depreciated, Net	6,875,535	1,854,146	(36,745)	-	8,692,936
<b>Total Internal Service Funds Capital Assets, Net</b>	<b>6,875,535</b>	<b>1,922,525</b>	<b>(36,745)</b>	<b>-</b>	<b>8,761,315</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 147,367,301</b>	<b>\$ 54,088,873</b>	<b>\$ (36,745)</b>	<b>\$ -</b>	<b>\$ 201,419,429</b>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets (continued)**

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

<b>Governmental Activities</b>	
General government	\$ 223,170
Public works	2,317,974
Public safety	510,032
Community development	595,967
Cultural and recreation	14,373
Internal service funds	1,326,230
<b>Total Governmental Activities</b>	<u>4,987,746</u>
<b>Depreciation Expense</b>	<u>\$ 4,987,746</u>

Net investments in capital assets for governmental activities as of September 30, 2025, is as follows:

<b>Governmental Activities - Net Investment in Capital Assets</b>	
Capital assets	\$ 201,419,429
Bonds payable	(157,690,664)
Financed purchases	(3,151,794)
Unamortized premium/discount	(6,379,512)
Unspent proceeds of capital projects fund	50,389,418
Non-debt capital-related liabilities	(14,908,209)
<b>Net Investment in Capital Assets</b>	<u>\$ 69,678,668</u>

Capital asset activity for the business-type activities for the year ended September 30, 2025, is as follows:

	Balance October 1, 2024	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2025
<b>Business-type Activities</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 1,820,586	\$ -	\$ -	\$ -	\$ 1,820,586
Construction in progress	74,572,418	63,200,443	-	(1,299,868)	136,472,993
<b>Total Capital Assets, Not Being Depreciated</b>	<u>76,393,004</u>	<u>63,200,443</u>	<u>-</u>	<u>(1,299,868)</u>	<u>138,293,579</u>
<b>Capital Assets Being Depreciated:</b>					
Buildings, runways and structures	129,271,937	-	-	-	129,271,937
Improvements other than buildings	135,998,987	137,715	-	-	136,136,702
Furniture, fixtures and equipment	8,973,122	-	(61,280)	1,299,868	10,211,710
<b>Total Capital Assets Being Depreciated</b>	<u>274,244,046</u>	<u>137,715</u>	<u>(61,280)</u>	<u>1,299,868</u>	<u>275,620,349</u>
<b>Less Accumulated Depreciation For:</b>					
Buildings, runways and structures	64,617,857	2,664,492	-	-	67,282,349
Improvements other than buildings	78,214,831	3,524,265	-	-	81,739,096
Furniture, fixtures and equipment	3,345,650	809,520	(61,280)	-	4,093,890
<b>Total Accumulated Depreciation</b>	<u>146,178,338</u>	<u>6,998,277</u>	<u>(61,280)</u>	<u>-</u>	<u>153,115,335</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>128,065,708</u>	<u>(6,860,562)</u>	<u>-</u>	<u>1,299,868</u>	<u>122,505,014</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 204,458,712</u>	<u>\$ 56,339,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,798,593</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets (continued)**

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

<b>Business-type Activities</b>	
Water and sewer	\$ 3,185,140
Airport	3,793,479
Golf	19,658
<b>Total Business-type Activities</b>	<u>7,998,277</u>
<b>Depreciation Expense</b>	<u>\$ 6,998,277</u>

Net investments in capital assets for business-type activities as of September 30, 2025, is as follows:

<b>Business-Type Activities - Net Investment in Capital Assets</b>	
Capital assets	\$ 260,798,593
Bonds payable	(258,829,336)
Unamortized premium/discount	(6,428,078)
Unspent bond proceeds	164,164,478
Non-debt capital-related liabilities	(3,924,409)
<b>Net Investment in Capital Assets</b>	<u>\$ 155,781,248</u>

Construction in progress and remaining commitments for construction projects for the primary government at September 30, 2025 are as follows:

Governmental activities:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Total in Progress</u>	<u>Remaining Commitment</u>
Austin Park	\$ 350,000	\$ 334,298	\$ 15,702
Bether Lift Station	75,149	70,189	4,960
Bowie Circle	1,200,000	1,176,156	23,844
Radio Infrastructure	9,250,000	7,876,798	1,373,202
\$65M Recreation Facility Reecy Davis	65,000,000	43,763,522	21,236,478
Downtown Historical Figures Project	12,747	5,090	7,657
Fire Admin & Emergency Operations Center Building	14,975,346	11,364,429	3,610,917
GBOD INDUSTRIAL ROAD*	1,600,000	1,536,111	63,889
Roy Warren Parkway	7,585,000	6,103,017	1,481,983
	<u>\$ 100,048,242</u>	<u>\$ 72,229,610</u>	<u>\$ 27,818,632</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets (continued)**

Business-type activities:

<b>Project Description</b>	<b>Authorized Contract</b>	<b>Total in Progress</b>	<b>Remaining Commitment</b>
Industrial Park Project	\$ 40,900,000	\$ 998,000	\$ 39,902,000
Airport Taxiway Extension	812,038	542,598	269,440
Majors Road	1,300,000	511,607	788,393
South Apron Expansion	2,330,676	726,325	1,604,351
Sedimentation Basin	3,750,000	745,202	3,004,798
Tawakoni Raw Water Line Replacement	68,003,219	75,663,834	(7,660,615)
Water Treatment Plant	13,209,974	11,590,052	1,619,922
Lake Tawakoni Pump Station Repair	10,656,497	10,622,966	33,531
New Water Treatment Plant (South)	95,490,044	11,035,221	84,454,823
Water Treatment Plant Expansion	19,003,066	1,997,653	17,005,413
Ridgecrest Line Replacement	1,250,000	238,150	1,011,850
Miscellaneous Utilities	501,200	2,646,642	(2,145,442)
20" Transmission Line Replacement	1,250,000	126,144	1,123,856
Radio System at Tawakoni	1,700,000	1,025,077	674,923
VFDs at Tawakoni	2,250,000	44,735	2,205,265
Advanced Metering Infrastructure	6,587,810	3,740,544	2,847,266
TIRZ Project - Traders Road Developer Reimbursement	5,000,000	14,218,243	(9,218,243)
	<u>\$ 273,994,524</u>	<u>\$ 136,472,993</u>	<u>\$ 137,521,531</u>

Capital asset activity for the discretely presented component unit, 4A Economic Development Corporation, for the year ended September 30, 2025, was as follows:

	<b>Balance October 1, 2024</b>	<b>Increase</b>	<b>Decrease</b>	<b>Transfers</b>	<b>Balance September 30, 2025</b>
<b>4A Economic Development Corporation</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 254,317	\$ -	\$ -	\$ -	\$ 254,317
Construction in progress	1,899,522	-	-	-	1,899,522
<b>Total Capital Assets, Not Being Depreciated</b>	<u>\$ 2,153,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,153,839</u>
<b>Economic Development Corporation</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 1,192,060	\$ -	\$ -	\$ -	\$ 1,192,060
<b>Total Capital Assets, Not Being Depreciated</b>	<u>\$ 1,192,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,192,060</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets (continued)**

Capital asset activity for discretely presented component unit, GEUS, for the year ended September 30, 2025, was as follows:

