

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. 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.

Dated April 24, 2026

Ratings:
Moody's: "Aa1"
S&P: "AA+"
(See "OTHER INFORMATION - Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) 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 CERTIFICATES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS



\$29,340,000*
CITY OF GRAPEVINE, TEXAS
(Tarrant, Denton and Dallas Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: May 1, 2026

Due: February 15, as shown on page 2

Interest accrues from the Delivery Date (defined herein)

PAYMENT TERMS . . . Interest on the \$29,340,000* City of Grapevine, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the date of initial delivery to the initial purchaser of the Certificates (the "Delivery Date", anticipated to be on or about June 2, 2026), and will be payable August 15 and February 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 Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, NA, Dallas Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's Home Rule Charter, and an ordinance (the "Ordinance", to be adopted by the City Council of the City, and constitute direct obligations of the City of Grapevine, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the Surplus Revenues of the City's Waterworks and Sewer System (the "System") in an amount not to exceed \$1,000 as provided in the Ordinance (see "THE CERTIFICATES - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, developing, constructing, renovating, improving and equipping the City's water and wastewater system and facilities, including the water treatment plant; (ii) designing, developing, constructing, and improving drainage and flood control projects including lift stations, pump stations, water towers, communication equipment, water lines, sewer line and their associated appurtenances; (iii) professional services incurred in connection with items (i) through (ii); and (iv) paying the costs incurred in connection with the issuance of the Certificates.

CUSIP PREFIX: 388625
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates (the "Initial 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 Certificates will be available for delivery through the facilities of DTC on June 2, 2026.

BIDS DUE TUESDAY, MAY 5, 2026 AT 10:30 AM, CDT

* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP Prefix: 388625⁽¹⁾

<u>Amount</u>	<u>(2-15) Maturity</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>	<u>Amount</u>	<u>(2-15) Maturity</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 630,000	2027				\$ 1,480,000	2037			
945,000	2028				1,555,000	2038			
990,000	2029				1,635,000	2039			
1,045,000	2030				1,710,000	2040			
1,095,000	2031				1,780,000	2041			
1,150,000	2032				1,855,000	2042			
1,210,000	2033				1,930,000	2043			
1,275,000	2034				2,015,000	2044			
1,340,000	2035				2,100,000	2045			
1,405,000	2036				2,195,000	2046			

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption"). If two or more consecutive serial maturities of the Certificates are grouped into a single maturity (the "Term Certificates") by the Initial Purchaser, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance and will be described in the final Official Statement (see "THE CERTIFICATES – Mandatory Sinking Fund Redemption").

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document, as the same may be supplemented or corrected from time to time, constitutes an official statement of the City with respect to the Certificates described herein that has been "deemed final" by the City as of its date (or the date of any supplement or correction), except for the omission of no more than the information permitted by the Rule.

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

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Municipal Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "OTHER INFORMATION - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City nor its Municipal Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

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

The agreements of the City and others related to the Certificates 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 Certificates is to be construed as constituting an agreement with the purchaser of the Certificates. **INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.**

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

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

TABLE OF CONTENTS

<p>PRELIMINARY OFFICIAL STATEMENT SUMMARY4</p> <p>CITY OFFICIALS, STAFF AND CONSULTANTS.....6</p> <p style="padding-left: 20px;">ELECTED OFFICIALS6</p> <p style="padding-left: 20px;">SELECTED ADMINISTRATIVE STAFF6</p> <p style="padding-left: 20px;">CONSULTANTS AND ADVISORS6</p> <p>INTRODUCTION7</p> <p>PLAN OF FINANCING7</p> <p>THE CERTIFICATES8</p> <p>TAX INCREMENT REINVESTMENT ZONES.....13</p> <p>TAX INFORMATION.....15</p> <p style="padding-left: 20px;">TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT21</p> <p style="padding-left: 20px;">TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY22</p> <p style="padding-left: 20px;">TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY23</p> <p style="padding-left: 20px;">TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY23</p> <p style="padding-left: 20px;">TABLE 5 - TEN LARGEST TAXPAYERS23</p> <p style="padding-left: 20px;">TABLE 6 - TAX ADEQUACY24</p> <p style="padding-left: 20px;">TABLE 7 - ESTIMATED OVERLAPPING DEBT24</p> <p>DEBT INFORMATION25</p> <p style="padding-left: 20px;">TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS25</p> <p style="padding-left: 20px;">TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION26</p> <p style="padding-left: 20px;">TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT.....26</p> <p style="padding-left: 20px;">TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS26</p> <p style="padding-left: 20px;">TABLE 12 - OTHER OBLIGATIONS26</p>	<p>FINANCIAL INFORMATION.....34</p> <p style="padding-left: 20px;">TABLE 13 – CHANGES IN NET POSITION 34</p> <p style="padding-left: 20px;">TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY 35</p> <p style="padding-left: 20px;">TABLE 14 - MUNICIPAL SALES TAX HISTORY 35</p> <p>INVESTMENTS37</p> <p style="padding-left: 20px;">TABLE 15 - CURRENT INVESTMENTS..... 38</p> <p>TAX MATTERS39</p> <p style="padding-left: 20px;">TAX EXEMPTION39</p> <p style="padding-left: 20px;">ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS.....39</p> <p>CONTINUING DISCLOSURE OF INFORMATION41</p> <p>OTHER INFORMATION.....42</p> <p style="padding-left: 20px;">RATING42</p> <p style="padding-left: 20px;">LITIGATION42</p> <p style="padding-left: 20px;">REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE42</p> <p style="padding-left: 20px;">LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS.....42</p> <p style="padding-left: 20px;">LEGAL MATTERS.....43</p> <p style="padding-left: 20px;">AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION43</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR42</p> <p style="padding-left: 20px;">INITIAL PURCHASER FOR THE CERTIFICATES44</p> <p style="padding-left: 20px;">FORWARD-LOOKING STATEMENTS DISCLAIMER44</p> <p style="padding-left: 20px;">CERTIFICATION OF THE OFFICIAL STATEMENT.....44</p> <p>APPENDICES</p> <p style="padding-left: 20px;">GENERAL INFORMATION REGARDING THE CITY A</p> <p style="padding-left: 20px;">ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2025 B</p> <p style="padding-left: 20px;">FORM OF BOND COUNSEL'S OPINION C</p>
---	---

The cover pages 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 Certificates 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 Grapevine, Texas (the "City") is a political subdivision and municipal corporation of the State, located primarily in Tarrant County, Texas, and small portions of the City extend into Dallas and Denton Counties. The City covers approximately 35.8 square miles (see "INTRODUCTION - Description of City").
- THE CERTIFICATES** The Certificates are issued as \$29,340,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates"). The Certificates are issued as serial certificates maturing February 15 in each of the years 2027 through 2046, inclusive, unless the Initial Purchaser designates one or more consecutive serial maturities as Term Certificates (see "THE CERTIFICATES - Description of the Certificates").
- PAYMENT OF INTEREST** Interest on the Certificates accrues from the Delivery Date (anticipated to be June 2, 2026), and is payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").
- AUTHORITY FOR ISSUANCE** The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's Home Rule Charter, and an ordinance (the "Ordinance") to be adopted by the City Council (see "THE CERTIFICATES - Authority for Issuance of the Certificates").
- SECURITY FOR THE CERTIFICATES** The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the Surplus Revenues of the City's Waterworks and Sewer System (the "System") in an amount not to exceed \$1,000 as provided in the Ordinance (see "THE CERTIFICATES - Security and Source of Payment").
- REDEMPTION**..... The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption "). If two or more consecutive serial maturities of the Certificates are grouped into a single maturity (the "Term Certificates") by the Initial Purchaser, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance and will be described in the final Official Statement. (see "THE CERTIFICATES – Mandatory Sinking Fund Redemption")
- TAX STATUS** In the opinion of Bond Counsel, under existing law, interest on the Certificates is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) 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.
- QUALIFIED TAX-EXEMPT CERTIFICATES**..... The City will NOT designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.
- USE OF PROCEEDS** Proceeds from the sale of the Certificates will be used for paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, developing, constructing, renovating, improving and equipping the City's water and wastewater system and facilities, including the water treatment plant; (ii) designing, developing, constructing, and improving drainage and flood control projects including lift stations, pump stations, water towers, communication equipment, water lines, sewer line and their associated appurtenances; (iii) professional services incurred in connection with items (i) through (ii); and (iv) paying the costs incurred in connection with the issuance of the Certificates.

RATINGS The Certificates and presently outstanding tax supported debt of the City are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") (see "OTHER INFORMATION - Ratings").

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

PAYMENT RECORD The City has not defaulted on its tax-supported debt since 1932 when all defaults were corrected without refunding.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ending 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per	Ratio Funded	% of Total Tax Collections
					Capita	Tax Debt to	
					Funded Tax Debt	Taxable Assessed Valuation	
2022	53,979	\$ 10,711,468,000	\$ 198,438	\$ 137,870,000	\$ 2,554	1.29%	99.62%
2023	53,985	11,063,259,000	204,932	139,800,000	2,590	1.26%	99.94%
2024	52,000	12,231,075,000	235,213	162,865,000	3,132	1.33%	99.99%
2025	52,000	12,496,275,713	240,313	150,205,000	2,889	1.20%	99.87%
2026	52,000	13,942,666,506	268,128	166,315,000 ⁽³⁾	3,198	1.19%	94.69% ⁽⁴⁾

(1) Source: The City of Grapevine.

(2) Source: Tarrant, Dallas and Denton Appraisal Districts.

(3) Projected, includes the Certificates and Self-Supporting Debt. Preliminary, subject to change.

(4) Preliminary information provided by City staff.

For additional information regarding the City, please contact:

Jeffrey Strawn
 Chief Financial Officer
 City of Grapevine
 200 South Main
 Grapevine, Texas 76051
 (817) 410-3110

Nick Bulaich
 Hilltop Securities Inc.
 777 Main Street, Suite 1525
 Fort Worth, Texas 76102
 (817) 332-9710

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
William D. Tate Mayor	51 Years ⁽¹⁾	May, 2027	Attorney-at-Law
Paul Slechta Mayor Pro Tem, Place 1	11 Years	May, 2027	Business Owner
Sharron Rogers Councilmember, Place 2	41 Years	May, 2027	Retired Sales Representative
Leon Leal Councilmember, Place 3	7 Years	May, 2028	Commercial General Contracting Owner
Sean Shope Councilmember, Place 4	1 Year	May, 2028	Banking Division President
Chris Coy ⁽²⁾ Councilmember, Place 5	18 Years	May, 2026	District Sales Manager
Duff O'Dell ⁽²⁾ Councilmember, Place 6	12 Years	May, 2026	Independent Travel Consultant

(1) Elected to City Council in 1972 and was elected Mayor in 1973, serving as Mayor until 1985. Re-elected Mayor in 1988 and has served as Mayor continuously since.

(2) Councilmembers Chris Coy and Duff O’Dell are running unopposed for Place 5 and Place 6, respectively, in the May 2026 election and will be reappointed to the City Council after the election with terms expiring in May, 2029.

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Bruno Rumbelow	City Manager	28 Years
Jeffrey Strawn	Chief Financial Officer	11 Years
Tara Brooks	City Secretary	14 Years

CONSULTANTS AND ADVISORS

Auditors	Forvis Mazars Fort Worth, Texas
Bond Counsel	Bracewell LLP Dallas, Texas
Municipal Advisor	Hilltop Securities Inc. Fort Worth, Texas

**PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$29,340,000*
CITY OF GRAPEVINE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026
INTRODUCTION**

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$29,340,000* City of Grapevine, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") being offered herein. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted by the City Council of the City on the date of sale of the Certificates (the "Ordinance") which will authorize the issuance of the Certificates, except as otherwise indicated herein.

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

All financial and other information presented in this Preliminary 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").

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1965. The City operates under the Council/Manager form of government with a City Council comprised of the Mayor and six Council members, who are all elected at-large for staggered three-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 50,756, and the 2026 estimated population is 52,000. The City covers approximately 35.8 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, developing, constructing, renovating, improving and equipping the City's water and wastewater system and facilities, including the water treatment plant; (ii) designing, developing, constructing, and improving drainage and flood control projects including lift stations, pump stations, water towers, communication equipment, water lines, sewer line and their associated appurtenances; (iii) professional services incurred in connection with items (i) through (ii); and (iv) paying the costs incurred in connection with the issuance of the Certificates.

SOURCES AND USES OF CERTIFICATE PROCEEDS . . . The proceeds from the sale of the Certificates are expected to be expended as follows:

Sources:	
Principal Amount	\$ -
Cash Premium	-
Total Sources of Funds	\$ -
Uses:	
Deposit to Construction Fund	\$ -
Costs of Issuance	-
Total Uses of Funds	\$ -

* Preliminary, subject to change.

THE CERTIFICATES

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

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's Home Rule Charter, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES . . . The principal of and interest on the Certificates is payable from (i) a continuing direct annual ad valorem tax levied by the City against all taxable property in the City, within limits prescribed by law, and (i) a pledge of the Surplus Revenues of the City's Waterworks and Sewer System (the "System") in an amount not to exceed \$1,000, as provided in the Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation.

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

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

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

The City reserves the right to give notice of its election or direction to optionally redeem Certificates 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 Certificates 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.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Certificates, will send any notice of redemption relating to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemptions of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates 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 Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption (see "THE CERTIFICATES – 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 Certificates, 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 Certificates 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 Certificates; 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 Certificates. 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 Certificates, 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 Certificates. 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 Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates 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 Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

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

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

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates is The Bank of New York Mellon Trust Company, NA, 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 Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of such Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

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

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

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

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

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*"), and together with *Wasson I* ("*Wasson*"), ruling 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 at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the Certificates of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

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, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce remedies 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity, and general principles of equity that permit the exercise of judicial discretion.

AMENDMENTS . . . The City may amend the Ordinance without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, formal defect, or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding and affected thereby, amend, add to, or rescind any of the provisions of Ordinance; except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Certificates, 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 Certificates, (ii) give any preference to any Certificate over any other Certificate, or (iii) reduce the aggregate principal amount of Certificates required to be held by Owners for consent to any such amendment, addition, or rescission

TAX INCREMENT REINVESTMENT ZONES

Article VIII, Section 1-g of the Texas Constitution and the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the "TIF Act") authorize municipalities in the State to establish one or more tax increment financing reinvestment zones for development or redevelopment of the territory within the zones.