	Balance October 1, 2024	Increase	Decrease	Transfers	Balance September 30, 2025
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 1,249,611	\$ 2,610,793	\$ -	\$ 69,987	\$ 3,930,391
Construction in progress	8,344,818	28,923,170	-	(565,486)	36,702,502
<b>Total Capital Assets, Not Being Depreciated</b>	<b>9,594,429</b>	<b>31,533,963</b>	<b>-</b>	<b>(495,499)</b>	<b>40,632,893</b>
<b>Capital Assets Being Depreciated:</b>					
Production	56,714,978	1,188,058	-	495,499	58,398,535
Transmission	16,412,962	360,663	(21,170)	-	16,752,455
Distribution	42,715,404	4,000,808	(292,807)	-	46,423,405
General	13,194,203	855,383	(332,764)	-	13,716,822
Fusion	19,387,513	623,700	-	-	20,011,213
Plant	145,388	-	-	-	145,388
<b>Total Capital Assets Being Depreciated</b>	<b>148,570,448</b>	<b>7,028,612</b>	<b>(646,741)</b>	<b>495,499</b>	<b>155,447,818</b>
<b>Less Accumulated Depreciation For:</b>					
Production	30,768,644	1,779,321	-	-	32,547,965
Transmission	7,506,341	444,750	(10,514)	-	7,940,577
Distribution	17,527,790	1,473,395	(228,067)	-	18,773,118
General	7,947,414	595,959	(288,908)	-	8,254,465
Cable and internet	12,955,638	916,892	(1,140)	-	13,871,390
Plant	113,887	29,077	-	-	142,964
<b>Total Accumulated Depreciation</b>	<b>76,819,714</b>	<b>5,239,394</b>	<b>(528,629)</b>	<b>-</b>	<b>81,530,479</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>71,750,734</b>	<b>1,789,218</b>	<b>(118,112)</b>	<b>495,499</b>	<b>73,917,339</b>
<b>GEUS Activities Capital Assets, Net</b>	<b>\$ 81,345,163</b>	<b>\$ 33,323,181</b>	<b>\$ (118,112)</b>	<b>\$ -</b>	<b>\$ 114,550,232</b>

**CITY OF GREENVILLE, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets (continued)**

Construction in progress and remaining commitments for construction projects for GEUS at September 30, 2025 are as follows:

<b>Project Description</b>	<b>Authorized Contract</b>	<b>Total in Progress</b>	<b>Remaining Commitment</b>
Digital Metering (AMI19001)	\$ 3,438,091	\$ 2,868,032	\$ 570,059
OMS & IVR Systems (IT20004)	240,500	182,173	58,327
Backup Control Center (GP21001)	2,647,173	642,667	2,004,506
Sabert OH Recloser (DL20001)	26,177	9,144	17,033
Erosion Control Steam Plant Intakes	50,000	11,102	38,898
Rupture Disk Spare	24,930	24,930	-
Delano Phase 2 Transmission Relocation (TRANS22001)	50,000	11,947	38,053
Confidential Project	65,524	65,524	-
Bleach System	60,000	9,711	50,289
Industrial Park (SS22001)	8,500,000	4,005,815	4,494,185
Lee Street (SS24002)	15,000,000	453,645	14,546,355
Weld/Machine Shop Upgrade	32,000	31,037	963
Chlorine System	18,000	17,695	305
69kV Breakers	545,000	200,410	344,590
Fortinet Firewall	62,500	30,876	31,624
Confidential Project 2	76,000,000	21,126,648	54,873,352
GIS Audit (GIS24001)	900,000	864,661	35,339
Customer Service Remodel (B24001)	1,500,000	1,286,306	213,694
Transmission Lines Upgrade (TRANS23001)	1,503,470	835,767	667,703
Feeder extension (DP25001)	172,628	172,628	-
CONFIDENTIAL PROJECT 3	4,000,000	3,472,222	527,778
CONFIDENTIAL PROJECT 4	1,000,000	372,062	627,938
Warehouse Expansion (BL25001)	1,500,000	7,500	1,492,500
	<u>\$ 117,335,993</u>	<u>\$ 36,702,502</u>	<u>\$ 80,633,491</u>

Depreciation expense was charged to functions/programs of GEUS:

Electric	\$ 4,299,489
Fusion	916,892
<b>Total Depreciation Expense</b>	
<b>GEUS Activities</b>	<u>\$ 5,216,381</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-term Liabilities**

A summary of changes in general long-term liabilities for the City for the year ended September 30, 2025:

	Beginning Balance	Issued and Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
<b>Governmental Funds:</b>					
General obligation bonds	\$ 139,199,823	\$ -	\$ (3,515,914)	\$ 135,683,909	\$ 4,121,551
Certificates of obligation	23,063,750	-	(1,056,995)	22,006,755	1,108,830
Sales tax obligation	4,478,831	-	(1,094,790)	3,384,041	302,548
Unamortized bond premium	6,513,170	-	(133,658)	6,379,512	-
<b>Total bonds payable</b>	<b>173,255,574</b>	<b>-</b>	<b>(5,801,357)</b>	<b>167,454,217</b>	<b>5,532,929</b>
Firemen's Relief and Retirement Plan net pension liability	22,734,811	1,049,860	-	23,784,671	-
TMRS net pension liability	9,720,928	-	(1,679,144)	8,041,784	-
TMRS SDBF OPEB liability	599,535	-	(19,984)	579,551	-
RHCP OPEB liability	1,542,337	41,758	-	1,584,095	-
Compensated absences	5,192,370	970,678	-	6,163,048	2,557,295
<b>Total Governmental Funds</b>	<b>213,045,555</b>	<b>2,062,296</b>	<b>(7,500,485)</b>	<b>207,607,366</b>	<b>8,090,224</b>
<b>Internal Service Funds:</b>					
Financed purchase	2,719,571	1,390,804	(958,581)	3,151,794	971,608
TMRS net pension liability	729,131	-	(63,717)	665,414	-
TMRS SDBF OPEB liability	44,969	2,986	-	47,955	-
RHCP OPEB liability	136,123	-	(4,935)	131,188	-
Compensated absences*	184,114	61,214	-	245,328	141,787
<b>Total Internal Service Funds</b>	<b>3,813,908</b>	<b>1,455,004</b>	<b>(1,027,233)</b>	<b>4,241,679</b>	<b>1,113,395</b>
<b>Total Governmental Activities</b>	<b>\$ 216,859,463</b>	<b>\$ 3,517,300</b>	<b>\$ (8,527,718)</b>	<b>\$ 211,849,045</b>	<b>\$ 9,203,619</b>
<b>Business-type Activities</b>					
<b>Bonds Payable:</b>					
Revenue bonds	\$ 107,840,000	\$ 90,500,000	\$ (1,590,000)	\$ 196,750,000	\$ 4,750,000
General obligation bonds	734,177	-	(243,086)	491,091	40,449
Certificates of obligation	63,741,250	-	(2,153,005)	61,588,245	2,221,170
Unamortized bond premiums	6,444,000	-	(15,922)	6,428,078	-
<b>Total Bonds Payable</b>	<b>178,759,427</b>	<b>90,500,000</b>	<b>(4,002,013)</b>	<b>265,257,414</b>	<b>7,011,619</b>
TMRS net pension liability	2,883,072	-	(286,714)	2,596,358	-
TMRS SDBF OPEB liability	177,812	9,302	-	187,114	-
RHCP OPEB liability	514,287	-	(28,891)	485,396	-
Compensated absences	669,119	266,933	-	936,052	338,508
	4,244,290	276,235	(315,605)	4,204,920	338,508
<b>Total Business-type Activities</b>	<b>\$ 183,003,717</b>	<b>\$ 90,776,235</b>	<b>\$ (4,317,618)</b>	<b>\$ 269,462,334</b>	<b>\$ 7,350,127</b>

\*Compensated absences are shown net of changes

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-term Liabilities (continued)**

Compensated absences, OPEB and pension liabilities are generally liquidated by the General Fund, Water Sewer Fund, Airport Fund, Sanitation Fund, Golf Fund, Central Service Fund, and MIS Fund.

The ordinances authorizing the water and sewer revenue refunding bonds stipulate that the required reserve amount is initially to be provided by a surety obligation issued by Financial Security Assurance, Inc. The revenue bonds are payable as to both principal and interest solely from the revenues of the City’s water and sewer systems and are secured by a first lien on and pledge of the revenues after deduction of reasonable operations and maintenance expenses.

On November 11, 2024, the City issued \$90,500,000 in Waterworks and Sewer System New Lien Revenue Bonds, Series 2024A through the Texas Water Development Board. The City received an initial deposit of \$4,985,151 and the remaining amount was deposited with the Texas Water Development Board in an escrow account to be drawn down as projects progress. Interest rate range from 2.060% - 3.820%.

There are a number of limitations and restrictions contained in the various bond indentures. The City’s management has indicated that the City is in compliance with all limitations and restrictions.

Bonds payable at September 30, 2025, are comprised of the following individual issues:

<u>Description</u>	<u>Interest Rates</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Component Units</u>
<b><u>Certificate Obligations</u></b>				
Series 2019, Combination Tax & Revenue	3.00-5.00%	\$ -	\$ 17,910,000	\$ -
Series 2021, Combination Tax & Revenue	2.00-5.00%	15,266,755	43,678,245	-
Series 2023, Combination Tax & Revenue	5.00%	2,405,000	-	-
Series 2024, Combination Tax & Revenue	5.00%	4,335,000	-	-
		<u>\$ 22,006,755</u>	<u>\$ 61,588,245</u>	<u>\$ -</u>
<b><u>General Obligations</u></b>				
Series 2014, Refunding	2.00%	\$ -	\$ -	\$ -
Series 2014	2.53%	1,900,000	-	-
Series 2015	2.36%	2,840,000	-	-
Series 2019, Refunding	2.00-5.00%	17,173,909	491,091	-
Series 2021	2.00-4.00%	51,025,000	-	-
Series 2024	4.125-5.00%	62,745,000	-	-
		<u>\$ 135,683,909</u>	<u>\$ 491,091</u>	<u>\$ -</u>
<b><u>Sales Tax Obligation</u></b>				
Due to State of Texas Comptroller	0.00%	\$ 3,384,041	\$ -	\$ -
<b><u>Revenue Bonds</u></b>				
Series 2008 Water Wastewater Revenue	1.55-2.60%	\$ -	\$ 5,890,000	\$ -
Series 2009 Water Wastewater Revenue	0.00%	-	80,000	-
Series 2024 Water Wastewater Revenue	5.00%	-	100,280,000	-
Series 2024A New Lien Revenue (TWDB)	2.060-3.750%	-	90,500,000	-
Series 2019A Electric System Revenue Refunding	5.00%	-	-	2,615,000
Series 2019B Electric System Revenue Refunding	2.99%	-	-	12,450,000
Series 2022 Electric System Revenue Refunding	2.85%	-	-	12,725,000
Series 2022 Electric System Revenue	5.00%-6.00%	-	-	12,680,000
Series 2024 Electric System Revenue Refunding	5.00%-5.25%	-	-	125,675,000
		<u>\$ -</u>	<u>\$ 196,750,000</u>	<u>\$ 166,145,000</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-term Liabilities (continued)**

**Annual Debt Service Requirements**

Annual debt service requirements on the aforementioned debt are as follows:

<b>Years Ending September 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 5,230,381	\$ 5,446,256	\$ 10,676,637
2027	5,995,640	5,209,182	11,204,822
2028	6,387,621	4,944,575	11,332,196
2029	5,847,510	4,698,233	10,545,743
2030	6,070,878	4,474,636	10,545,514
2031 - 2035	24,354,070	19,498,927	43,852,997
2036 - 2040	25,621,260	15,378,606	40,999,866
2041 - 2045	28,801,321	10,900,116	39,701,437
2046 - 2050	32,089,057	6,027,939	38,116,996
2051 - 2055	17,292,926	1,271,115	18,564,041
	<u>\$ 157,690,664</u>	<u>\$ 77,849,585</u>	<u>\$ 235,540,249</u>

<b>Years Ending September 30,</b>	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 7,011,619	\$ 9,466,250	\$ 16,477,869
2027	7,273,360	9,215,750	16,489,110
2028	7,535,379	8,954,674	16,490,053
2029	7,788,490	8,685,496	16,473,986
2030	8,054,122	8,407,668	16,461,790
2031 - 2035	34,960,930	38,280,820	73,241,750
2036 - 2040	40,808,740	31,843,057	72,651,797
2041 - 2045	47,078,679	23,659,523	70,738,202
2046 - 2050	55,115,943	14,009,345	69,125,288
2051 - 2055	43,202,074	3,521,916	46,723,990
	<u>\$ 258,829,336</u>	<u>\$ 156,044,499</u>	<u>\$ 414,873,835</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-term Liabilities (continued)**

**Annual Debt Service Requirements (continued)**

Sales Tax Obligations – In fiscal year ended September 30, 2013, the City negotiated a long-term payout of excess sales tax received in prior years with the State Comptroller. During fiscal year 2019, an additional amount of \$2,774,543 was determined due to an overpayment of sales tax paid in error. The total negotiated payout calls for equal pro rata amounts deducted each month from the City’s sales tax receipts ending in March 2055. No interest is associated with this liability. During fiscal year 2023, an additional amount of \$1,306,815 was determined by the state due to sales tax paid in error. This amount will be paid back over 126 months with no interest by the general fund. The state withholds the payment amount from sales tax remittance to the City.

Annual debt service requirements on the aforementioned debt are as follows:

Years Ending September 30,	Sales Tax Obligation		
	Principal	Interest	Total
2026	\$ 302,548	\$ -	\$ 302,548
2027	302,548	-	302,548
2028	302,548	-	302,548
2029	302,548	-	302,548
2030	302,548	-	302,548
2030 - 2034	543,105	-	543,105
2035 - 2039	390,907	-	390,907
2040 - 2044	346,818	-	346,818
2045 - 2049	346,818	-	346,818
2050 - 2054	243,653	-	243,653
	<u>\$ 3,384,041</u>	<u>\$ -</u>	<u>\$ 3,384,041</u>

Obligations under Financed Purchase: -The City has entered into an agreement for the purchase of fleet vehicles. The initial agreement was entered into in fiscal year 2020. Each year, new vehicles are added and the agreements are payable over a 48 month to 60 month period with interest rates ranging from 3.8% to 8.14%. During fiscal year 2025, 30 vehicles were added with interest rates ranging from 6.74% to 7.02%. This will allow the City to replace the vehicles on a regular basis through a fleet management program. At September 30, 2025, the debt requirements for the financed purchases are as follows:

Years Ending September 30,	Financed Purchase		
	Principal	Interest	Total
2026	\$ 971,608	\$ 98,342	\$ 1,069,950
2027	874,690	59,749	934,439
2028	656,426	27,110	683,536
2029	543,644	6,575	550,219
2030	105,426	1,921	107,347
	<u>\$ 3,151,794</u>	<u>\$ 193,697</u>	<u>\$ 3,345,491</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-term Liabilities (continued)**