The TIF Act provides that the municipality may appoint a board of directors for a reinvestment zone to develop a project plan and financing plan for the zone and may delegate to the board certain management duties relating to the zone. Project costs, including financing costs, within the zone may be paid from tax increments collected by each of the taxing units in the zone. The amount of a taxing unit's tax increment ("Tax Increment") for a year is the amount of property taxes levied and collected by the taxing unit for that year on the captured appraised value of real property taxable by the unit (the "Captured Appraised Value") and located in the zone. The Captured Appraised Value is the total appraised value of all taxable real property for a year located within the zone, less the tax increment base of the taxing unit. The tax increment base of a taxing unit is the total appraised value of all real property taxable by the unit and located in the zone in the year in which the City created the zone. Participation by a taxing unit in a reinvestment zone is discretionary with such taxing unit, and it may decide to deposit all or none, or a portion, of its Tax Increments into the fund and retain for its own purposes any remainder. The TIF Act provides that each taxing unit that participates in a zone is required to pay into the tax increment fund for the zone the collected Tax Increments that it has agreed to pay under its agreement with the city and in accordance with the project plan. A taxing unit cannot reduce the amount of its participation once the financing plan has been implemented. The City has created two tax increment reinvestment zones.

Reinvestment Zone Number One . . . On February 20, 1996, the Grapevine City Council adopted an ordinance (as amended, the "Zone One Ordinance") creating the City's Tax Increment Reinvestment Zone Number One ("Zone One") by designating a contiguous geographic area in the jurisdiction of the City as a reinvestment zone to promote development within Zone One. The Zone One Ordinance established the boundaries of Zone One, created a board of directors for Zone One, established a tax increment fund for Zone One (the "Tax Increment Fund" for Zone One) and found that public works and improvements to be undertaken in Zone One would significantly enhance the value of all taxable real property in Zone One and would be of general benefit to the City. On December 15, 2015, the City Council approved an ordinance extending the boundaries of Zone One and extending the termination date of Zone One until December 31, 2038, unless otherwise terminated early as a result of payment in full of all project costs approved in the Project and Financing Plan for the Zone, or as authorized or permitted by law.

With the addition of approximately 419 acres to Zone One in December 2015, Zone One is now comprised of approximately 661 total acres in the northeast area of the City. The City is currently the only taxing unit participating in Zone One and contributes 100% of the City's tax collections in Zone One to the Tax Increment Fund for Zone One. The City's Tax Increment for Zone One will be used to pay project costs within Zone One.

The tax increment base for the original property included in Zone One in 1996 was \$7,647,325 and the tax increment base for the property added to Zone One in 2015 was \$41,087,833. The total incremental taxable value in Zone One is \$840,498,880 for tax year 2025. **The Tax Increment revenues for Zone One are not pledged to the payment of any of the Certificates and the holders of the Certificates shall have no claim on such Tax Increment revenues of Zone One.**

Reinvestment Zone Number Two . . . On December 28, 1998, the City Council adopted an ordinance (the "Zone Two Ordinance") creating Tax Increment Reinvestment Zone Number Two ("Zone Two") by designating a contiguous geographic area in the jurisdiction of the City as a reinvestment zone to promote development within Zone Two. The Zone Two Ordinance established the boundaries of Zone Two, created a board of directors for Zone Two, established a tax increment fund for Zone Two (the "Tax Increment Fund" for Zone Two) and found that public works and improvements to be undertaken in Zone Two would significantly enhance the value of all taxable real property in Zone Two and would be of general benefit to the City. Zone Two is comprised of approximately 122 acres in the northeast area of the City.

The City, Tarrant County, Tarrant County Junior College District, Tarrant County Hospital District and GCISD levy taxes on real property within Zone Two. In addition to the City, only GCISD (together, the "Zone Two Taxing Units") has agreed to deposit 100% of its Tax Increments into the Tax Increment Fund for Zone Two; provided, however, that the amount deposited by GCISD will be reduced by the amount necessary to offset any negative impact on GCISD, as a result of its participation in Zone Two, under school finance laws. To date, no such reductions have been required. The Grapevine Middle School is located wholly within Zone Two. Accordingly, as part of the Zone Two projects, the GCISD will be reimbursed from the Tax Increment Fund for Zone Two for its debt service, including principal and interest, on bonds issued by GCISD for the Grapevine Middle School. The Tax Increments of GCISD, and any other Zone Two Taxing Unit which elects to participate in the future, will be paid into the Tax Increment Fund for Zone Two and used to pay project costs within Zone Two, and any other Obligations issued to finance project costs in Zone Two. None of the Zone Two Taxing Units is required under State law to set a tax rate sufficient to assure any certain dollar amount of Tax Increments; rather, State law only requires each Zone Two Taxing Unit to contribute the Tax Increments actually collected by it and only to the extent provided in the applicable interlocal agreement.

The tax increment base for Zone Two established on January 1, 1998 was \$744,886. The primary purpose for the creation of Reinvestment Zone Number Two was to provide public improvements to complement development of The Gaylord Opryland Hotel. The total incremental taxable value in Zone Two is \$530,397,167 for tax year 2025. The project for which Zone Two was created has been completed. The Zone Two Ordinance further provides that Zone Two shall take effect on January 1, 1999, and shall expire on December 31, 2030, or such earlier date that the City determines that Zone Two should be terminated due to insufficient private investment, accelerated private investment or other good cause, or such time as all project costs, and Obligations secured by Tax Increments, and the interest thereon, have been paid in full (see "Table 10 – Computation of Self-Supporting Debt"). The City's Combination Tax and Tax Increment Reinvestment Zone #2 Revenue Refunding Bonds, Series 2015A (the "Series 2015 Zone Two Bonds") are secured in part by the Tax Increment Revenues from Zone Two. There is currently \$2,230,000 of outstanding Series 2015 Zone Two Bonds with a final maturity of August 15, 2026. **The Tax Increment revenues for Zone Two are not pledged to the payment of any of the Certificates and the holders of the Certificates shall have no claim on such Tax Increment revenues of Zone Two.**

[The remainder of this page left blank intentionally]

TAX INFORMATION

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

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

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

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

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "Table 1 – Assessed Valuation and Exemption" for the reduction in taxable valuation attributable to valuation by Productivity Value.

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

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

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentation of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to local option homestead exemptions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing the property owner of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office. For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

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

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

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

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

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

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

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities, among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions or the full impact of the legislation approved during the 89th Regular Session or the two called special sessions at this time

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

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

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

The foregoing sections represents the City’s current understanding of the recently adopted Senate Bill 2, however the City cannot represent at this time what impact such legislation may have on the City. The City may revise and update this information as more information about Senate Bill 2 and its specific impact on the City becomes available.

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

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

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

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

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$75,000; the disabled are granted an exemption of \$10,000.

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

The City adopted the tax freeze for citizens who are disabled or are 65 years of age or older on June 21, 2022.

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

The City does not tax nonbusiness personal property; does not tax lease value on personal use vehicles; and the City contracts with the Grapevine-Colleyville Independent School District for the collection of its taxes.

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

The City does not tax freeport property.

The City does tax goods-in-transit.

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

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

TAX ABATEMENT POLICY . . . The City does not have a tax abatement policy nor has it granted any tax abatements.

[The remainder of this page left blank intentionally]

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Tarrant, Denton and Dallas Appraisal Districts		\$ 19,997,007,039
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead/Cap Loss Exemptions	\$ 1,179,451,895	
Circuit Breaker Limitation	62,146,597	
Over 65 Years of Age	288,943,625	
Disabled Exemptions	460,000	
Veterans Exemptions	44,308,625	
Solar/Wind Power Exemptions	391,314	
Freeport Exemptions	199,269,070	
Pollution Control	185,483	
Productivity Loss	25,092,922	
Prorated Absolutes	2,608,226,454	
Foreign Trade Zone	61,933,000	
Totally Exempt Property	13,757,898	
Nominal Value Reductions	346,110	
Miscellaneous Personal Property	35,768,265	
Inventory	<u>1,310,831,110</u>	<u>(5,831,112,368)</u>
2025/26 Certified Net Taxable Assessed Valuation ⁽¹⁾		\$ 14,165,894,671
Less Property in Arbitration/Incomplete Accounts ⁽¹⁾		<u>(223,228,165)</u>
2025/26 Total Net Taxable Assessed Valuation ⁽¹⁾		\$ 13,942,666,506
2025/26 Incremental Taxable Assessed Value of Real Property within Reinvestment Zone Number One		840,498,880
2025/26 Incremental Taxable Assessed Value of Real Property within Reinvestment Zone Number Two		<u>529,652,281</u>
2025/26 Taxable Assessed Valuation available for General Fund Obligations and Debt of City		<u>\$ 12,572,515,345</u>
City Funded Debt Payable from Ad Valorem Taxes		
General Obligation Bonds (as of 3-1-26)	\$ 49,435,000	
Certificates of Obligation (as of 3-1-26)	89,770,000	
Contractual Obligations (as of 3-1-26)	-	
The Certificates ⁽²⁾	<u>29,340,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 168,545,000
Less Self-Supporting Debt:		
Combination Tax and Tax Increment Reinvestment Zone No. 2		
Revenue Certificates of Obligation ⁽³⁾	\$ 2,230,000	
Hotel Occupancy Tax System ⁽⁴⁾	1,595,000	
Waterworks and Sewer System ⁽⁵⁾	56,640,000	
Storm Drainage ⁽⁶⁾	<u>1,505,000</u>	
Total		<u>\$ 61,970,000</u>
Net Funded Debt Payable From Ad Valorem Taxes		<u>\$ 106,575,000</u>
Interest and Sinking Fund as of March 1, 2026		\$ 7,326,831
Ratio Total Funded Debt to Taxable Assessed Valuation		1.19%

2026 Estimated Population - 52,000
Per Capita Taxable Assessed Valuation - \$268,128
Per Capita Total Funded Debt - \$3,241

- (1) Includes captured values for Incremental Taxable Assessed Value of Real Property within Reinvestment Zones Number One and Two.
- (2) Preliminary, subject to change.
- (3) The self-supporting amount is a projection of debt by the City based on actual historical payments from Zone Two Funds. The amount of self-supporting debt is based on the percentage of revenue support as shown in Table 10. **The final debt service payment will be made on August 15, 2026 from available Zone Two Funds.**
- (4) Repayment of the debt shown is provided from revenues of the Hotel Occupancy Tax. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. In the event the payments are not made from Hotel Occupancy Tax revenues, the City will be required to assess an ad valorem tax in an amount sufficient to make such payments.
- (5) Repayment of the debt shown is provided from revenues of the Waterworks and Sewer System. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. In the event the payments are not made from Waterworks and Sewer System revenues, the City will be required to assess an ad valorem tax in an amount sufficient to make such payments. Includes the Certificates. Preliminary, subject to change.
- (6) Repayment of the debt shown is provided from revenues of the Storm Drainage. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. In the event the payments are not made from Storm Drainage revenues, the City will be required to assess an ad valorem tax in an amount sufficient to make such payments. Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 6,487,424,698	32.44%	\$ 6,178,458,871	32.05%	\$ 6,302,853,955	33.77%
Real, Residential, Multi-Family	2,337,787,017	11.69%	2,279,498,220	11.83%	2,232,417,699	11.96%
Real, Vacant Lots Tracts	871,596,973	4.36%	884,662,187	4.59%	845,451,302	4.53%
Real, Acreage (Land Only)	30,248,168	0.15%	496,195	0.00%	41,755,627	0.22%
Real, Farm and Ranch Improvements	5,736,368	0.03%	4,622,344	0.02%	4,745,706	0.03%
Real, Commercial	5,473,004,859	27.37%	5,330,381,807	27.65%	5,031,013,495	26.95%
Real, Industrial	74,632,944	0.37%	73,350,428	0.38%	52,621,506	0.28%
Real, Oil, Gas and Mineral Reserve	1,020,850	0.01%	2,155,626	0.01%	11,769,460	0.06%
Real and Tangible Personal, Utilities	175,961,317	0.88%	245,746,587	1.27%	189,773,510	1.02%
Tangible Personal, Commercial	4,098,474,411	20.50%	3,932,924,152	20.40%	3,636,384,317	19.48%
Tangible Personal, Industrial	165,684,169	0.83%	64,615,402	0.34%	68,282,894	0.37%
Tangible Personal, Mobile Homes	4,939,384	0.02%	4,717,282	0.02%	4,945,599	0.03%
Tangible Personal, Other	98,857	0.00%	80,896	0.00%	5,116,228	0.03%
Real Property, Inventory	7,442,560	0.04%	10,227,902	0.05%	238,807,954	1.28%
Personal Property, Special Inventory	245,885,589	1.23%	246,214,123	1.28%	-	0.00%
Vacant Right of Way	17,068,875	0.09%	17,068,875	0.09%	-	0.00%
Total Appraised Value Before Exemptions	\$ 19,997,007,039	100.00%	\$ 19,275,220,897	100.00%	\$ 18,665,939,252	100.00%
Adjustments	-		-		(337,941,580)	
Less: Total Exemption/Reductions	(5,831,112,368)		(4,625,312,759)		(6,371,954,609)	
Property in Arbitration/Incomplete Accounts	(223,228,165)		(2,346,696,027)		-	
Plus: Minimum Value of Protests	-		193,063,602		275,031,937	
Taxable Assessed Value	\$ 13,942,666,506		\$ 12,496,275,713		\$ 12,231,075,000	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 4,899,417,752	31.66%	\$ 4,590,109,729	31.18%
Real, Residential, Multi-Family	1,898,089,392	12.27%	1,606,960,904	10.92%
Real, Vacant Lots Tracts	847,681,903	5.48%	858,753,890	5.83%
Real, Acreage (Land Only)	496,483	0.00%	41,158,205	0.28%
Real, Farm and Ranch Improvements	3,353,758	0.02%	2,963,838	0.02%
Real, Commercial	4,516,067,712	29.18%	4,404,835,821	29.93%
Real, Industrial	70,713,571	0.46%	64,408,063	0.44%
Real, Oil, Gas and Mineral Reserve	4,776,940	0.03%	1,326,510	0.01%
Real and Tangible Personal, Utilities	132,370,775	0.86%	151,491,516	1.03%
Tangible Personal, Commercial	2,819,444,651	18.22%	2,777,950,420	18.87%
Tangible Personal, Industrial	65,889,432	0.43%	58,250,549	0.40%
Tangible Personal, Mobile Homes	4,915,809	0.03%	4,687,312	0.03%
Tangible Personal, Other	-	0.00%	83,800	0.00%
Real Property, Inventory	7,143,150	0.05%	156,032,423	1.06%
Personal Property, Special Inventory	205,251,782	1.33%	-	0.00%
Total Appraised Value Before Exemptions	\$ 15,475,613,110	100.00%	\$ 14,719,012,980	100.00%
Adjustments	(177,887,174)		(188,765,906)	
Less: Total Exemption/Reductions	(5,037,519,004)		(4,183,134,996)	
Plus: Minimum Value of Protests	803,052,068		364,355,922	
Taxable Assessed Value	\$ 11,063,259,000		\$ 10,711,468,000	

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

The Taxable Assessed Values include the tax incremental values within Reinvestment Zone Number One and Reinvestment Zone Number Two. The property taxes levied on such tax incremental values are not available for the City's general use.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year ⁽³⁾	Ratio	Funded Debt Per Capita
					Tax Debt to Taxable Assessed Valuation	
2022	53,979	\$ 10,711,468,000	\$ 198,438	\$ 137,870,000	1.29%	\$ 2,554
2023	53,985	11,063,259,000	204,932	139,800,000	1.26%	2,590
2024	52,000	12,231,075,000	235,213	162,865,000	1.33%	3,132
2025	52,000	12,496,275,713	240,313	150,205,000	1.20%	2,889
2026	52,000	13,942,666,506	268,128	166,315,000 ⁽⁴⁾	1.19%	3,198

(1) The City of Grapevine.