**Component Units**

A summary of changes in long-term liabilities for discretely presented component units for the year ended September 30, 2025:

	Beginning Balance	Issued and Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Component Units</b>					
<b>GEUS Activities:</b>					
Bonds payable:					
Revenue Bonds	\$ 169,990,000	\$ -	\$ (3,845,000)	\$ 166,145,000	\$ 4,015,000
Less deferred amounts:					
Issuance premiums	13,359,172	-	(462,208)	12,896,964	-
Total bonds payable	<u>183,349,172</u>	<u>-</u>	<u>(4,307,208)</u>	<u>179,041,964</u>	<u>4,015,000</u>
TMRS net pension liability	8,102,968	-	(1,633,955)	6,469,013	-
TMRS SDBF OPEB liability	499,747	-	(33,540)	466,207	-
RHCP OPEB liability	1,311,307	-	(430,294)	881,013	-
Compensated absences	1,259,414	8,473	-	1,267,887	843,022
<b>Total GEUS activities</b>	<u>194,522,608</u>	<u>8,473</u>	<u>(6,404,997)</u>	<u>188,126,084</u>	<u>4,858,022</u>
<b>Economic Development Activity:</b>					
Sales Tax Refunding Bond	130,000	-	(130,000)	-	-
<b>Board of Development Activity:</b>					
TMRS net pension liability	216,526	-	(37,005)	179,521	-
TMRS SDBF OPEB liability	13,354	-	(416)	12,938	-
Compensated absences	33,384	-	(7,133)	26,251	26,251
<b>Total Board of Development activity</b>	<u>263,264</u>	<u>-</u>	<u>(44,554)</u>	<u>218,710</u>	<u>26,251</u>
<b>Total Component Unit Activities</b>	<u>\$ 194,915,872</u>	<u>\$ 8,473</u>	<u>\$ (6,579,551)</u>	<u>\$ 188,344,794</u>	<u>\$ 4,884,273</u>

Annual debt service requirements on the aforementioned debt are as follows:

Years Ending September 30,	GEUS		
	Principal	Interest	Total
2025	\$ 4,015,000	\$ 7,797,794	\$ 11,812,794
2026	3,150,000	7,637,241	10,787,241
2027	5,105,000	7,451,130	12,556,130
2028	6,525,000	7,181,235	13,706,235
2029	6,840,000	6,868,556	13,708,556
2031 - 2035	34,670,000	29,316,659	63,986,659
2036 - 2040	21,945,000	22,989,778	44,934,778
2041 - 2045	24,790,000	17,630,553	42,420,553
2046 - 2050	31,615,000	10,798,694	42,413,694
2051 - 2054	27,490,000	2,687,125	30,177,125
	<u>\$ 166,145,000</u>	<u>\$ 120,358,765</u>	<u>\$ 286,503,765</u>

The City ordinances authorizing the electric revenue refunding bonds and subsequent ordinances assigning the bonds to GEUS stipulate that in addition to principal and interest requirements, GEUS will deposit the lesser of 10% of the outstanding principal or the average annual requirements for the payment of principal and interest or a surety bond with coverage sufficient to meet debt requirements.

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 6 - Interfund Transactions**

Interfund receivables and payables:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Water/Wastewater	\$ 40,690	Short-term funding of deficit cash
Water/Wastewater	General fund	137,975	Short-term funding of projects
Sanitation Fund	General fund	16,558	Short-term funding of projects
Nonmajor governmental funds	General fund	813,281	
<b>Total</b>		<u>\$ 1,008,504</u>	

Transfers between funds during the year were as follows:

	<u>Transfers in</u>	<u>Transfers Out</u>	<u>Purpose of Transfer</u>
General Fund	\$ 2,218,454	\$ 300,000	To fund general CIP, transfers for franchise and other fees
Debt Service Fund	-	683,620	Transfer of funds for debt service payments to water/sewer
Capital Project Fund	239,000	-	Funding of CIP
Water and Sewer Fund	728,620	2,659,830	Cost allocation transfers for administrative cost
Sanitation Fund	-	65,624	Cost allocation transfers for administrative cost
Internal Service Funds	905,000	-	Cost allocation transfers for administrative cost
Nonmajor Governmental Funds	-	382,000	Funding of CIP
<b>Total Transfers</b>	<u>\$ 4,091,074</u>	<u>\$ 4,091,074</u>	

**Note 7 - Risk Management**

The City is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property damage to City assets, errors and omissions and personal risks which relate to workers' compensation. The City participates in the Texas Municipal League Intergovernmental Risk Pool. As an insured, the City is not obligated to reimburse the pool for losses. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's basic financial statements.

The City provides health care benefits on a fully insured basis to eligible employees. For the base plan option, the City contributes 100% of the premium for employee coverage and 75% of the premium for dependent coverage. For the buy-up plan option, the City contributes 84% of the premium for employee coverage and 63% of the premium for dependent coverage. All funds are deposited into the internal service fund and paid to the provider out of the same fund.

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the two prior years.

## **CITY OF GREENVILLE, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 8 - Commitments and Contingent Liabilities**

##### ***Agreement with the Sabine Authority***

The City contracts with the Sabine River Authority, a conservation and reclamation entity with responsibilities to control, store, preserve and distribute the waters of the Sabine River and its tributary system for useful purposes. This contract requires water purchases of 23 mgd which come from Lake Tawakoni. The City is unconditionally liable to purchase the contracted amount annually, regardless of the needs of the City. The City incurred \$1,068,005 in expenses related to the contract in the current fiscal year.

##### ***Litigation and Contingencies***

Various claims and lawsuits are pending in which the City is involved. Included among the various actions are those for which the discovery process is currently underway, or which have yet to proceed to trial. Based upon the advice of counsel, the City records an estimate of the amount of ultimate expected loss, if any. Events could occur that would cause the estimate of ultimate loss, none as of September 30, 2025, to differ materially in the future.

#### **Note 9 - Employee Retirement System**

The City participates in two retirement plans as of September 30, 2025. The Greenville Firemen's Relief and Retirement Fund ("FR&R") is a single-employer, defined benefit pension plan covering the City's firemen and certain employees of the Public Safety Communications Division. The City is also a member of the TMRS, which is a statewide, nontraditional, joint contributory, hybrid defined benefit plan covering all eligible employees (excluding the City's firemen and certain employees of the Public Safety Communications Division).

##### **Plan Description and Provisions**

The City participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

##### **Benefits Provided**

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

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

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Benefits Provided (continued)**

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

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated service credit:	100% repeating transfers
Annuity increase to retirees:	2.5% of CPI
Supplemental death benefit – active employees and retirees	Yes

At the December 31, 2024 valuation and measurement date (the most current available), the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	360
Inactive employees entitled to but not receiving benefits	236
Active employees	<u>389</u>
<b>Total</b>	<u><b>985</b></u>

**Contributions**

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined. For the fiscal year ended September 30, 2025, contributions of \$2,860,734 were made by the City, and were equal to the required contributions.

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Of these available options, the City has adopted a 7% contribution rate for employees and a 200% City matching percentage. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2025, the City made contributions of 15.78% for the months in 2024 and 16.64% for the months in 2025.

**Net Pension Liability**

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

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**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 for the City
Overall payroll growth	3.60% to 11.85% including inflation
Investment rate of return	6.75%

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the table below:

<b>Asset Class</b>	<b>Minimum %</b>	<b>Target %</b>	<b>Maximum %</b>
Core fixed income	1.0%	6.00%	11.00%
Non-core fixed income	15.0%	20.00%	25.00%
Global public equity	25.0%	35.00%	45.00%
Real estate	7.0%	12.00%	17.00%
Other public & private markets	7.0%	12.00%	17.00%
Hedge funds	0.0%	5.00%	10.00%
Private equity	5.0%	10.00%	15.00%
Cash equivalents	0.0%	0.00%	3.00%

**CITY OF GREENVILLE, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Discount Rate**

The discount rate used to measure the total TMRS pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7.00% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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**

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
<b>Balances at December 31, 2023</b>	\$ 155,122,182	\$ 133,469,557	\$ 21,652,625
Changes for the plan year:			
Service cost	4,652,102	-	4,652,102
Interest on the total pension liability	10,357,822	-	10,357,822
Difference between expected and actual experience	1,723,224	-	1,723,224
Contributions - employer	-	4,714,431	(4,714,431)
Contributions - employee	-	1,983,235	(1,983,235)
Benefit payments, including refunds of employee contributions	(7,998,029)	(7,998,029)	-
Administrative expense	-	(88,941)	88,941
Net investment income	-	13,827,038	(13,827,038)
Other	-	(2,080)	2,080
<b>Balances at December 31, 2024</b>	<b>\$ 163,857,301</b>	<b>\$ 145,905,211</b>	<b>\$ 17,952,090</b>

**CITY OF GREENVILLE, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Changes in the Net Pension Liability – City**

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
<b>Balances at December 31, 2023</b>	\$ 94,864,159	\$ 81,531,028	\$ 13,333,131
Changes for the plan year:			
Service cost	2,928,963	-	2,928,963
Interest on the total pension liability	6,821,567	-	6,821,567
Difference between expected and actual experience	1,084,942	-	1,084,942
Contributions - employer	-	2,968,206	(2,968,206)
Contributions - employee	-	1,248,645	(1,248,645)
Benefit payments, including refunds of employee contributions	(5,035,559)	(5,035,559)	-
Administrative expense	-	(55,997)	55,997
Net investment income	-	8,705,503	(8,705,503)
Other	-	(1,310)	1,310
<b>Balances at December 31, 2024</b>	<u>\$ 100,664,072</u>	<u>\$ 89,360,516</u>	<u>\$ 11,303,556</u>

**Changes in the Net Pension Liability – Component Units**

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
<b>Balances at December 31, 2022</b>	\$ 60,258,023	\$ 51,938,529	\$ 8,319,494
Changes for the plan year:			
Service cost	1,723,139	-	1,723,139
Interest on the total pension liability	3,536,255	-	3,536,255
Difference between expected and actual experience	638,282	-	638,282
Contributions - employer	-	1,746,225	(1,746,225)
Contributions - employee	-	734,590	(734,590)
Benefit payments, including refunds of employee contributions	(2,962,470)	(2,962,470)	-
Administrative expense	-	(32,944)	32,944
Net investment income	-	5,121,535	(5,121,535)
Other	-	(770)	770
<b>Balances at December 31, 2023</b>	<u>\$ 63,193,229</u>	<u>\$ 56,544,695</u>	<u>\$ 6,648,534</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Sensitivity of the NPL to Changes in the Discount Rate**

The following presents the net pension liability of the City as of September 30, 2025, calculated using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<b>1% Decrease in Discount Rate 5.75%</b>	<b>Current Single Rate Assumption 6.75%</b>	<b>1% Increase in Discount Rate 7.75%</b>
City's net pension liability	\$ 24,396,149	\$ 11,303,556	\$ 420,849
Component units' net pension liability:			
GBOD	387,455	179,521	6,684
GEUS	13,961,890	6,469,013	240,851
<b>Total</b>	<b>\$ 38,745,494</b>	<b>\$ 17,952,090</b>	<b>\$ 668,384</b>

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2025, the City and component units recognized pension expense of \$2,978,553 and \$1,752,312, respectively, related to the TMRS plan and pension expense of \$2,511,904 related to the Firemen's Relief and Retirement Fund for total pension expense of \$7,242,769.

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

	<b>Primary Government</b>		<b>GBOD</b>		<b>GEUS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ 922,326	\$ -	\$ 14,648	\$ -	\$ 527,846	\$ -
Difference in projected and actual investments earnings	-	235,997	-	3,748	-	135,061
Changes in assumptions	-	795,837	-	12,639	-	455,456
Contributions subsequent to the measurement date through year-end	2,629,142	-	41,756	-	1,504,656	-
<b>Total</b>	<b>\$ 3,551,468</b>	<b>\$ 1,031,834</b>	<b>\$ 56,404</b>	<b>\$ 16,387</b>	<b>\$ 2,032,502</b>	<b>\$ 590,517</b>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

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

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,175,554 will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Net Deferred Outflows (Inflows) of Resources	Primary Government	GBOD	GEUS
2026	\$ 622,487	\$ 391,950	\$ 6,225	\$ 224,312
2027	2,233,764	1,406,492	22,338	804,934
2028	(2,066,602)	(1,301,239)	(20,666)	(744,697)
2029	(963,567)	(606,711)	(9,636)	(347,220)
	<u>\$ (173,918)</u>	<u>\$ (109,508)</u>	<u>\$ (1,739)</u>	<u>\$ (62,671)</u>

**Firemen’s Relief and Retirement Fund**

**Plan Description**

The Plan’s benefit and contribution provisions are established under the authority of the *Texas Local Fire Fighters’ Retirement Act* (TLFFRA). Specific plan provisions are governed by a plan document and a trust agreement executed by the Board of Directors. Firefighters in the City of Greenville Fire Department, as well as certain employees of the Public Safety Communications Division, are covered by the FR&R (or Plan). The Board of Trustees of Greenville FR&R is the administrator of a single employer defined benefit pension plan. This pension fund is a trust fund. It is reported by the City as a related organization and is not considered to be a part of the City financial reporting entity.

The contribution rate of the City under the plan is 21.30% of each member’s total pay (including regular, longevity and overtime pay, but excluding lump sum distributions for unused sick leave, or vacation).

**Benefits Provided**

The Plan provides service retirement, death, disability, and withdrawal benefits. Retirement benefits vest after 20 years of credited service. The monthly benefit at retirement, is equal to 3.15% of the highest consecutive 36-month average salary plus \$63 per month for each year of service in excess of 20 years. The benefits payable to the surviving spouse and children, is equal to 66.67% and 8.4%, respectively, of the service retirement benefit would have been eligible to receive as of the date of death.

The following summarizes the membership of the Plan at December 31, 2024:

Retirees and beneficiaries receiving benefits	61
Terminated employees entitled to but not yet receiving benefits	0
Active employees	<u>63</u>
<b>Total Employees Covered by the Plan</b>	<u>124</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Firemen’s Relief and Retirement Fund (continued)**

**Contributions**

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the FR&R must be approved by a qualified actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry-age normal actuarial cost method, the Plan’s normal cost is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost rate is used to amortize the Plan’s unfunded actuarial accrued liability, and the number of years needed to amortize the Plan’s unfunded actuarial accrued liability is determined using a level percentage of payroll method.