(2) Source: The Appraisal Districts. The Taxable Assessed Values include the tax incremental values within Reinvestment Zone Number One and Reinvestment Zone Number Two, and the property taxes levied on such tax incremental values are not available for the City's general use.

(3) Includes self-supporting debt.

(4) Projected, includes the Certificates and self-supporting debt. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest and Sinking Fund			
2022	\$ 0.271800	\$ 0.140400	\$ 0.131400	\$ 29,114,949	99.62%	99.62%
2023	0.271775	0.143681	0.128094	30,067,000	99.94%	99.94%
2024	0.250560	0.136328	0.114232	30,497,217	99.99%	99.99%
2025	0.241165	0.131812	0.109353	31,856,301	99.87%	99.87%
2026	0.237228	0.134431	0.102797	32,890,020	94.69% ⁽¹⁾	94.69% ⁽¹⁾

(1) As of March 31, 2026. Preliminary information provided by City staff.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26	% of Total
		Taxable Assessed Valuation	Taxable Assessed Valuation
American Airlines Inc/Envoy Air Inc/American Aviat	Commercial Airline	\$ 714,473,718	5.12%
Opryland Hotel	Hotel	541,352,701	3.88%
Grapevine Mills Mall LP	Regional Shopping Mall	270,115,227	1.94%
Great Wolf Lodge Grapevine LLC	Hotel	185,719,310	1.33%
Fund Riverwalk LLC	Apartments	149,800,000	1.07%
3225 N Grapevine (TX) LP/RRE Grapevine Holdings LL	Apartments	126,700,000	0.91%
WMCI Dallas IX LLC	Commercial Building	116,400,000	0.83%
Silver Oaks LP	Apartments	114,700,000	0.82%
JDFW II (Silverlake) LLC	Apartments	106,085,000	0.76%
GGIF Grapevine LP	Apartments	98,400,000	0.71%
		<u>\$ 2,423,745,956</u>	<u>17.38%</u>

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter. However, Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt, based on 90% tax collection factor (see "THE CERTIFICATES – Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY ⁽¹⁾

2026 Principal and Interest Requirements	\$ 12,396,499
\$0.0899 Tax Rate at 99.00% Collection Produces	\$ 12,409,113
Average Annual Principal and Interest Requirements, 2026 - 2046	\$ 7,325,826
\$0.0531 Tax Rate at 99.00% Collection Produces	\$ 7,329,520
Maximum Principal and Interest Requirements, 2026	\$ 12,396,499
\$0.0899 Tax Rate at 99.00% Collection Produces	\$ 12,409,113

(1) Includes the Certificates. Excludes self-supporting debt. See "Table 1 – Valuation, Exemptions and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt". Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2025/26 Taxable Assessed Value	2025/26 Tax Rate	Net Total Funded Debt	Estimated % Applicable	City's Overlapping Funded Debt 2/28/2026
City of Grapevine	\$ 13,942,666,506	\$ 0.250560	\$ 106,575,000 ⁽¹⁾	100.00%	\$ 106,575,000 ⁽¹⁾
Carroll Independent School District	13,651,872,106	0.929000	233,465,000	5.61%	13,097,387
Coppell Independent School District	18,572,195,409	0.982000	421,575,194	2.57%	10,834,482
Dallas County	431,262,097,321	0.216000	179,530,000	0.11%	197,483
Dallas County Community College District	414,014,886,764	0.212000	247,115,000	0.11%	271,827
Dallas County Hospital District	442,387,293,421	0.107000	511,285,000	0.11%	562,414
Denton County	207,352,205,545	0.186000	758,115,000	0.00%	-
Grapevine-Colleyville Independent School District	22,322,473,907	0.869000	302,425,000	53.63%	162,190,528
Northwest Independent School District	39,642,205,815	1.084000	2,988,390,000	0.00%	-
Tarrant County	298,706,022,035	0.186000	314,050,000	4.58%	14,383,490
Tarrant County College District	326,653,911,760	0.112000	547,535,000	4.58%	25,077,103
Tarrant County Hospital District	299,238,327,647	0.165000	431,255,000	4.58%	19,751,479
Total Direct and Overlapping Funded Debt					\$ 352,941,191
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation					2.53%
Per Capita Overlapping Funded Debt					\$ 6,787.33

(1) Excludes the Certificates and excludes the self-supporting debt. Preliminary, subject to change.

TABLE 8 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt ⁽¹⁾		The Certificates ⁽²⁾		Total Debt Requirements	Less W&S	Less Drainage	Less TIF #2	Less Hotel	Total Debt Less Self- Supporting Requirements	% of Principal Retired
	Principal	Interest	Principal	Interest		Self-	Self-	Self-	Occupancy Tax		
						Supporting Requirements ⁽³⁾⁽⁴⁾	Supporting Requirements ⁽⁵⁾	Supporting Requirements ⁽⁶⁾	Self-Supporting Requirements ⁽⁷⁾		
2026	\$ 13,230,000	\$ 4,723,430	\$ -	\$ -	\$ 17,953,430	\$ 2,460,231	121,000	\$ 2,308,050	\$ 667,650	\$ 12,396,499	
2027	11,010,000	4,299,586	630,000	1,610,105	17,549,691	4,698,786	123,375	-	665,725	12,061,805	
2028	11,250,000	3,951,807	945,000	1,296,625	17,443,432	4,699,856	120,625	-	509,600	12,113,351	
2029	11,525,000	3,600,000	990,000	1,248,250	17,363,250	4,692,544	122,750	-	510,000	12,037,956	
2030	11,400,000	3,257,836	1,045,000	1,197,375	16,900,211	4,708,069	119,750	-	-	12,072,392	34.55%
2031	11,565,000	2,929,567	1,095,000	1,143,875	16,733,442	4,691,356	121,625	-	-	11,920,461	
2032	11,935,000	2,603,252	1,150,000	1,087,750	16,776,002	4,693,431	123,250	-	-	11,959,321	
2033	12,265,000	2,262,711	1,210,000	1,028,750	16,766,461	4,689,225	119,750	-	-	11,957,486	
2034	7,635,000	1,943,481	1,275,000	966,625	11,820,106	4,698,272	121,125	-	-	7,000,709	
2035	7,900,000	1,659,478	1,340,000	901,250	11,800,728	4,680,850	122,250	-	-	6,997,628	66.50%
2036	6,980,000	1,391,344	1,405,000	832,625	10,608,969	4,027,225	123,125	-	-	6,458,619	
2037	7,235,000	1,132,159	1,480,000	760,500	10,607,659	4,031,975	123,750	-	-	6,451,934	
2038	6,895,000	871,563	1,555,000	684,625	10,006,188	4,029,725	124,125	-	-	5,852,338	
2039	4,685,000	652,625	1,635,000	604,875	7,577,500	4,030,225	119,375	-	-	3,427,900	
2040	3,310,000	502,350	1,710,000	529,800	6,052,150	4,029,500	120,000	-	-	1,902,650	87.05%
2041	3,435,000	380,250	1,780,000	460,000	6,055,250	4,033,600	120,900	-	-	1,900,750	
2042	2,900,000	260,000	1,855,000	387,300	5,402,300	4,032,300	121,600	-	-	1,248,400	
2043	2,475,000	152,500	1,930,000	309,188	4,866,688	4,028,088	122,100	-	-	716,500	
2044	2,575,000	51,500	2,015,000	225,356	4,866,856	4,030,456	122,400	-	-	714,000	
2045	-	-	2,100,000	137,913	2,237,913	2,237,913	-	-	-	-	98.78%
2046	-	-	2,195,000	46,644	2,241,644	2,241,644	-	-	-	-	100.00%
	<u>\$ 150,205,000</u>	<u>\$ 36,625,440</u>	<u>\$ 29,340,000</u>	<u>\$ 15,459,430</u>	<u>\$ 231,629,870</u>	<u>\$ 85,465,271</u>	<u>\$ 2,312,875</u>	<u>\$ 2,308,050</u>	<u>\$ 2,352,975</u>	<u>\$ 139,190,699</u>	

- (1) "Outstanding Debt" does not include lease/purchase obligations, includes self-supporting debt that is secured by a pledge of ad valorem taxes.
- (2) Average life of the issue – 11.844 years. Interest on the Certificates has been calculated at the average rate of 4.20% for purposes of illustration. Preliminary, subject to change.
- (3) Includes the Certificates. Preliminary, subject to change.
- (4) Repayment of the debt shown is provided from revenues of the Waterworks and Sewer System. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. In the event the payments are not made from Waterworks and Sewer System revenues, the City will be required to assess an ad valorem tax in an amount sufficient to make such payments. Includes the Certificates. Preliminary, subject to change.
- (5) Repayment of the debt shown is provided from revenues of the Storm Drainage. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. In the event the payments are not made from Storm Drainage revenues, the City will be required to assess an ad valorem tax in an amount sufficient to make such payments. Preliminary, subject to change.
- (6) The self-supporting amount is a projection of debt by the City based on actual historical payments from Zone Two Funds. The amount of self-supporting debt is based on the percentage of revenue support as shown in Table 10. **The final debt service payment will be made on August 15, 2026 from available Zone Two Funds.**
- (7) Repayment of the debt shown is provided from revenues of the Hotel Occupancy Tax. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. In the event the payments are not made from Hotel Occupancy Tax revenues, the City will be required to assess an ad valorem tax in an amount sufficient to make such payments.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2026	\$ 12,396,499	(1)
Interest and Sinking Fund Balance as of 9/30/2025	\$ 6,966,200	
Interest and Sinking Fund Tax Levy	12,900,000	
Penalty and Interest	<u>67,970</u>	<u>19,934,170</u>
Estimated Balance, 9/30/2026	<u>\$ 7,537,671</u>	

(1) Excludes self-supporting debt.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

<u>Tax Increment Reinvestment Zone (TIF #2)</u>		
Revenue Available for Debt Service from Tax Increment Reinvestment Zone #2, Fiscal Year Ended 9-30-25	\$ 19,881,807	
Requirements for Tax Increment Reinvestment Zone Obligations, 2026 Fiscal Year	<u>2,308,000</u>	
Projected Fund Balance, 9-30-25	<u>\$ 17,573,807</u>	
Percentage of Tax Increment Reinvestment Zone Revenue Obligations Self-Supporting		100.00%
<u>Storm Drainage</u>		
Revenue Available for Debt Service from Storm Drainage Fund, Fiscal Year Ended 9-30-25	\$ (175,468)	
Less: Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>	
Balance Available for Other Purposes	\$ (175,468)	
System General Obligation Bond Requirements, 2026 Fiscal Year	<u>121,000</u>	
Balance	\$ (296,468)	(1)
Percentage of Storm Drainage Obligations, Self-Supporting		100.00%
<u>Hotel Occupancy Tax Fund</u>		
Revenue Available for Debt Service from Hotel Occupancy Tax Fund, Fiscal Year Ended 9-30-25	\$ 8,940,227	
Less: Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>	
Balance Available for Other Purposes	\$ 8,940,227	
Hotel Occupancy Tax Fund General Obligation Bond Requirements, 2026 Fiscal Year	<u>667,650</u>	
Balance	<u>\$ 8,272,577</u>	
Percentage of Hotel Occupancy Tax Fund Obligations, Self-Supporting		100.00%
<u>Waterworks and Sewer System Revenue Fund</u>		
Revenue Available for Debt Service from Waterworks and Sewer System Fund, Fiscal Year Ended 9-30-25	\$ 2,242,263	
Add: Interest and Sinking Fund Transfer	651,494	
Less: Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>	
Balance Available for Other Purposes	\$ 2,893,757	
System General Obligation Bond Requirements, 2026 Fiscal Year	<u>2,460,231</u>	
Balance	\$ 433,526	
Percentage of Waterworks and Sewer System Fund, Self-Supporting		100.00%

(1) Includes \$(443,920) of capital outlay. The City intends to use fund balance to transfer to make up shortfall.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City does not have any authorized but unissued general obligation debt.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of additional General Obligation debt within the next 12 months.

TABLE 12 - OTHER OBLIGATIONS

The City has no unfunded debt outstanding as of September 30, 2025.

PENSION FUND

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

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

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

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

Starting in 2005, the City of Grapevine granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which considers salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer financed monetary credits such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1998, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	20 years to any age, or 5 years at age 60 and above
Updated Service Credit	100% repeating, transfers
Annuity Increase (to retirees)	70% of CPI, repeating

Employees Covered by Benefit Terms . . . At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	544
Inactive Employees Entitled to But Not Yet Receiving Benefits	413
Active Employees	639
	<hr/>
	1,596

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City of Grapevine were 20.14% and 20.06% in calendar years 2025 and 2024 respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2025, were \$12,381,300 and were equal to the required contributions.

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

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

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

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

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

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

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

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at October 1, 2024	\$ 379,432,354	\$ 327,757,237	\$ 51,675,117
Changes for the year:			
Service cost	11,148,705	-	\$ 11,148,705
Interest	25,392,181	-	25,392,181
Difference between expected and actual experience	1,884,404	-	1,884,404
Changes of assumptions	-	-	-
Contributions - employer	-	11,690,694	(11,690,694)
Contributions - employee	-	4,079,505	(4,079,505)
Net investment income	-	34,045,150	(34,045,150)
Benefit payments, including refunds of employee contributions	(17,652,495)	(17,652,495)	-
Administrative expense	-	(218,411)	218,411
Other changes	-	(5,108)	5,108
Net changes	<u>20,772,795</u>	<u>31,939,335</u>	<u>(11,166,540)</u>
Balance at September 30, 2025	<u>\$ 400,205,149</u>	<u>\$ 359,696,572</u>	<u>\$ 40,508,577</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(asset)	\$ 93,896,398	\$ 40,508,577	\$ 3,595,265

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. The report may be obtained at www.tnrs.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 recognized pension expense of \$12,827,215, which is allocated to the governmental and business-type activities in the amount of \$11,702,675 and \$1,124,540, respectively on the basis of covered payroll.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes for the year:		
Difference between expected and actual economic experience	\$ 4,917,224	\$ -
Changes in actuarial assumptions	-	1,042,704
Difference between projected and actual investment earnings	-	3,608,199
Contributions subsequent to the measurement date	<u>9,402,965</u>	<u>-</u>
Total	<u>\$ 14,320,189</u>	<u>\$ 4,650,903</u>

\$9,402,965 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended	
<u>September 30,</u>	
2026	\$ 2,498,230
2027	4,894,026
2028	(4,741,631)
2029	<u>(2,384,304)</u>
Total	<u><u>\$ 266,321</u></u>

OTHER POSTEMPLOYMENT BENEFITS

The City offers retired employees and their dependents the option to retain health and dental insurance coverage under the City's plan through a single employer defined benefit OPEB plan administered by the City of Grapevine Post-Retirement Health Care Plan Trust. Public Agency Retirement Services (PARS) is the Trust Administrator. The governing body of the Trust is composed of a coalition of member public agencies. Each member public agency appoints its individual plan administrator to serve as a member of the governing body. Certain provisions of the Trust may be changed by a two-thirds vote of the members of the governing body. A more detailed description of the plan is as follows:

Eligibility

The benefit is available to retirees and their spouses.