The City and Plan members were required to contribute 21.30% and 16.30%, respectively, of compensation. The City’s contributions to FR&R for the year ended September 30, 2025 were \$1,180,168 and were equal to the required contributions.

**Net Pension Liability**

The City’s net pension liability for FR&R as of September 30, 2025, was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024.

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

Inflation	2.75% per year
Overall payroll growth	4.0% per year, compounded annually
Investment rate of return	7.25% per year, compounded annually
Administrative expenses	0.5% of payroll

Employee and healthy annuitant rates from the PubS-2010 mortality tables (amount weighted) projected generationally using Scale MP2021, with separate rates for males and females.

The assumed rate of return was developed using both the Plan’s historical and expected future rates of return. Rate of return experience studies have been performed in connection with the Plan’s valuations. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	6.50%
Fixed Income	3.00%
Alternatives	5.00%

The demographic assumptions were chosen based on expected future rates of mortality, disability and termination. Mortality was taken from published studies and was updated to reflect future improvement. Retirement and salary increase rates were developed based on the Plan’s own experience. Disability and termination rates were based on published rates, adjusted as necessary, to conform to the Plan’s own experience.

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Firemen’s Relief and Retirement Fund (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability related to the FR&R plan was 7.25% net of investment expense. The projection of cash flows used to determine the discount rate assumed that the contributions would equal 37.6% of payroll. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of benefit payments to determine the total pension liability.

The Net Pension Liability amounts shown below were measured as of the City’s fiscal year end. The Total Pension Liability used to calculate the Net Pension Liability and certain sensitivity information was based on the December 31, 2024 actuarial valuation. Changes in the City’s Net Pension Liability related to the FR&R plan were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
<b>Balances at December 31, 2023</b>	\$ 38,996,013	\$ 16,261,202	\$ 22,734,811
Changes for the plan year:			
Total Service cost	1,180,855	-	1,180,855
Interest on the total pension liability	2,837,367	-	2,837,367
Experience	940,390	-	940,390
Contributions - employer	-	1,371,670	(1,371,670)
Contributions - members	-	1,049,682	(1,049,682)
Benefit payments	(2,081,550)	(2,081,550)	-
Administrative expense	-	(17,701)	17,701
Net investments income	-	1,505,101	(1,505,101)
<b>Balances at December 31, 2024</b>	<u>\$ 41,873,075</u>	<u>\$ 18,088,404</u>	<u>\$ 23,784,671</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
City’s net pension liability	\$ 28,903,411	\$ 23,784,671	\$ 19,492,107

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Firemen’s Relief and Retirement Fund (continued)**

**Pension Plan Fiduciary Net Position**

The Plan issues stand-alone financial statements which may be obtained by writing to Westwood, 200 Crescent Court, Suite 1200, Dallas, Texas 75201 or through <http://www.ci.greenville.tx.us/ArchiveCenter/ViewFile/Item/2634>.

**Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2025, the City and component units recognized pension expense of \$2,978,553 and \$1,752,312, respectively, related to the TMRS plan and pension expense of \$2,511,904 related to the Firemen’s Relief and Retirement Fund for total pension expense of \$7,242,769.

At September 30, 2025, the City reported deferred outflows or resources and deferred inflows of resources related to the FR&R pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in expected and actual experience	\$ 1,369,542	\$ 276,544
Changes in assumptions	1,080,998	-
Difference in projected and actual investments earnings	425,968	-
Contributions subsequent to the measurement date through year-end	1,170,734	-
<b>Total</b>	<u>\$ 4,047,242</u>	<u>\$ 276,544</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,170,734 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2026	\$ 1,071,440
2027	1,173,116
2028	(67,030)
2029	153,756
2030	134,341
Thereafter	134,341
	<u>\$ 2,599,964</u>

## **CITY OF GREENVILLE, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 10 - Other Post-Employment Benefits**

##### **A. Plan Description**

Prior to January 2014, the City provided postemployment medical care (OPEB) for employees through an inter-local agreement with the Texas Municipal League (TML) Intergovernmental Employee Benefits Pool (IEBP) to provide medical and dental benefits to eligible City retirees, their spouses and dependents.

In January 2014, the City began providing OPEB for employees through Health Compare's Exchange Market Place. The City reimburses eligible employees a portion of their paid premium based on years of service and dependent care status. This contribution for premium reimbursement is conducted through a third-party administrator that confirms the member has selected and paid a health care provider for the monthly premium from the Exchange Market Place.

The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

The City provides postemployment medical care benefits to its retirees. Retirees who elect COBRA cannot later elect retiree coverage. To be eligible for coverage, an employee must qualify under all three of the following criteria:

- (1) Having obtained 60 years of age with five years of service with the City or retirees of any age with 20 years of service;
- (2) Apply for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than 90 days from termination of employment; and
- (3) Enroll for retiree health coverage within 31 days of the date of termination.

An employee must participate in Health Compare's Exchange Market Place to receive OPEB subsidies for health care. All medical care benefits are provided through a selected health care provider in the Exchange Market Place. Retirees may remain covered until age 65 or eligibility for Medicare.

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Other Post-Employment Benefits (continued)**

**B. City of Greenville Retiree Health Care Plan**

**Funding Policy**

The City contributes a fixed dollar amount of the premium based on years of service, up to a maximum of \$250 monthly for retiree-only coverage and an additional \$250 monthly for dependent coverage, if selected.

Members participating in the Exchange Market Place medical benefits coverage receive premium subsidies in the following amounts per month for coverage in the plan:

<u>Years of Service</u>	<u>Retiree Only</u>	<u>Retiree + Dependent(s)</u>
0-14	\$ 150	\$ 150
15-24	200	200
25+	250	250

The City has elected to fund the OPEB liability on a pay-as-you-go basis. This basis has been recommended because (1) this provides the lowest cost approach and (2) the annual required contribution (ARC) is relatively small in comparison to the City's overall budget.

In order to recognize and reward long-term employees, as well as to provide an incentive for those remaining in the City's employment, the City administers a single-employer defined benefit other post-employment benefits (OPEB) plan that will allow the retiree to pay their premium for continuation of the medical and dental insurance coverage. Retirees pay 100% of the premium, afforded a lower rate by participating in the City's plan as opposed to individual purchased insurance; the plan is known as the City Retiree Health Care Plan (the "Plan").

In order to be eligible for this benefit, the retiree must separate from service with at least five years of service with the City and be a current recipient of retirement benefits from Texas Municipal Retirement System (TMRS). The health care benefit of the Plan is available to the spouse and any dependent(s) if they were on the Plan at the beginning of the Plan year in which the employee retires. Furthermore, a dependent is eligible for coverage if they have not reached age 25. Eligibility for coverage for the spouse ends when Medicare coverage begins.

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	10
Active employees	<u>432</u>
<b>Total Plan Members</b>	<u>442</u>

**Total OPEB Liability**

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

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Other Post-Employment Benefits (continued)**

**B. City of Greenville Retiree Health Care Plan (continued)**

**Actuarial Assumptions and Methods**

The total OPEB liability in the December 31, 2024 actuarial valuation rolled forward to December 31, 2023, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<i>Valuation Date:</i>	December 31, 2024
<i>Methods and Assumptions:</i>	
Actuarial Cost Method:	Individual Entry-Age
Discount Rate:	4.08% as of December 31, 2024
Inflation:	2.50%
Salary Increases:	3.60% to 11.85% for TMRS and 2.10% to 7.50% for Firefighters, including inflation
Demographic Assumptions:	Based on the December 31, 2022 experience study conducted for the Texas Municipal Retirement System (TMRS). Firefighters: The demographic assumptions are based on the same assumptions used to value the Greenville Firemen’s Relief and Retirement Fund (Firefighters).
Mortality:	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.  Firefighters: Employee and healthy annuitant rates from the PubS-2010 mortality tables (amount weighted), projected generationally using Scale MP2021, with separate rates for males and females.
Health Care Trend Rates:	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years. Increases to the City’s retiree medical contributions are assumed to be in-line with general inflation.
Participation Rates:	It was assumed that 30% of retirees would receive a retiree healthcare subsidy from the City.
Notes:	The discount rate changed from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024. The actuarial assumptions for Firefighters were updated to reflect those used in Greenville’s Firefighter Relief and Retirement Fund pension valuation as of December 31, 2023. Additionally, the spousal coverage and health care trend assumptions were updated based on the plan’s anticipated experience.

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Other Post-Employment Benefits (continued)**

**B. City of Greenville Retiree Health Care Plan (continued)**

**Discount Rate**

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 4.08% (based on the daily rate closest to but not later than the measurement date of the Bond Buyer "20-Bond GO Index"). The discount rate was 3.77% as of the prior measurement date.

**Plan Assets**

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Changes in the Total OPEB Liability**

	<b>City</b>	<b>Component Units</b>	<b>Total</b>
<b>Total OPEB Liability</b>			
Service cost	\$ 243,363	\$ 97,427	\$ 340,790
Interest on the total OPEB liability	97,489	39,029	136,518
Difference between expected and actual experience of the total OPEB liability	(281,726)	(112,786)	(394,512)
Changes of assumptions	(284,645)	(113,954)	(398,599)
Benefit payments	(76,095)	(30,464)	(106,559)
Change in allocation between funds	309,546	(309,546)	-
Net change in total OPEB liability	7,932	(430,294)	(422,362)
<b>Total OPEB liability -Beginning</b>	<b>2,192,747</b>	<b>1,311,307</b>	<b>3,504,054</b>
<b>Total OPEB liability - Ending</b>	<b>\$ 2,200,679</b>	<b>\$ 881,013</b>	<b>\$ 3,081,692</b>
<b>Covered Payroll</b>	<b>\$ 21,709,486</b>	<b>\$ 12,981,288</b>	<b>\$ 34,690,774</b>
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	<b>10.14%</b>	<b>6.79%</b>	<b>8.88%</b>

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

The following presents the plan's total OPEB liability, calculated using a discount rate of 3.77%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	<b>Current Discount Rate Assumption</b>		
	<b>1% Decrease to 3.08%</b>	<b>4.08%</b>	<b>1% Increase to 5.08%</b>
<b>City's Total OPEB Liability</b>	\$ 2,434,455	\$ 2,200,679	\$ 1,989,211
Component units' Total OPEB liability:			
GEUS	974,602	881,013	796,354
<b>Total</b>	<b>\$ 3,409,057</b>	<b>\$ 3,081,692</b>	<b>\$ 2,785,565</b>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Other Post-Employment Benefits (continued)**

**B. City of Greenville Retiree Health Care Plan (continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the plan’s total OPEB liability, calculated using the assumed trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
<b>City's Total OPEB Liability</b>	\$ 1,908,286	\$ 2,200,679	\$ 2,551,647
Component units' Total OPEB liability:			
GEUS	763,957	881,013	1,021,518
<b>Total</b>	<u>\$ 2,672,243</u>	<u>\$ 3,081,692</u>	<u>\$ 3,573,165</u>

Note, the City’s retiree medical benefit is a set dollar amount that is not impacted by future medical trend.

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$237,332 related to the City’s retiree healthcare plan and OPEB expense of \$4,786 related to the TMRS Supplemental Death Benefit Fund for total OPEB expense of \$242,118 .

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

	<u>Primary Government</u>		<u>GEUS</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 64	\$ 611,763	\$ 25	\$ 244,911	\$ 89	\$ 856,674
Changes assumptions	127,409	487,945	51,007	195,343	178,416	683,288
Contributions subsequent to the measurement date	49,667	-	19,884	-	69,551	-
<b>Total</b>	<u>\$ 177,140</u>	<u>\$ 1,099,708</u>	<u>\$ 70,916</u>	<u>\$ 440,254</u>	<u>\$ 248,056</u>	<u>\$ 1,539,962</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Other Post-Employment Benefits (continued)**

**B. City of Greenville Retiree Health Care Plan (continued)**

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

The \$69,551 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2026. Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources		
	Resources	Primary Government	GEUS
2026	\$ (241,964)	\$ (172,790)	\$ (69,174)
2027	(217,919)	(155,619)	(62,300)
2028	(195,101)	(139,324)	(55,777)
2029	(196,220)	(140,123)	(56,097)
2030	(197,982)	(141,382)	(56,600)
Thereafter	(312,271)	(222,997)	(89,274)
<b>Total</b>	<b>\$ (1,361,457)</b>	<b>\$ (972,235)</b>	<b>\$ (389,222)</b>

**C. TMRS Supplemental Death Benefit Fund**

**Description**

The City and component units contribute to a single-employer defined benefit group term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a separate trust administered by the TMRS Board of Trustees and is a voluntary program in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage and discontinue participation in the SDBF by adopting an ordinance before November 1, of any year to be effective the following January 1.

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually, and the rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the pension trust fund described above. The TMRS Act requires the pension trust fund to allocate investment income to the SDBF on an annual basis. The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net assets available for postemployment benefits other than pension benefits (OPEB).

Payments from this fund are similar to group term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary. The death benefit for retirees is considered an OPEB and is fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF.

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Other Post-Employment Benefits (continued)**

**C. TMRS Supplemental Death Benefit Fund (continued)**

Membership in the plan as of the measurement date of December 31, 2024 was as follows:

Inactive plan members or beneficiaries currently receiving benefits	239
Inactive plan members entitled to but not yet receiving benefits	49
Active employees	<u>389</u>
<b>Total Plan Members</b>	<u><u>677</u></u>

**Contributions**

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.42% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

**Discount Rate**

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.08% based on the 20 Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2024. At transition, GASB No.75 also requires that the Total OPEB Liability as of the prior fiscal year end be estimated based on the 20 Year Municipal GO AA Index as of the prior fiscal year end. The actuary has estimated the total OPEB liability as of December 31, 2024 using a discount rate of 4.08% as of December 31, 2024.