An employee must resign and satisfy the requirements for service retirement under TMRS with 20 years of full-time service with the City or 5 years of service with the City for age 60 and above. City Council members that serve three terms will be classified as retired employees when they leave office.

Retirees pay premiums for coverage in the OPEB programs. There is not a maximum employer paid premium amount (capped benefit). Active employees do not contribute to the retiree health care plan. Retirees are eligible for benefits immediately upon retirement. If the employee returns to work for an employer that offers health coverage, they become ineligible for the City's plan and cannot rejoin the City's health plan at a later date.

Benefits Provided

Retirees are eligible for medical, dental, vision, and prescription insurance until they become Medicare eligible. Retirees are also eligible for a \$20,000 life insurance policy. Once Medicare eligible, retirees are eligible for dental, vision, and life insurance only. At that time, the City medical plan will no longer be available. The City supplements 70% of the premium to all retirees who either (1) retire after the age of 65 or (2) are covered pre-Medicare in the retiree medical program. Spouses of retirees will receive the City supplement if they have been on the plan for one year prior to retirement.

If an active employee passes away, the spouse and dependents will become eligible for retiree coverage if (1) the employee was eligible for retirement as defined by the Texas Municipal Retirement System; and (2) the employee had dependent coverage at the time of death. Coverage will continue under the plan if monthly retiree premiums are paid by the specified due date, until dependents are no longer considered eligible dependents as defined by the plan, until the covered dependent becomes Medicare eligible, or until a surviving spouse remarries.

For the fiscal year ended September 30, 2025, the City's contributions to the plan were \$2,762,766 which consists of a trust contribution of \$19,063 and benefit payments of \$2,743,703.

The number of employees currently covered by the benefit terms is as follows:

Inactive Employees or Beneficiaries Currently Receiving Benefits	295
Active Members	<u>639</u>
Total	<u><u>934</u></u>

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Health Care Cost Trend Rates Pre-65 Medical: Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years;
Post-65 Medical Subsidy: Initial rate of 5.90% declining to an ultimate rate of 1.25% after 9 years
Dental 4.00%;
Vision 3.00%

Note: The Single Discount Rate changed from 3.80% as of December 31, 2023 to 4.70% as of December 31, 2024. Additionally, the participation rates for future retirees were lowered and the healthcare trend rates were updated to reflect the plan's anticipated experience.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

There is no separately issued audited benefit plan report available for the City's OPEB plan.

Investment Policy

The plan's policy in regard to the allocation of invested assets is established by the City. The current asset allocation policy for the plan year ended December 31, 2024, is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	54.0%
Diversifying	6.0%
Fixed Income	38.0%
Cash	2.0%
Total	100.0%

Concentrations

All of the Plan's investments are held with Public Agency Retirement Services in the Balanced Index Fund.

Rate of Return

For the plan year ended December 31, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 12.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 4.10% was used to measure the total OPEB liability. This single discount rate was based on the municipal bond rates (4.08%) as of the measurement date. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" based on the daily rate closest to but not later than the measurement date, along with the expected rate of return on OPEB plan investments of 6.25% resulting in the single discount rate of 4.10%.

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.25%.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.10%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (3.10%)	Discount Rate (4.10%)	1% Increase in Discount Rate (5.10%)
City's Net OPEB Liability	\$ 118,959,009	\$ 103,053,092	\$ 90,089,838

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the Net OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's Net OPEB Liability	\$ 88,602,970	\$ 103,053,092	\$ 121,362,642

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

As of September 30, 2025, the City reported a liability of \$103,053,092 for its net OPEB liability. The net OPEB liability was determined by an actuarial valuation as of December 31, 2024, and a measurement date of December 31, 2024. For the year fiscal ended September 30, 2025, the City recognized OPEB expense of \$7,899,334, which is allocated to governmental and business-type activities in the amounts of \$7,104,104 and \$795,230, respectively on the basis of covered payroll. There were no changes of benefit terms that affected measurement of the net OPEB liability during the measurement period.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at beginning of year	\$ 83,966,008	\$ 2,739,243	\$ 81,226,765
Changes for the year:			
Service cost	5,099,788	-	\$ 5,099,788
Interest	3,233,111	-	3,233,111
Difference between expected and actual experience	3,659,776	-	3,659,776
Changes of assumptions	12,991,811	-	12,991,811
Contributions - employer	-	2,849,027	(2,849,027)
Net investment income	-	325,994	(325,994)
Benefit payments	(2,868,090)	(2,868,090)	-
Administrative expense	-	(16,862)	16,862
Net changes	22,116,396	290,069	21,826,327
Balance at end of year	<u>\$ 106,082,404</u>	<u>\$ 3,029,312</u>	<u>\$ 103,053,092</u>

The plan's Fiduciary Net Position as a percentage of Total OPEB Liability was 2.86% at September 30, 2025.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.80% to 4.10%. As of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes for the year:		
Difference between expected and actual economic experience	\$ 3,115,523	\$ 4,455,531
Changes in actuarial assumptions	17,746,126	12,830,234
Difference between projected and actual investment earnings	-	36,878
Contributions subsequent to the measurement date	2,530,192	-
Total	<u>\$ 23,391,841</u>	<u>\$ 17,322,643</u>

\$2,530,192 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the City paid with its own assets and will be recognized as a reduction of the net OPEB liability for the fiscal year ending September 30, 2026.

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

For the Year Ended September 30,	
2026	\$ 577,235
2027	279,449
2028	(854,182)
2029	(917,326)
2030	2,660,001
Thereafter	1,793,829
Total	<u>\$ 3,539,006</u>

[The remainder of this page left blank intentionally]

FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET POSITION ⁽¹⁾

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
<u>Program Revenues</u>					
Charges for Services	\$ 30,737,942	\$ 28,639,828	\$ 30,729,151	\$ 27,749,262	\$ 19,139,898
Operating Grants and Contributions	6,064,403	3,962,828	5,401,118	3,273,053	8,887,856
Capital Grants and Contributions	1,713,912	5,607,180	1,511,952	2,300,358	12,213,609
<u>General Revenues</u>					
Property Taxes	37,748,365	36,531,261	34,683,312	33,225,579	34,037,464
Hotel Occupancy Taxes	23,512,535	23,744,468	23,042,626	21,030,420	12,625,773
Sales Taxes	87,756,671	84,073,115	78,738,077	73,126,844	56,914,190
Mixed Beverage Taxes	2,729,384	2,729,204	2,701,727	2,377,346	1,793,124
Franchise Fees	6,736,503	6,804,232	7,014,010	6,585,053	5,978,215
Investment Earnings	6,954,363	7,667,508	6,044,639	955,165	26,472
Miscellaneous	2,121,759	1,417,523	489,962	1,074,576	263,502
Gain (Loss) on Sale/Retirement of Capital Assets	622,788	-	161,604	-	711,133
Total Revenues	\$ 206,698,625	\$ 201,177,147	\$ 190,518,178	\$ 171,697,656	\$ 152,591,236
Expenses:					
General Government	\$ 33,134,071	\$ 27,151,257	\$ 26,488,812	\$ 32,736,737	\$ 20,933,648
Public Safety	57,552,666	50,414,266	49,426,248	37,989,941	38,778,212
Culture and Recreation	29,087,988	27,099,759	26,699,398	21,178,381	22,801,979
Public Works	15,907,673	21,246,764	18,970,373	18,683,597	15,786,659
Transportation	15,003,172	14,561,907	14,633,655	13,301,311	9,367,306
Economic Development	8,907,011	8,287,451	4,248,190	4,292,737	8,712,593
Tourism	27,003,660	26,552,166	27,683,555	20,482,143	17,559,893
Interest on Long-Term Debt	4,473,085	4,767,036	4,346,632	4,131,718	5,288,645
Total Expenses	\$ 191,069,326	\$ 180,080,606	\$ 172,496,863	\$ 152,796,565	\$ 139,228,935
Increase in Net Position before Transfers	\$ 15,629,299	\$ 21,096,541	\$ 18,021,315	\$ 18,901,091	\$ 13,362,301
Transfers	2,089,819	1,420,330	1,714,406	(3,323,171)	406,616
Changes in Net Position	\$ 17,719,118	\$ 22,516,871	\$ 19,735,721	\$ 15,577,920	\$ 13,768,917
Net Position - October 1	340,733,755	318,216,883	298,481,161	282,903,240	272,492,323
Prior Period Adjustments	-	-	-	-	(3,358,000)
Net Position - September 30	\$ 358,452,873	\$ 340,733,755	\$ 318,216,883	\$ 298,481,161	\$ 282,903,240

(1) Includes Net Position for the City's governmental activities but excludes business-type activities.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

Revenues	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Taxes ⁽¹⁾	\$ 68,992,040	\$ 66,657,574	\$ 63,652,792	\$ 59,443,492	\$ 49,764,146
Licenses and Permits	2,231,373	2,180,727	1,654,907	1,373,656	1,459,940
Intergovernmental	437,451	902,065	244,108	3,695,708	3,988,244
Charges for Services	9,835,000	9,749,132	8,137,520	9,814,179	5,588,363
Fines and Forfeitures	1,287,234	1,259,201	1,310,990	1,028,444	933,618
Interest and Miscellaneous	779,243	1,073,009	966,001	1,992,542	480,070
Total Revenues	\$ 83,562,341	\$ 81,821,708	\$ 75,966,318	\$ 77,348,021	\$ 62,214,381
Expenditures					
General Government	\$ 20,784,240	\$ 21,629,372	\$ 19,976,236	\$ 23,430,505	\$ 17,575,948
Public Safety	23,816,780	22,439,660	20,013,384	17,951,599	16,505,107
Culture and Recreation	18,230,932	17,281,434	15,399,718	13,691,530	14,218,244
Transportation	-	62,583	1,045,995	750,824	61,761
Capital Outlay	2,091,274	3,841,425	629,004	271,477	85,576
Public Works	11,431,159	10,970,304	9,938,375	9,095,751	8,746,656
Debt Service	1,099,189	593,949	328,368	8,101	4,335
Total Expenditures	\$ 77,453,574	\$ 76,818,727	\$ 67,331,080	\$ 65,199,787	\$ 57,197,627
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,108,767	\$ 5,002,981	\$ 8,635,238	\$ 12,148,234	\$ 5,016,754
Other Financing Sources					
Budgeted Transfers In	\$ 5,336,667	\$ 5,738,354	\$ 5,624,881	\$ 4,274,246	\$ 3,872,309
Sale of Capital Assets	66,156	102,479	315,053	289,588	648,452
Insurance recoveries	56,658	282,767	133,504	508,725	454,548
Leases and Subscriptions Issued	1,565,314	3,602,263	-	-	-
Budgeted Transfers Out ⁽²⁾	(12,621,869)	(13,975,965)	(13,259,575)	(14,176,240)	(9,983,504)
Total Transfers	\$ (5,597,074)	\$ (4,250,102)	\$ (7,186,137)	\$ (9,103,681)	\$ (5,008,195)
Net Increase (Decrease)	\$ 511,693	\$ 752,879	\$ 1,449,101	\$ 3,044,553	\$ 8,559
Prior Period Adjustment	-	-	-	-	-
Beginning Fund Balance	16,829,387	16,076,508	14,627,407	11,582,854	11,574,295
Ending Fund Balance	\$ 17,341,080	\$ 16,829,387	\$ 16,076,508	\$ 14,627,407	\$ 11,582,854

- (1) Includes ad valorem property taxes, mixed beverage taxes, sales and use taxes, and franchise taxes.
- (2) The interfund transfers are budgeted and planned to support expenditures of non-major governmental funds.

TABLE 14 - MUNICIPAL SALES TAX HISTORY

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

Fiscal Year Ended 9/30	1% Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	\$ 36,748,631	126.22%	\$0.3431	\$ 681
2023	39,559,646	131.57%	0.3576	733
2024	42,231,556	138.48%	0.3453	812
2025	44,072,484	138.35%	0.3527	848
2026	12,481,855 ⁽²⁾	37.95%	0.0895	240

- (1) Reflects general municipal sales tax rate only (1%), which does not include the ½ cent levied for the City’s Crime Control District and ½ cent for economic development. Pursuant to Chapter 505, Texas Local Government Code, as amended.
- (2) Collections as of March 1, 2026. Preliminary information provided by City staff.

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary and trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined statement of net assets. Net assets is segregated into net assets invested in capital assets, net of related debt, restricted net assets and uninvested net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total net assets.

The modified accrual basis of accounting is used by all governmental funds types. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the related fund liability is incurred. However, principal of and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Major revenue sources which have been treated as susceptible to accrual under the modified basis of accounting include property taxes, charges for services, intergovernmental revenues, and investment of idle funds.

The accrual basis of accounting is utilized by proprietary and trust funds. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

Fund Balances . . . Section B, Number 5.0 of the Grapevine Administrative Policy Manual establishes the fund balance reserve policy to ensure fund availability for unforeseen emergencies that would severely impact the City's ability to pay for basic operations and guarantee the payment of debt obligations. Any exceptions are to be noted at the time the budget is approved. The emergency reserve is established at the following minimum levels:

- General Fund – 20% (72 days) of total current budgeted expenditures.
- Debt Service Fund – 20% (72 days) of total current budgeted net debt service expenditures.
- Convention & Visitors Fund – 16% (60 days) of total current budgeted expenditures.
- Utility Enterprise Fund – working capital reserves of 16% (60 days) of total budgeted expenses.
- Lake Enterprise Fund – working capital reserves of 25% (90 days) of total budgeted expenses.

Use of Bond Proceeds . . . The City's policy is to use bond proceeds for capital expenditures only. Such revenues are never to be used to fund normal City operations.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year between May and July, the City Manager analyzes and then after review, submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to September 30. If the Council fails to adopt a budget then the budget presented to the Council by the City Manager becomes the adopted budget.

During the fiscal year, budgetary control is maintained by the monthly review of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

INVESTMENTS

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

LEGAL INVESTMENTS . . . 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 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 (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) 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 (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) 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 FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above or clause (12) below, which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) 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 complies with SEC Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the SEC that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations 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 (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the City, (v) 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 (vi) 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. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying

mortgage-backed security collateral and pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio and (6) yield.

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, ending market value and the fully accrued interest of each pooled fund group for the reporting period, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority) and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS

As of January 1, 2026 the City's investable funds were invested in the following categories:

<u>Description</u>	<u>Percent of Book Value</u>	<u>Book Value</u>	<u>Market Value</u>
TexPool/LOGIC	52.55%	\$ 103,867,646	\$ 103,867,646
Certificates of Deposit	21.15%	41,794,223	41,794,223
Money Market Accounts	26.30%	51,974,339	51,974,339
	<u>100.00%</u>	<u>\$ 197,636,208</u>	<u>\$ 197,636,208</u>

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 Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership, and disposition of the Certificates.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Certificates is (i) 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) 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 Certificates, 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 Certificates from gross income for federal income tax purposes and, in addition, will rely on representations by the City, and other parties involved in the issuance of the Certificates 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 such representations are determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the Certificates, 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 Certificates 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 Certificates. 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 action, if taken or omitted, will not adversely affect the excludability of interest of the Certificates 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 Certificates. 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 Certificates could adversely affect the value and liquidity of the Certificates, regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

Prospective purchasers of the Certificates 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 Certificates should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

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 Certificates, is included in a corporation's "adjusted financial statement income," ownership of the Certificates 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 Certificates.

Prospective purchasers of the Certificates 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 Certificates, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

If the issue price of a maturity of the Certificates exceeds the stated redemption price payable at maturity of such Certificates, such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Certificate 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 Certificate 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 Certificate 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 Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Premium Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates 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 Certificates 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 Certificates.

Tax Accounting Treatment of Original Issue Discount

If the issue price of a maturity of the Certificates is less than the stated redemption price payable at maturity of such Certificates (the "Original Issue Discount Certificates"), 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 Certificate constitutes original issue discount with respect to such Original Issue Discount Certificate in the hands of any owner who has purchased such Original Issue Discount Certificate in the initial public offering of the Certificates. 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 Certificate equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Certificate 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 Certificates 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 Initial Purchaser has purchased the Certificates for contemporaneous sale to the public and (ii) all of the Original Issue Discount Certificates 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 inside 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 Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Certificate 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 Certificates 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 Certificate 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 Certificate.

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

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 Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates 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 Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material 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.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 15. 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 when and if they become available, but in any event within 12 months after the end of each fiscal year. 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 A 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-referenced tables must be provided by March 31 in each year, and audited financial statements 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.

NOTICE OF CERTAIN EVENTS . . . The City will also provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5702-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, 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 to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

For these purposes, (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. The Ordinance defines "Financial Obligation" as 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.

AVAILABILITY OF INFORMATION . . . The City has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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

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

OTHER INFORMATION

RATING

The Certificates and the presently outstanding tax supported debt of the City are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

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.

At the time of the initial delivery of the Certificates, the City Attorney will notify the Initial Purchasers if there has been any lawsuit or claim challenging the issuance of the Certificates or that affects the payment, delivery or security of the Obligations of which the City Attorney has been notified.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PIFA, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Rating" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

LEGAL MATTERS

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

The legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opened 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.

CYBERSECURITY

The City's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the City continually assesses and monitors its cybersecurity risks, the City has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the City takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the City has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the City's operations and/or financial condition.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

MUNICIPAL ADVISOR

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

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

INITIAL PURCHASER FOR THE CERTIFICATES

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

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

The Ordinance authorizing the issuance of the Certificates 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 Certificates by the Initial Purchaser.

WILLIAM D. TATE
Mayor
City of Grapevine, Texas

ATTEST:

TARA BROOKS
City Secretary

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THIS PAGE LEFT BLANK INTENTIONALLY

THE CITY . . . The City is a political subdivision of the State incorporated in 1907 and operates as a home-rule City under the general laws of the State and a charter approved by the voters in 1965. The City has a Council/Manager form of government in which the mayor and six council members are elected for staggered three-year terms with elections held annually in May. Policy making is the responsibility of, and is vested in, the City Council. The Council delegates the operational authority of the City to the City Manager, who is the chief administrative officer of the City.

The City provides all the functions normally associated with a municipality including, but not limited to, public safety (i.e., police and fire personnel and equipment), health inspection and enforcement, water and sewer facilities, streets and drainage facilities and parks and recreational facilities. The City presently employs approximately 627 full-time staff members.

POPULATION . . . Annual population estimates are as follows:

<u>Year</u>	<u>Population</u>	<u>Source</u>	<u>Year</u>	<u>Population</u>	<u>Source</u>
1980	11,801	U.S. Census	2008	49,635	City Estimate
1990	29,202	U.S. Census	2009	49,797	City Estimate
1991	30,300	City Estimate	2010	46,334	U.S. Census
1992	31,400	City Estimate	2011	46,300	City Estimate
1993	31,902	City Estimate	2012	46,420	City Estimate
1994	32,727	City Estimate	2013	47,070	City Estimate
1995	33,211	City Estimate	2014	49,424	City Estimate
1996	34,950	City Estimate	2015	51,240	City Estimate
1997	36,000	City Estimate	2016	52,490	City Estimate
1998	37,946	City Estimate	2017	53,982	City Estimate
1999	39,190	City Estimate	2018	52,490	U.S. Census
2000	39,523	U.S. Census	2019	55,281	U.S. Census
2001	44,390	City Estimate	2020	50,756	U.S. Census
2002	45,524	City Estimate	2021	50,872	City Estimate
2003	46,188	City Estimate	2022	53,979	City Estimate
2004	46,684	City Estimate	2023	53,985	City Estimate
2005	47,036	City Estimate	2024	52,000	City Estimate
2006	47,500	City Estimate	2025	52,000	City Estimate
2007	47,599	City Estimate	2026	52,000	City Estimate

ECONOMICS . . . The proximity of the Dallas/Fort Worth International Airport ("DFW") greatly influences both industrial and residential growth of the City. DFW has been and is expected to continue to be an economic generator of employment, spin-off businesses and tax base, all of which benefit the City and the surrounding area. Approximately 65% of the airport is within the city limits of Grapevine.

Several large business operations owe their genesis to DFW including air cargo services, flight kitchens, rent/lease car operations and SimuFlite Training International, a company which provides jet pilot flight training in advanced flight simulators.

Grapevine Mills, located just two miles outside of DFW International Airport, operated by Simon Property Group, provides 180 stores and features LEGOLAND Discovery Center, MeowWolf, SEA LIFE Aquarium as well as AMC Grapevine Mills 30 with dine-in theatres.

MAJOR EMPLOYERS

<u>Company</u>	<u>Estimated Number of Employees</u>
Gaylord Texan Resort & Convention Center	2,000
DFW International Airport	1,900
Grapevine-Colleyville ISD	1,890
Paycom	1,300
Baylor Medical	660
Great Wolf Lodge	600
City of Grapevine	590
CAE USA	400
Kubota	550
Hyatt Regency DFW	500

Source: City of Grapevine Economic Development Department, Neilsen/Claritas Business Facts, Info. USA.

BUILDING PERMITS . . . The number and value of building permits issued by the City are:

Fiscal Year Ended 9/30	Commercial Permits		Residential Permits		Total	Total
	Number	Dollar	Number	Dollar	Number	Dollar
	of Permits	Value	of Permits	Value	of Permits	Value
2022	6	\$ 14,196,912	28	\$ 16,762,165	34	\$ 30,959,077
2023	4	17,640,000	47	24,190,411	51	41,830,411
2024	7	43,100,000	28	19,998,550	35	63,098,550
2025	0	-	27	19,907,663	27	19,907,663
2026 ⁽¹⁾	6	78,146,600	21	14,475,142	27	92,621,742

Source: City of Grapevine records.

(1) As of February 28, 2026.

RECREATION . . . Located approximately two miles north of the downtown area of the City lies Grapevine Lake. The lake serves as the City reservoir and supplies approximately 50% of the water supply of the City. The lake covers a surface area of approximately 12,740 acres and has a shoreline of 146 miles. The lake is 19 miles long and 2.5 miles wide at its widest point. The lake is owned and operated by the U.S. Corps of Engineers and is a major recreation area for swimming, fishing, picnicking and camping and draws some five million visitors each year to the area.

The City also has an extensive park system which includes playgrounds, spray grounds, swimming pools, dog park, picnic areas, RV Campground with cabins, tennis courts, baseball and softball diamonds, football and soccer fields as well as jogging and biking trails. The REC center provides workout facilities, racquetball and basketball courts as well as an indoor aquatic center. The City also owns and operates a 27 hole golf course with a clubhouse, pro shop as well as a restaurant.

TRANSPORTATION . . . The City is in the center of a highway network that includes seven spokes of an extensive highway system; six U.S. highways, seven major state highways and one interstate highway. This network connects the City to all major entrances to both Dallas and Fort Worth, with major highway systems both north/south and east/west.

The Trinity Metro TEXRAIL launched commuter service in Grapevine in 2019. It takes passengers along 27 miles to nine stations between DFW International Airport and Downtown Fort Worth and runs continuously. The Grapevine Main Station includes the Harvest Hall food hall, Peace Plaza as well as the Hotel Vin which makes it the perfect place for commuters to stop at. The Grapevine Vintage Railroad provides a route between Grapevine and the Fort Worth Stockyards area.

HOTEL AND CONVENTION FACILITIES . . . Grapevine, Texas offers a diverse hotel portfolio throughout the City. In total, Grapevine offers 20 (full service and select service) hotel options which represent over 6,000 guestrooms. As part of the 20 total hotels, Grapevine offers eight full-service hotels within the City.

The Hyatt Regency DFW, adjacent to terminal C and Grand Hyatt, integrated into Terminal D, are both located inside DFW airport. The hotels combined provide more than 126,000 square feet of meeting and convention facilities, heated swimming pools and fitness centers.

The Hilton DFW Lakes Executive Conference Center is a 393-room hotel located 2.5 miles north of DFW offering a 14,400 square foot exhibit hall and ballroom that can accommodate 900 banquet guests. Also provided are two restaurants, tennis courts, racquetball courts, indoor and outdoor swimming pools, steam room, health club and lighted jogging trails. Adjacent to the hotel is the Austin Ranch where western themed events are available to hotel guests.

The Embassy Suites by Hilton, DFW Airport North is a 12-story, 329-room hotel located just north of DFW Airport. The Embassy Suites offers over 19,000 square feet of meeting space with a 12,640 square foot ballroom, and a total of 15 meeting rooms. Also provided is a state-of-the-art fitness center, a heated indoor swimming pool, complimentary, cooked-to-order breakfast.

The Gaylord Texan on Lake Grapevine is an 1,814 room resort and convention center located just 6 minutes north of DFW Airport. The Gaylord Texan provides 490,000 square feet of convention, meeting, exhibit and pre-function space featuring 70 breakout rooms, three ballrooms, 180,000 square-feet of dedicated exhibit space, an 80,000 square foot outdoor event lawn and a 2,500 square foot amphitheater. Other amenities include seven restaurants, the Dallas Cowboys Golf Club, a contemporary Southwestern-style outdoor pool, a 25,000 square foot European spa, salon and fitness center with 13 treatment rooms and a 20-meter indoor lap pool, outdoor tennis courts and marina access for recreational water-craft.

The Great Wolf Lodge is located on Hwy. 26 in Grapevine and is an eight-story, Northwoods-themed resort with 605 all-suite guest rooms. The Great Wolf Lodge provides a first-class, full-service family destination designed to capture the atmosphere and adventure of the Northwoods. Serving as Texas' Year-Round Family Resort™, Great Wolf Lodge provides a comprehensive package of destination amenities. Great Wolf Lodge is also a premier indoor waterpark that includes 12 indoor waterslides, seven pools, an interactive treehouse water fort featuring a nearly 1,000-gallon tipping water bucket, family cabanas and more than 100 lifeguards nationally certified by Ellis & Associates oversee the waterparks safety.

Courtyard/TownePlace Suites/Hilton Garden Inn at SilverLake Crossings offers a three hotel, multi-branded complex with full service amenities. The complex offers 453 guestrooms and over 20,000 square feet of flexible meeting and convention space, two restaurant/bistros, a fitness center and a zero entry outdoor pool.

Hotel Vin, Autograph Collection is a 120 room boutique full service hotel in Historic Downtown Grapevine. The hotel offers over 21,000 square feet of meeting and convention space, Bacchus Kitchen+ Bar. The hotel also offers a state of the art fitness center and is located along the Cotton Belt hike and bike trail system. Connected to the hotel is Grapevine Main Station and Harvest Hall, which features a European-style food hall with seven curated kitchens and two bars.

EDUCATION . . . Elementary and secondary education is provided to the City by the Grapevine-Colleyville Independent School District (the "District"). The District provides seventeen campuses, all air conditioned, as follows:

- 2 High schools
- 4 Middle schools
- 11 Elementary schools

In addition to the campuses, the District also owns an administration/service center, 2 multipurpose activity centers and an athletic complex.

Historical school enrollment figures are:

1984	4,037	2005	13,838
1985	4,675	2006	13,868
1986	5,617	2007	13,903
1987	6,107	2008	13,943
1988	6,604	2009	13,822
1989	7,156	2010	13,671
1990	7,984	2011	13,670
1991	8,710	2012	13,510
1992	9,435	2013	13,388
1993	10,236	2014	13,523
1994	10,878	2015	13,748
1995	11,363	2016	13,773
1996	11,655	2017	13,750
1997	12,398	2018	13,750
1998	12,867	2019	13,957
1999	13,358	2020	13,970
2000	13,463	2021	13,935
2001	13,626	2022	14,013
2002	13,870	2023	13,772
2003	13,834	2024	13,565
2004	13,777	2025	13,521

Source: Grapevine-Colleyville Independent School District.

Educational opportunities beyond the secondary level are numerous and within easy driving distance of the City. Some of the colleges and universities within a 50 mile radius of the City are as follows:

<u>College/University</u>	<u>Location</u>
Texas Christian University	Fort Worth, Texas
Texas Wesleyan University	Fort Worth, Texas
Tarrant County College	Fort Worth, Texas
University of Texas at Arlington	Arlington, Texas
University of North Texas	Denton, Texas
Texas Women's University	Denton, Texas
Southern Methodist University	Dallas, Texas
Dallas Baptist University	Dallas, Texas
Dallas Community College	Dallas, Texas
University of Dallas	Irving, Texas
University of Texas at Dallas	Richardson, Texas

APPENDIX B

EXCERPTS FROM THE
CITY OF GRAPEVINE, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

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

THIS PAGE LEFT BLANK INTENTIONALLY

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Grapevine, Texas

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and 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 fund financial statements and 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 comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Forvis Mazars, LLP

**Dallas, Texas
February 25, 2026**

This Page Intentionally Left Blank

City of Grapevine, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2025

As management of the City of Grapevine (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v 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 most recent fiscal year by \$516,225,271 (net position).
- The City's total net position increased by \$14,075,278 from operations. \$17,719,118 of this increase was attributable to governmental activities and \$(3,643,840) was due to business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$167,843,316, a decrease of \$3,067,365 from the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$16,374,267 or 22.0% of total General Fund expenditures (excluding capital outlay and debt service expenditures that relate to long-term assets and liabilities).