**Plan Assets**

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Other Post-Employment Benefits (continued)**

**C. TMRS Supplemental Death Benefit Fund (continued)**

**Actuarial Assumptions**

The City’s Total OPEB Liability was measured at December 31, 2024 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

<i>Valuation Date:</i>	December 31, 2024
<i>Methods and Assumptions:</i>	
Inflation:	2.50%
Salary Increases:	3.60% to 11.85%, including inflation
Discount rate:	4.08%. The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2023.
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:	2019Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*Other Information:*

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

**Changes in the Total OPEB Liability**

<b>Total OPEB Liability</b>	<b>City</b>	<b>Component Units</b>	<b>Total</b>
Service cost	\$ 32,110	\$ 18,887	\$ 50,997
Interest	31,666	18,626	50,292
Difference between expected and actual experience of the total OPEB liability	2,612	(27,895)	(25,283)
Changes of assumptions	(40,189)	(23,638)	(63,827)
Benefit payments	(33,895)	(19,936)	(53,831)
Net change in total OPEB liability	(7,696)	(33,956)	(41,652)
<b>Total OPEB liability - Beginning</b>	<b>822,316</b>	<b>513,101</b>	<b>1,335,417</b>
<b>Total OPEB liability - Ending</b>	<b>\$ 814,620</b>	<b>\$ 479,145</b>	<b>\$ 1,293,765</b>
<b>Covered payroll</b>	<b>\$ 17,839,214</b>	<b>\$ 10,492,709</b>	<b>\$ 28,331,923</b>
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>4.57%</b>	<b>4.57%</b>	<b>4.57%</b>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Other Post-Employment Benefits (continued)**

**C. TMRS Supplemental Death Benefit Fund (continued)**

**Sensitivity Analysis**

The following presents the Total OPEB Liability of the employer, 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. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	Current Discount Rate Assumption		
	1% Decrease to 3.08%	4.08%	1% Increase to 5.08%
<b>City's Total OPEB liability</b>	\$ 955,215	\$ 814,620	\$ 702,403
Component units' Total OPEB liability:			
GBOD	15,171	12,938	11,156
GEUS	546,670	466,207	401,985
<b>Total</b>	<u>\$ 1,517,056</u>	<u>\$ 1,293,765</u>	<u>\$ 1,115,544</u>

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$237,332 related to the City's retiree healthcare plan and OPEB expense of \$4,786 related to the TMRS Supplemental Death Benefit Fund for total OPEB expense of \$242,118 .

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

	Primary Government		GBOD		GEUS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,467	\$ -	\$ 309	\$ -	\$ 13,117
Changes assumptions	-	119,961	-	2,122	-	90,092
Contributions subsequent to the measurement date	44,114	-	803	-	35,335	-
<b>Total</b>	<u>\$ 44,114</u>	<u>\$ 137,428</u>	<u>\$ 803</u>	<u>\$ 2,431</u>	<u>\$ 35,335</u>	<u>\$ 103,209</u>

**CITY OF GREENVILLE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 10 - Other Post-Employment Benefits (continued)**

**C. TMRS Supplemental Death Benefit Fund (continued)**

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

The \$80,252 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2026. Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources	Primary Government	GBOD	GEUS
2026	\$ (125,271)	\$ (70,827)	\$ (1,253)	\$ (53,191)
2027	(92,272)	(52,169)	(923)	(39,180)
2028	(13,907)	(7,863)	(139)	(5,905)
2029	(11,618)	(6,569)	(116)	(4,933)
<b>Total</b>	\$ (243,068)	\$ (137,428)	\$ (2,431)	\$ (103,209)

**Note 11 - Deficit Fund Balance and Net Position**

A deficit net position exists in the Sanitation fund in the amount of (\$2,755,287) and in the Golf fund in the amount of (\$680,822).

A deficit net position exists in the internal services funds in the Central service fund, Insurance fund and MIS funds in the amounts of (\$2,099,096), (\$115,052), and (\$939,736) respectively.

**Note 12 - Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**CITY OF GREENVILLE, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 12 - Disclosures About Fair Value of Assets (continued)**

**Recurring Measurements**

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2025:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Investments by Fair Value Level</b>				
U.S. Treasury obligations	\$ 7,653,330	\$ -	\$ 7,653,330	\$ -
<b>Total Investments by Fair Value Level</b>	<u>7,653,330</u>	<u>\$ -</u>	<u>\$ 7,653,330</u>	<u>\$ -</u>
<b>Investment Pools Measured at Amortized Cost</b>				
TexPool	3,557,016			
LOGIC	1,226,289			
Texas Connect	101,087,424			
Texas Range	87,652,890			
Texas FIT	109,270,389			
TexSTAR	1,204,847			
<b>Total Investment Pools Measured at Amortized Cost</b>	<u>303,998,855</u>			
<b>Total Investments</b>	<u>\$ 311,652,185</u>			

The City’s investment pools are valued and reported at amortized cost, which approximates fair value.

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2025, no investments here held by the City meeting the Level 3 hierarchy classification.

Investments in State Investment Pools – During the year, the City invested in multiple public fund investment pools, including TexPool, TexSTAR, LOGIC, Texas Daily, Texas CLASS, Texas Connect and Texas Term. The fair value of all pools other than TexPool is measured at net asset value and is designed to approximate the share value. The investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term, marketable securities. Pools offer same day access to investment funds.

## **CITY OF GREENVILLE, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 13 - Tax Abatements**

The City offers property and sales tax abatement/grant agreements with local businesses under Chapter 312 and Chapter 380 of the Texas Local Government Code. Under these Codes, the City may award tax abatements/grants of up to 100 percent of a business's property and sales taxes for the purpose of attracting or retaining businesses within their jurisdiction. The abatements/grants may be awarded to any business located within or promising to relocate to the City of Greenville.

For the fiscal year ended September 30, 2025, the City of Greenville abated property taxes totaling \$40,936 under Chapter 312 of the Texas Local Government Code. The \$40,936 consists of the following tax abatement agreements:

- A 50 percent property tax abatement to a manufacturing company for machinery, equipment, and expanding their facility already located within the City. The abatement amounted to \$20,468.
- A 50 percent property tax abatement to a manufacturing company for expanding their facility already located within the City. The abatement amounted to \$20,468.

#### **Note 14 – Regulatory Asset for Winter Storm Uri Liability**

GASB Statement 62, Codification of Accounting and Financial Reporting Guidance governs the recording of regulatory assets. A regulatory asset is a specific cost of service recovery that a regulatory agency permits a public utility to defer to its balance sheet. Regulatory assets are created when certain expenses are recognized as deferrals instead of period expenses. Amounts allowed as regulatory assets must be amortized over an expected period. On September 16, 2021, GEUS Board approved a regulatory asset of \$15,145,349 for Winter Storm Uri costs that would otherwise have been expensed in that period. As of September 30, 2025, accumulated amortization amounted to \$2,059,424, leaving a balance of \$13,085,925 to be amortized over the remaining period of 26 years.

**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

# BRACEWELL

May \_\_, 2026

\$ \_\_\_\_\_  
CITY OF GREENVILLE, TEXAS  
WATERWORKS AND SEWER SYSTEM NEW LIEN  
REVENUE BONDS  
SERIES 2026

WE HAVE represented the City of Greenville, Texas (the “Issuer”) as its bond counsel in connection with an issue of bonds (the “Bonds”) described as follows:

CITY OF GREENVILLE, TEXAS, WATERWORKS AND SEWER SYSTEM NEW LIEN REVENUE BONDS, SERIES 2026, dated April 15, 2026, in the principal amount of \$\_\_\_\_\_.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the “Ordinance”).

WE HAVE represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. 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.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance.

# BRACEWELL

Page 2

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

BASED ON SUCH EXAMINATION AND IN RELIANCE ON SUCH REPRESENTATIONS, CERTIFICATIONS, AND ASSUMPTIONS, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding special obligations of the Issuer;
- (B) The Bonds are payable from and secured by a lien on and pledge of the Net Revenues of the Issuer's waterworks and sewer system, as defined and described in the Ordinance; such lien on and pledge, however, being in all things junior and subordinate to the lien on and pledge of the Net Revenues made for the security and payment of the outstanding Previously Issued First Lien Bonds (identified and defined in the Ordinance); and
- (C) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations or certifications of the Issuer or other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

# BRACEWELL

Page 3

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.