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information intended to furnish additional details to support the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

City of Grapevine, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2025

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also include the Heritage Foundation, which is a legally separate entity for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Tax Increment Reinvestment Zones Numbers One and Two, the Crime Control and Prevention District (Crime District), and the Grapevine 4B Economic Development Corporation, although legally separate, function for all practical purposes as departments of the City and therefore have been included as an integral part of the primary government.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 19 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, Hotel Occupancy Tax Fund, Crime District Fund, 4B – Economic Development Fund, 4B – Transit Fund, Debt Service Fund, TIF #1 Capital Projects Fund and General Facilities and Equipment Fund, all of which are considered to be major funds.

Data from the other eleven governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

**City of Grapevine, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2025**

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report on the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, and Lake Enterprise Fund (golf course).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Lake Enterprise Fund, which are both considered to be major funds.

Fiduciary Funds

Fiduciary fund level financial statements include assets that are held in a trustee or fiduciary capacity and are therefore not available to support City programs; these funds are not included in the government-wide statements. The City has two types of fiduciary funds.

The Other Postemployment Benefit (OPEB) Trust Fund is used to report assets held for beneficiaries to fund future postemployment benefits other than pensions. The Private-purpose Trust Fund is used to report resources held in trust for the W.D. Tate Scholarship Fund. See *Note 1* for additional information pertaining to fiduciary funds.

Notes to the financial statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information*. The required supplementary information section of this report includes budgetary comparison schedules for the General Fund and major special revenue funds with legally adopted budgets, which include the Hotel Occupancy Tax Fund, Crime District Fund, 4B Economic Development Fund, and 4B Transit Fund. This section of the report also includes schedules detailing the City's progress in funding its liabilities related to providing pension and OPEB benefits to its employees.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on the City's pension and OPEB plans.

City of Grapevine, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2025

Government-Wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2025, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$516,225,271.

City of Grapevine's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 203,032,462	\$ 209,097,855	\$ 34,753,726	\$ 44,154,678	\$ 237,786,188	\$ 253,252,533
Capital, lease, and subscription assets	453,488,447	436,540,054	166,686,474	161,640,233	620,174,921	598,180,287
Total assets	656,520,909	645,637,909	201,440,200	205,794,911	857,961,109	851,432,820
Deferred outflows of resources	34,928,025	32,654,812	3,610,296	3,214,456	38,538,321	35,869,268
Other liabilities	25,580,710	25,703,766	5,598,626	5,732,691	31,179,336	31,436,457
Long-term liabilities	280,976,837	285,008,743	39,527,853	39,377,745	320,504,690	324,386,488
Total liabilities	306,557,547	310,712,509	45,126,479	45,110,436	351,684,026	355,822,945
Deferred inflows of resources	26,438,516	26,846,459	2,151,617	2,482,691	28,590,133	29,329,150
Net position:						
Net investment						
in capital assets	311,476,961	295,796,664	159,737,887	154,488,000	471,214,848	450,284,664
Restricted	65,999,391	67,994,862	3,637,803	3,664,607	69,637,194	71,659,469
Unrestricted	(19,023,481)	(23,057,773)	(5,603,290)	3,263,633	(24,626,771)	(19,794,140)
Total net position	\$ 358,452,871	\$ 340,733,753	\$ 157,772,400	\$ 161,416,240	\$ 516,225,271	\$ 502,149,993

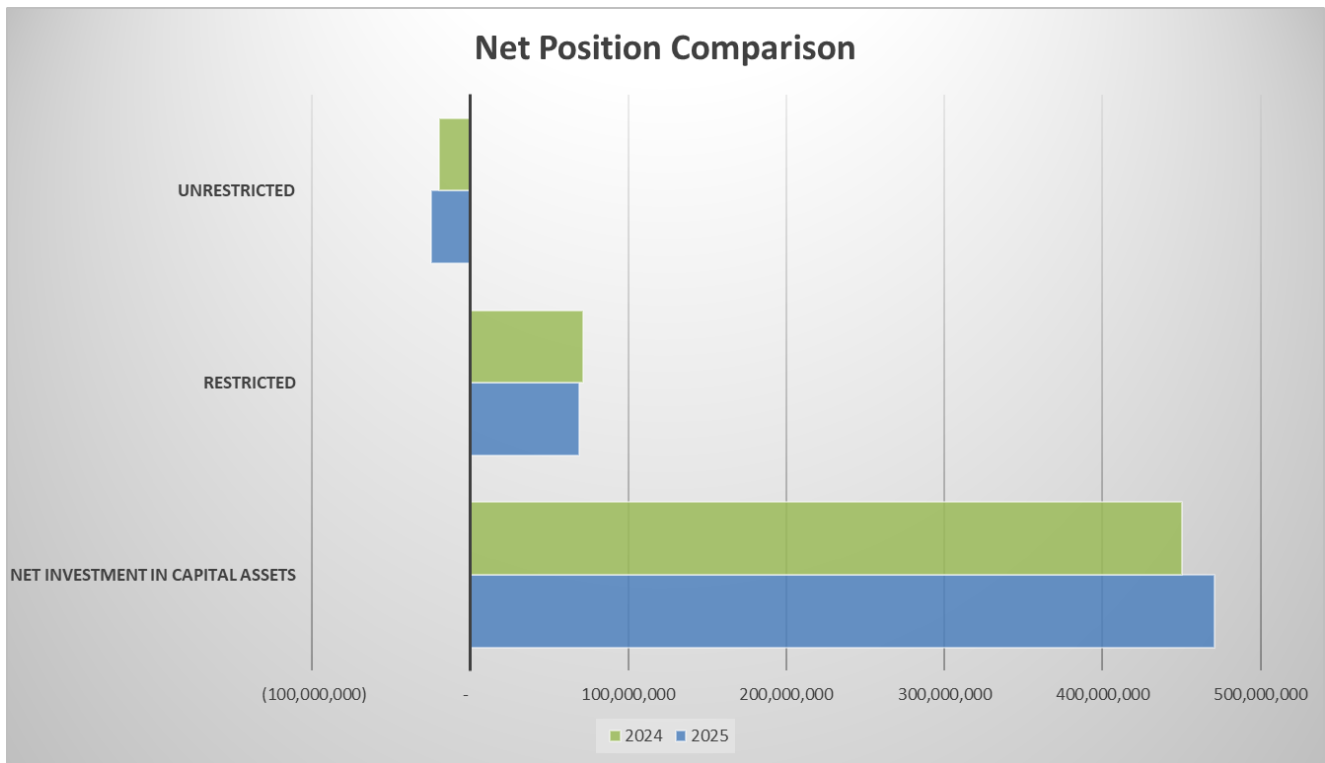
Current and other assets decreased in the governmental and business-type activities by \$15,466,345 from the prior year. The decrease in cash and investments of \$20,312,879, is the largest portion of this decrease and is largely due to capital projects and planned spending of proceeds from the issuance of debt, offset by an increase in accounts receivables of \$3,257,828.

Long-term liabilities for the City consist of bonds, contractual obligations, compensated absences, lease liabilities, subscription liabilities, and OPEB and pension liabilities. Debt service payments of almost \$13.9 million were made during the year to pay down the balances of bonds and contractual obligations. The City's pension liability decreased by \$11.2 million primarily as a result of net investment income (loss) and the City's OPEB liability increased by \$21.8 million as a result of many factors including a change in the discount rate from 3.80% to 4.10%.

**City of Grapevine, Texas
Management’s Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2025**

The largest portion of the City’s net position is its investment in capital assets of \$471,214,848 (e.g., land, building, equipment, improvements, construction in progress, infrastructure, lease assets and subscriptions assets), less any debt used to acquire capital, lease, and subscription assets still outstanding. The City uses these capital, lease, and subscription assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in capital, lease and subscription 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, lease, and subscription assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position represents resources that are subject to external restrictions on how they may be used. Restricted net position includes (1) use of impact fees for construction purposes (\$3,637,803), (2) debt service (\$28,250,407), (3) capital projects (\$5,626,933), (4) court security and technology (\$818,960), (5) public safety (\$10,731,416), (6) records preservation (\$25,069), (7) economic development (\$20,388,282), (8) culture and recreation (\$101,815), and (9) transportation (\$56,509).



For fiscal year-end 2025, the City is able to report positive balances in two categories of net position for the City as a whole. Unrestricted net position is a deficit for the governmental activities and in total for the City. This is due in part to the recognition of the net pension liability under the requirements of GASB Statement No. 68, the recognition of the net OPEB liability under GASB Statement No. 75, and also due to the fact that the City has a substantial amount of debt related to TIF #2 which is not capital related.

**City of Grapevine, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2025**

Analysis of the City's Operations

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

City of Grapevine's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 30,737,942	\$ 28,639,828	\$ 40,772,652	\$ 39,763,674	\$ 71,510,594	\$ 68,403,502
Operating grants and contributions	6,064,403	3,962,828	-	-	6,064,403	3,962,828
Capital grants and contributions	1,713,912	5,607,180	1,431,534	2,044,733	3,145,446	7,651,913
General revenues:						
Property taxes	37,748,365	36,531,261	-	-	37,748,365	36,531,261
Hotel occupancy taxes	23,512,535	23,744,468	-	-	23,512,535	23,744,468
Sales taxes	87,756,671	84,073,115	-	-	87,756,671	84,073,115
Mixed beverage taxes	2,729,384	2,729,204	-	-	2,729,384	2,729,204
Franchise taxes	6,736,503	6,804,232	-	-	6,736,503	6,804,232
Investment earnings	6,954,363	7,667,508	1,458,433	1,856,319	8,412,796	9,523,827
Gain on sale of capital assets	622,788	-	266,968	-	889,756	-
Miscellaneous	2,121,759	1,417,523	291,554	942,830	2,413,313	2,360,353
Total revenues	206,698,625	201,177,147	44,221,141	44,607,556	250,919,766	245,784,703
Expenses:						
General government	33,134,071	27,151,257	-	-	33,134,071	27,151,257
Public safety	57,552,666	50,414,266	-	-	57,552,666	50,414,266
Culture and recreation	29,087,988	27,099,759	-	-	29,087,988	27,099,759
Public works	15,907,673	21,246,764	-	-	15,907,673	21,246,764
Transportation	15,003,172	14,561,907	-	-	15,003,172	14,561,907
Economic development	8,907,011	8,287,451	-	-	8,907,011	8,287,451
Tourism	27,003,660	26,552,166	-	-	27,003,660	26,552,166
Interest on long-term debt	4,473,085	4,767,036	-	-	4,473,085	4,767,036
Water and sewer	-	-	38,839,404	36,418,882	38,839,404	36,418,882
Lake enterprise	-	-	6,935,758	6,633,030	6,935,758	6,633,030
Total expenses	191,069,326	180,080,606	45,775,162	43,051,912	236,844,488	223,132,518
Increases in net position before extraordinary item and transfers	15,629,299	21,096,541	(1,554,021)	1,555,644	14,075,278	22,652,185
Transfers	2,089,819	1,420,330	(2,089,819)	(1,420,330)	-	-
Change in Net Position	17,719,118	22,516,871	(3,643,840)	135,314	14,075,278	22,652,185
Net Position, Beginning	340,733,753	318,216,882	161,416,240	161,280,926	502,149,993	479,497,808
Net Position, Ending	\$ 358,452,871	\$ 340,733,753	\$ 157,772,400	\$ 161,416,240	\$ 516,225,271	\$ 502,149,993

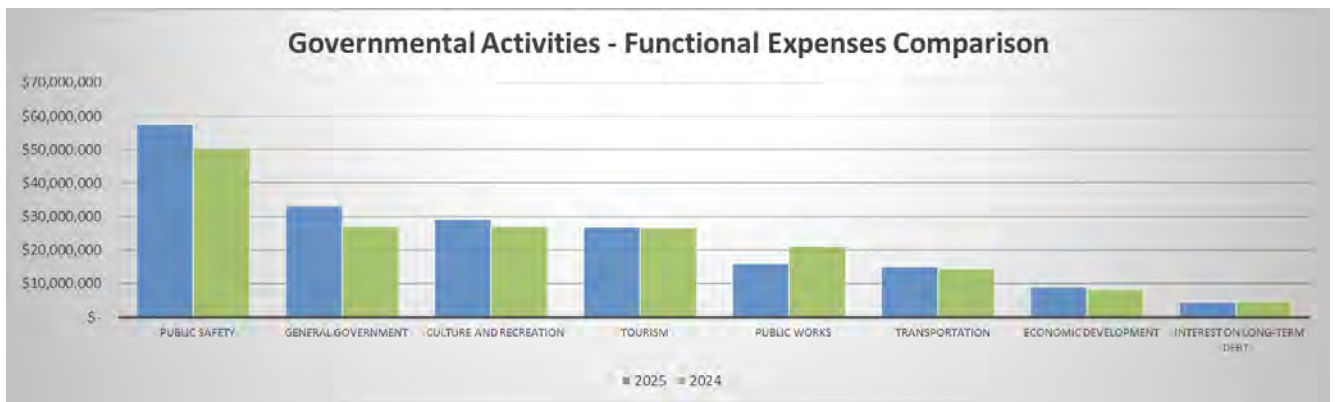
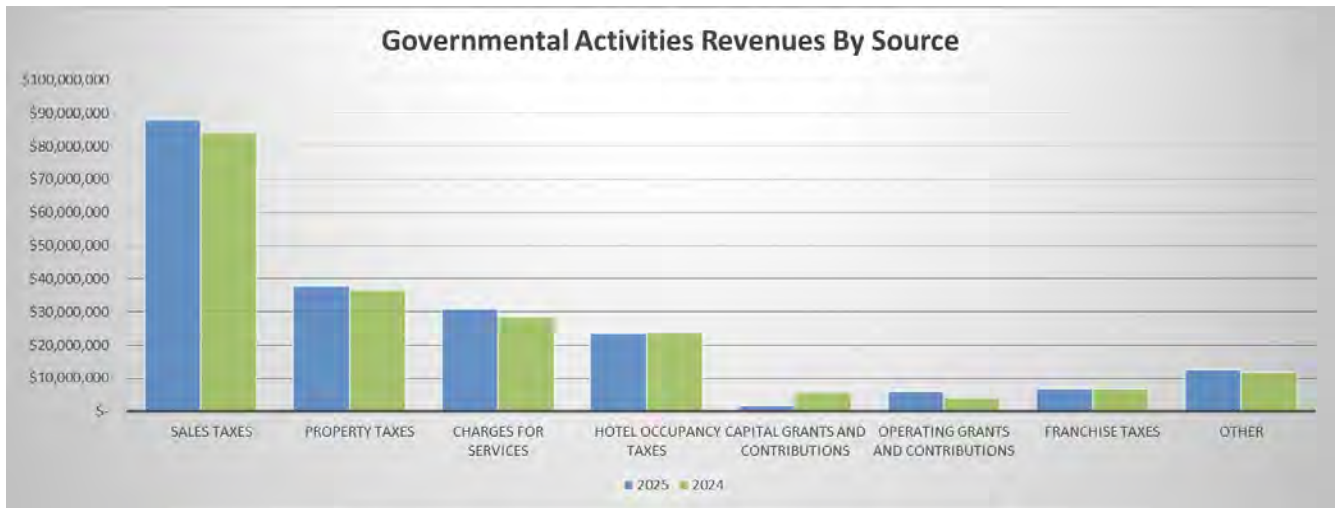
Governmental activities – Governmental activities increased the City's net position by \$17,719,118 from operations. This increase can broadly be attributed to increases in general revenues such as sales taxes, property taxes, miscellaneous revenues and gain on sale of capital assets as well as charges for services.

**City of Grapevine, Texas
 Management’s Discussion and Analysis (Unaudited)
 For the Year Ended September 30, 2025**

In total, revenues for Governmental activities increased by \$5,521,478 or 3% in FY2025. The City experienced increases in several categories of revenue. The largest of these increases was sales tax which increased by \$3,683,556 from the previous fiscal year due to the robust economy. Another increase came from miscellaneous revenues which increased by \$704,236 due to insurance recoveries and \$622,788 from sale of capital assets.

The City’s expenses for FY2025 increased by \$10,988,720 or 6%. Some functions such as public safety, culture and recreation, and general government reflect significant increases in operating expenses which are offset by a decrease in public works. Public Safety expenses were up from FY2024 due primarily to increased salaries, benefits, and pension costs. Culture and recreation increased due to higher salaries, benefits, and pension costs as well as increases for supplies and janitorial expenses. General government was higher due primarily to increased salaries, benefits, and pension costs.

All functions that include personnel reflect increases in expenses related to the City’s pension and OPEB plan. A net of \$4.5 million in expenses related to the City’s pension and OPEB plan were allocated across the governmental activities.

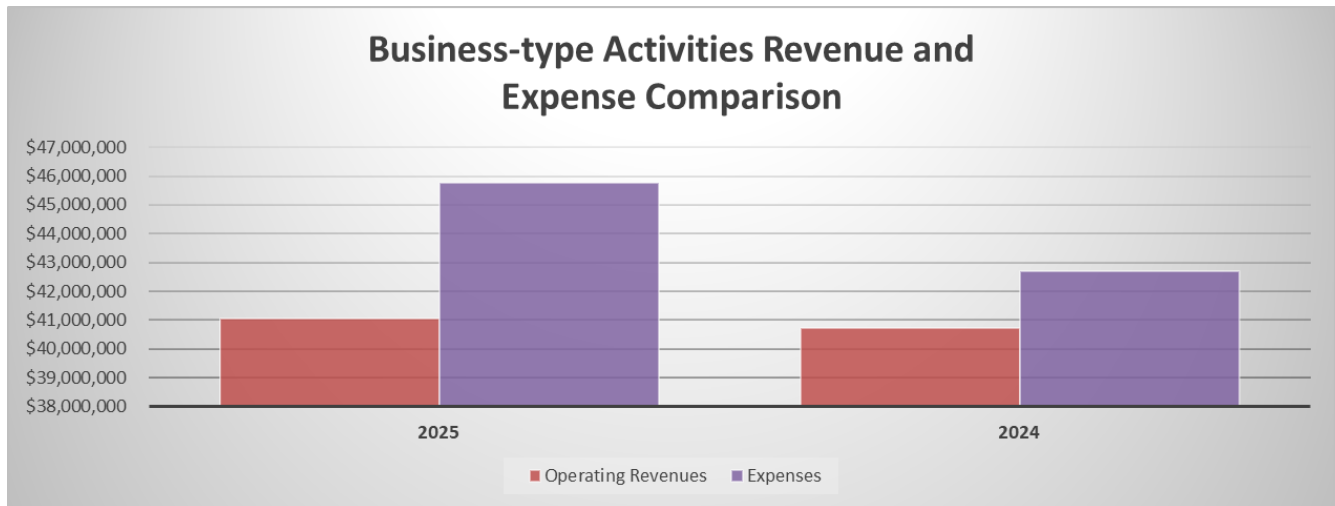


**City of Grapevine, Texas
 Management’s Discussion and Analysis (Unaudited)
 For the Year Ended September 30, 2025**

Business-type activities – In total, the business-type activities decreased the City's net position by \$3,643,840. Water and Sewer Utilities decreased net position by \$3,905,849 while Lake Enterprise (golf) increased net position by \$262,009.

The change in net position of the Water and Sewer Fund resulted from slight increase revenues offset by an increase in expenses and decrease in capital contributions. The increase in expenses is mostly attributed to scheduled debt service interest payments on Series 2024 debt issued in fiscal year 2024, as well as increased salaries, benefits, and pension costs and increased depreciation expense as a result of placing significant assets in service during fiscal year 2024.

The Lake Enterprise Fund (golf course) had increased revenues from FY2024 related to green fees and cart rentals due to higher participation resulting from improved weather conditions throughout the year, as well revenues from the sale of capital assets. These increases were offset by increases in salaries and benefits, various supplies, and depreciation expense.



Financial Analysis of the City'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 a government’s net resources available for discretionary use as they represent the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$167,843,316, a decrease of \$3,067,365 compared with the prior year. Unassigned fund balance is \$13,123,882 (7.8%), which is available for spending at the City’s discretion. The remainder of fund balance is not available for new spending because it is (1) non-spendable (\$5,524,568) (2) restricted for debt service, capital projects, court security and technology, economic development, public safety, records preservation, tourism, transportation, and culture and recreation programs (\$72,358,628) (3) committed for capital projects, stormwater drainage and public arts (\$8,918,229) (4) or assigned for capital projects, tourism, public safety, culture and recreation programs, and OPEB plan contributions (\$67,918,009).

City of Grapevine, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2025

Significant changes in fund balances of major funds are as follows:

General Fund – The General Fund is the chief operating fund of the City. At the end of FY2025, unassigned fund balance of the General Fund was \$16,374,267, while total fund balance equaled \$17,341,080. 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 General Fund expenditures. Unassigned fund balance represents approximately 22.0% of total General Fund expenditures (excluding capital outlay and debt service expenditures that relate to long-term assets and liabilities), while the total fund balance represents approximately 23.4% of that same amount.

The fund balance of the General Fund increased by \$511,693 for FY2025. Revenues increased in the General Fund from FY2024 to FY2025 by \$1,740,633. Property taxes increased in the General Fund by \$412,948 for FY2025. This increase is primarily due to increases in property values. Sales tax revenue increased by \$1,840,928 as a result of a robust economy. Overall increase in revenues was offset by a decrease of \$464,614 in Intergovernmental revenue, primarily due to revenue for provision of school resource officers.

General Fund expenditures increased from FY2024 to FY2025 by \$634,847. Expenditures for general government decreased by \$845,132 for FY2025. This is primarily due to an increase in DFW Revenue share expense and employee benefits. Public safety expenditures increased from FY2024 to FY2025 by \$1,377,120. This increase is primarily due to an increase in personnel expenses. Culture and recreation expenditures increased from FY2024 to FY2025 by \$949,498. This increase is primarily due to personnel expenses for salary and wage increases consistent with the City's goal to maintain and care for its employees and professional services. Capital outlay expenditures decreased from FY2024 to FY2025 by \$1,750,151. This decrease is primarily due to the recognition of an expenditure associated with a long-term lease asset in prior year, which was offset in the fund financials by an other financing source for leases issued.

Special Revenue – Hotel Occupancy Tax Fund – Fund balance in the Hotel Occupancy Tax Fund increased for FY2025 by \$1,929,179. Although revenues exceeded expenditures for FY2025 resulting in an overall increase in fund balance, the change in fund balance decreased from FY2024. This change is a result of a decrease in revenue and an increase in expenditures. The decrease in revenues can be mostly attributed to a decrease of \$1,054,506 for hotel occupancy tax and a decrease in investment income of \$130,962 due to fluctuations in the market and interest rates over the past year.

Expenditures in the Hotel Occupancy Tax Fund increased from \$25,902,204 in FY2024 to \$26,076,940 in FY2025. This increase is primarily attributed to an increase in personnel expenses for salary and wage increases consistent with the City's goal to maintain and care for its employees as well as increase in train expenses offset by a decrease in community distributions.

Special Revenue – Crime District Fund – Fund balance of the Crime District Fund decreased by \$186,613. Sales tax revenues, which are the primary funding source of the Crime District Fund, increased by \$918,813 due to a robust local economy. Expenditures in the Crime District Fund had an increase of \$2,085,835, offset by transfers into the fund of \$2,416,788. Increase in expenditures is primarily due to an increase in personnel expenses for salary and wage increases consistent with the City's goal to maintain and care for its employees.

Special Revenue – 4B – Economic Development – The 4B-Economic Development fund balance reflects a decrease of \$4,939,952 over last fiscal year. Sales tax revenues increased by \$449,762 during the year due to a high performing local economy. Expenditures were up by \$4,719,407 primarily due to the purchase of land and related improvements at Settler's Park which was offset by a decrease in distributions during the year related to 380 agreements that the City has entered into.

City of Grapevine, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2025

Special Revenue – 4B – Transit – Fund balance in the 4B-Transit increased for FY2025 by \$11,744. Sales tax collected in this fund has been pledged to the Trinity Metro. Any sales tax collections in this fund, less half of the operating costs of the City's visitor shuttle service, are distributed to the Trinity Metro to help fund commuter rail service in Grapevine. Sales taxes in this fund increased for the current period by \$474,053 because of a robust local economy, and as the revenues in this fund increase, so do the corresponding expenditures.

Debt Service Fund – The total fund balance of \$6,966,200 in the Debt Service Fund is restricted for the payment of debt obligations. This balance has increased by \$296,497 as a result of transfers from other funds to offset the increased debt service requirements which are slightly more than receipts from property taxes.

Capital Projects – TIF #1 – The net increase in fund balance for the TIF #1 capital projects fund for fiscal year 2025 was \$1,530,438. The property taxes and investment earnings collected in this fund for the year were \$2,331,630, and was offset by almost \$700K that used for improvements at Settler's Park.

Capital Projects – General Facilities and Equipment – The fund balance increased \$1,180,190 from the prior year primarily as a result of revenues from Grapevine Main of \$4,169,545 and insurance recoveries of \$751,239 related to December 2022 tornado damage. Expenditures also increased due to construction and capital asset related projects.

Capital Projects – Grant – The fund balance decreased \$2,719,083 from the prior year primarily as a result of incurring grant eligible expenditures during fiscal year 2025 that were not reimbursed within 60 days of year-end and therefore reflected as a deferred inflow of resources in the fund financial statements. Fund balance will increase in 2026 with the collection of reimbursements for grant eligible expenditures.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Significant amendment changes:

There were no changes to budgeted revenues or expenditures for the fiscal year 2025.

Significant budget variances:

Revenues exceeded budget by \$4,701,892 as a result of a robust and active economy which more than covered the expenditures that exceeded budget by 3,558,370. More than half of the increase in revenues is reflected in increased sales tax revenue and charges for services.

Capital, Lease and Subscription Assets and Debt Administration

Capital, lease, and subscription assets—The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounted to \$620,174,921 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, intangible assets, construction in progress, lease assets and subscription assets. The total net increase in the City's investment in capital assets for the current fiscal year 2025 was \$21,994,634 (approximately 4%).

City of Grapevine, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2025

Major capital asset events during the current fiscal year 2025 included the following:

- Developer contributed paving and drainage projects of \$485,455.
- Service center projects of \$7,252,180 were added to construction in progress.
- The acquisition of land and related improvements at Settler's Park of \$5,004,413.
- The FY2025 acquisition of vehicles and equipment totaling \$6,331,651.
- Golf vehicles and equipment of \$1,087,879.
- Water and Sewer vehicles and equipment of \$703,573.
- The Water and Sewer Fund added \$6,739,378 to utility project construction in progress to extend and improve the City's water and sewer system. Donated water and sewer assets totaled \$1,283,397.

City of Grapevine's Capital, Lease, and Subscription Assets at Year-End

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 41,787,178	\$ 36,782,765	\$ 593,970	\$ 593,970	\$ 42,381,148	\$ 37,376,735
Right-of-way/easements	79,562,729	79,562,729	57,555,464	57,555,464	137,118,193	137,118,193
Construction in progress	24,926,353	16,099,159	9,792,851	8,291,064	34,719,204	24,390,223
Buildings	182,912,381	188,154,357	4,762,034	4,911,099	187,674,415	193,065,456
Improvements other than buildings	39,817,087	34,037,263	3,141,109	1,904,275	42,958,196	35,941,538
Machinery and equipment	27,274,512	23,962,406	5,809,047	4,697,525	33,083,559	28,659,931
Software and subscriptions	2,070,811	813,880	115,236	36,241	2,186,047	850,121
Infrastructure	55,137,396	57,127,495	84,916,763	83,650,595	140,054,159	140,778,090
Total	\$ 453,488,447	\$ 436,540,054	\$ 166,686,474	\$ 161,640,233	\$ 620,174,921	\$ 598,180,287

Additional information on the City's capital assets can be found in *Note 5* of the notes to the financial statements.

Long-term debt—At the end of the current fiscal year, the City had total bonded debt outstanding of \$172,055,343.

**City of Grapevine's Outstanding Bonds, Notes Payable, Lease and
Subscription Liabilities at Year-End**

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 56,090,000	\$ 61,985,000	\$ -	\$ -	\$ 56,090,000	\$ 61,985,000
Certificates of obligation	67,860,725	71,412,975	23,949,275	24,927,025	91,810,000	96,340,000
Revenue bonds	12,845,000	15,995,000	-	-	12,845,000	15,995,000
Contractual obligations	928,590	1,261,776	-	-	928,590	1,261,776
Premiums/discount on bonds issued	5,072,947	5,641,771	1,294,862	1,391,784	6,367,809	7,033,555
Lease liability	2,872,491	3,233,669	17,609	32,086	2,890,100	3,265,755
Subscription liability	1,055,706	84,278	68,138	-	1,123,844	84,278
Total	\$ 146,725,459	\$ 159,614,469	\$ 25,329,884	\$ 26,350,895	\$ 172,055,343	\$ 185,965,364

Additional information on the City's long-term debt can be found in *Note 10* of the notes to the financial statements.

City of Grapevine, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2025

Economic Factors and Next Year's Budget and Rates

In the fiscal year 2026 budget, total City revenues are budgeted at \$246.7 million, an increase of \$4.8 million (2%) from the previous year. The City also lowered the property tax rate to \$.237228 per \$100 of valuation which represents a 2% reduction from the FY2025 rate of \$0.241165.

The FY2026 Budget includes no increases in sales tax revenue and a 5% increase to hotel occupancy tax.

The economy of the City of Grapevine and the Dallas-Fort Worth Metroplex continues to outpace state and national growth. The City continues to focus on quality of life, economic development, and cultural, educational, and recreational amenities for the community.

The General Fund reserve requirement is expected to be at approximately 22% of budgeted expenditures for the fiscal year 2026. This meets the requirement of 20% of budgeted expenditures required by the City Charter.

Contacting the City's Financial Management

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Division, City of Grapevine, 200 S. Main Street, Grapevine, Texas 76051.

Basic Financial Statements

This Page Intentionally Left Blank

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Heritage Foundation
Assets and Deferred Outflows of Resources				
Assets				
Cash and investments	\$ 151,111,849	\$ 6,680,653	\$ 157,792,502	\$ 648,753
Receivables, net:				
Taxes	16,917,860	-	16,917,860	-
Accounts	4,393,558	3,776,339	8,169,897	-
Leases	6,866,334	-	6,866,334	-
Notes receivable	3,539,758	-	3,539,758	-
Internal balances	15,366	(15,366)	-	-
Due from other governments	6,867,254	-	6,867,254	-
Inventory	665,620	126,244	791,864	-
Accrued interest	34,278	-	34,278	-
Prepaid expenses	4,753,528	-	4,753,528	-
Deposits	105,420	-	105,420	-
Restricted assets:				
Cash and investments	7,761,637	24,185,856	31,947,493	-
Capital, lease, and subscription assets (net of accumulated depreciation/amortization):				
Non-depreciable	146,276,260	67,942,285	214,218,545	450,067
Depreciable	307,212,187	98,744,189	405,956,376	575,722
Total assets	656,520,909	201,440,200	857,961,109	1,674,542
Deferred Outflows of Resources				
Deferred outflows related to pensions	13,064,762	1,255,427	14,320,189	-
Deferred outflows related to OPEB	21,036,972	2,354,869	23,391,841	-
Deferred loss on bond refunding	826,291	-	826,291	-
Total deferred outflows of resources	34,928,025	3,610,296	38,538,321	-
Total assets and deferred outflows of resources	\$ 691,448,934	\$ 205,050,496	\$ 896,499,430	\$ 1,674,542
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable	\$ 12,359,647	\$ 3,525,790	\$ 15,885,437	\$ 12,911
Contracts and retainage payable	1,017,190	258,550	1,275,740	-
Claims payable	1,039,438	-	1,039,438	-
Accrued and other liabilities	4,425,626	415,580	4,841,206	-
Developer deposits	1,434,905	-	1,434,905	-
Customer deposits	116,842	1,059,205	1,176,047	-
Interest payable	562,013	134,163	696,176	-
Arbitrage liability	960,131	205,338	1,165,469	-
Due to primary government	-	-	-	14,011
Due to other governments	268,253	-	268,253	-
Unearned revenue	3,396,665	-	3,396,665	1,019
Noncurrent liabilities:				
Due in one year	17,762,615	1,329,633	19,092,248	-
Due in more than one year	133,578,285	24,272,488	157,850,773	-
Net OPEB liability	92,678,679	10,374,413	103,053,092	-
Net pension liability	36,957,258	3,551,319	40,508,577	-
Total liabilities	306,557,547	45,126,479	351,684,026	27,941
Deferred Inflows of Resources				
Deferred inflows related to pensions	4,243,166	407,737	4,650,903	-
Deferred inflows related to OPEB	15,578,763	1,743,880	17,322,643	-
Deferred inflows related to leases	6,616,587	-	6,616,587	-
Total deferred inflows of resources	26,438,516	2,151,617	28,590,133	-
Net Position				
Net investment in capital assets	311,476,961	159,737,887	471,214,848	1,025,789
Restricted for:				
Use of impact fees	-	3,637,803	3,637,803	-
Debt service	28,250,407	-	28,250,407	-
Capital projects	5,626,933	-	5,626,933	-
Court security and technology	818,960	-	818,960	-
Public safety	10,731,416	-	10,731,416	-
Records preservation	25,069	-	25,069	-
Economic development	20,388,282	-	20,388,282	-
Culture and recreation	101,815	-	101,815	-
Transportation	56,509	-	56,509	-
Unrestricted	(19,023,481)	(5,603,290)	(24,626,771)	620,812
Total net position	358,452,871	157,772,400	516,225,271	1,646,601
Total liabilities, deferred inflows of resources and net position	\$ 691,448,934	\$ 205,050,496	\$ 896,499,430	\$ 1,674,542

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 33,134,071	\$ 365,623	\$ 332,155	\$ -
Public safety	57,552,666	4,441,048	1,126,492	5,193
Culture and recreation	29,087,988	8,457,922	1,786,491	55,648
Public works	15,907,673	4,150,274	133,954	1,653,071
Transportation	15,003,172	-	2,685,311	-
Economic development	8,907,011	-	-	-
Tourism	27,003,660	13,323,075	-	-
Interest	4,473,085	-	-	-
Total governmental activities	191,069,326	30,737,942	6,064,403	1,713,912
Business-type activities:				
Water and sewer	38,839,404	33,626,805	-	1,431,534
Lake Enterprise	6,935,758	7,145,847	-	-
Total business-type activities	45,775,162	40,772,652	-	1,431,534
Total primary government	\$ 236,844,488	\$ 71,510,594	\$ 6,064,403	\$ 3,145,446
Component unit:				
Heritage Foundation	156,540	4,073	159,175	-
Total component unit	\$ 156,540	\$ 4,073	\$ 159,175	\$ -

General Revenues:

Taxes:

- Property
- Franchise
- Hotel occupancy
- Sales
- Mixed beverage
- Unrestricted investment income
- Gain on sale of capital assets
- Miscellaneous
- Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Heritage Foundation
\$ (32,436,293)	\$ -	\$ (32,436,293)	\$ -
(51,979,933)	-	(51,979,933)	-
(18,787,927)	-	(18,787,927)	-
(9,970,374)	-	(9,970,374)	-
(12,317,861)	-	(12,317,861)	-
(8,907,011)	-	(8,907,011)	-
(13,680,585)	-	(13,680,585)	-
(4,473,085)	-	(4,473,085)	-
<u>(152,553,069)</u>	<u>-</u>	<u>(152,553,069)</u>	<u>-</u>
-	(3,781,065)	(3,781,065)	-
-	210,089	210,089	-
-	<u>(3,570,976)</u>	<u>(3,570,976)</u>	<u>-</u>
<u>\$ (152,553,069)</u>	<u>\$ (3,570,976)</u>	<u>\$ (156,124,045)</u>	<u>\$ -</u>
-	-	-	6,708
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,708</u>
37,748,365	-	37,748,365	-
6,736,503	-	6,736,503	-
23,512,535	-	23,512,535	-
87,756,671	-	87,756,671	-
2,729,384	-	2,729,384	-
6,954,363	1,458,433	8,412,796	24,528
622,788	266,968	889,756	-
2,121,759	291,554	2,413,313	33,844
2,089,819	(2,089,819)	-	-
<u>170,272,187</u>	<u>(72,864)</u>	<u>170,199,323</u>	<u>58,372</u>
17,719,118	(3,643,840)	14,075,278	65,080
<u>340,733,753</u>	<u>161,416,240</u>	<u>502,149,993</u>	<u>1,581,521</u>
<u>\$ 358,452,871</u>	<u>\$ 157,772,400</u>	<u>\$ 516,225,271</u>	<u>\$ 1,646,601</u>

City of Grapevine, Texas
Balance Sheet - Governmental Funds
September 30, 2025

	Special Revenue				
	General	Hotel Occupancy Tax	Crime District	4B-Economic Development	4B-Transit
Assets					
Cash and investments	\$ 13,997,572	\$ 43,986,807	\$ 6,086,931	\$ 10,919,095	\$ -
Receivables (net of allowances for uncollectibles):					
Accounts	3,367,635	84,914	-	-	-
Taxes	7,909,394	1,596,161	3,606,128	1,076,738	2,604,927
Leases	2,886,674	9,799	-	-	-
Accrued interest	15,464	23	-	-	-
Notes receivable	-	-	-	-	-
Inventory	664,123	1,497	-	-	-
Due from other funds	15,366	-	-	-	-
Due from other governments	92,478	-	44,500	-	-
Prepaid items	297,270	1,100	-	-	-
Deposits	5,420	100,000	-	-	-
Total assets	\$ 29,251,396	\$ 45,780,301	\$ 9,737,559	\$ 11,995,833	\$ 2,604,927
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 1,699,949	\$ 2,647,412	\$ 101,375	\$ 1,104,033	\$ 2,548,418
Retainage payable	-	-	-	-	-
Claims payable	1,039,438	-	-	-	-
Accrued liabilities	2,840,477	407,720	957,168	24,555	-
Due to other governments	268,253	-	-	-	-
Unearned revenue	2,276,457	426,958	-	-	-
Developer deposits	-	-	-	-	-
Customer deposits	116,842	-	-	-	-
Total liabilities	8,241,416	3,482,090	1,058,543	1,128,588	2,548,418
Deferred Inflows of Resources					
Unavailable revenue	948,580	-	17,961	-	-
Lease related	2,720,320	8,898	-	-	-
Total deferred inflows of resources	3,668,900	8,898	17,961	-	-
Fund Balances					
Nonspendable:					
Inventory	664,123	1,497	-	-	-
Prepaid items	297,270	1,100	-	-	-
Deposits	5,420	100,000	-	-	-
Restricted for:					
Debt service	-	-	-	1,402,400	-
Capital projects	-	-	-	-	-
Court security and technology	-	-	-	-	-
Economic development	-	-	-	9,464,845	-
Public safety	-	-	8,661,055	-	-
Records preservation	-	-	-	-	-
Transportation	-	-	-	-	56,509
Culture and recreation	-	-	-	-	-
Committed for:					
Capital projects	-	-	-	-	-
Stormwater drainage operations	-	-	-	-	-
Public arts	-	-	-	-	-
Assigned for:					
Capital projects	-	-	-	-	-
Tourism	-	42,186,716	-	-	-
Culture and recreation	-	-	-	-	-
Public safety	-	-	-	-	-
Unassigned	16,374,267	-	-	-	-
Total fund balances	17,341,080	42,289,313	8,661,055	10,867,245	56,509
Total liabilities, deferred inflows of resources and fund balances	\$ 29,251,396	\$ 45,780,301	\$ 9,737,559	\$ 11,995,833	\$ 2,604,927

Capital Projects						
Debt Service	TIF #1	General Facilities and Equipment	Grant	Nonmajor Governmental Funds	Total Governmental Funds	
\$ 6,991,856	\$ 13,811,687	\$ 13,838,006	\$ 215,576	\$ 49,025,956	\$ 158,873,486	
-	-	678,311	-	262,698	4,393,558	
124,512	-	-	-	-	16,917,860	
-	-	1,069,975	-	2,899,886	6,866,334	
-	-	4,823	-	13,968	34,278	
-	-	3,539,758	-	-	3,539,758	
-	-	-	-	-	665,620	
-	-	-	-	-	15,366	
-	-	3,250,000	3,103,055	377,221	6,867,254	
-	-	-	-	4,455,158	4,753,528	
-	-	-	-	-	105,420	
<u>\$ 7,116,368</u>	<u>\$ 13,811,687</u>	<u>\$ 22,380,873</u>	<u>\$ 3,318,631</u>	<u>\$ 57,034,887</u>	<u>\$ 203,032,462</u>	
\$ 27,830	\$ 136,351	\$ 582,936	\$ 2,751,645	\$ 759,698	\$ 12,359,647	
-	-	888,441	128,749	-	1,017,190	
-	-	-	-	-	1,039,438	
-	-	-	385	195,321	4,425,626	
-	-	-	-	-	268,253	
-	-	8,333	7,894	677,023	3,396,665	
-	-	400,000	-	1,034,905	1,434,905	
-	-	-	-	-	116,842	
<u>27,830</u>	<u>136,351</u>	<u>1,879,710</u>	<u>2,888,673</u>	<u>2,666,947</u>	<u>24,058,566</u>	
122,338	-	-	2,980,375	444,739	4,513,993	
-	-	1,062,660	-	2,824,709	6,616,587	
<u>122,338</u>	<u>-</u>	<u>1,062,660</u>	<u>2,980,375</u>	<u>3,269,448</u>	<u>11,130,580</u>	
-	-	-	-	-	665,620	
-	-	-	-	4,455,158	4,753,528	
-	-	-	-	-	105,420	
6,966,200	-	-	-	19,881,807	28,250,407	
-	2,751,899	1,509,281	-	7,724,990	11,986,170	
-	-	-	-	818,960	818,960	
-	10,923,437	-	-	-	20,388,282	
-	-	-	-	2,070,361	10,731,416	
-	-	-	-	25,069	25,069	
-	-	-	-	-	56,509	
-	-	-	-	101,815	101,815	
-	-	-	-	5,897,919	5,897,919	
-	-	-	-	834,437	834,437	
-	-	-	-	2,185,873	2,185,873	
-	-	17,929,222	-	6,900,802	24,830,024	
-	-	-	-	-	42,186,716	
-	-	-	-	890,186	890,186	
-	-	-	-	11,083	11,083	
-	-	-	(2,550,417)	(699,968)	13,123,882	
<u>6,966,200</u>	<u>13,675,336</u>	<u>19,438,503</u>	<u>(2,550,417)</u>	<u>51,098,492</u>	<u>167,843,316</u>	
<u>\$ 7,116,368</u>	<u>\$ 13,811,687</u>	<u>\$ 22,380,873</u>	<u>\$ 3,318,631</u>	<u>\$ 57,034,887</u>	<u>\$ 203,032,462</u>	

This Page Intentionally Left Blank

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

Total fund balances - governmental funds balance sheet	\$ 167,843,316
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital, lease, and subscription assets used in governmental activities are not reported in the funds.	453,488,447
Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds.	4,513,993
Accrued bond interest is not due and payable in the current period and, therefore, is not reported in the funds.	(562,013)
Arbitrage due in connection with unspent bond proceeds is recorded as an arbitrage liability in the statement of net position but does not become a liability in the funds until the due date.	(960,131)
Long-term liabilities (excluding pension and OPEB and the related deferral of outflows and inflows and resources) and deferred loss on bond refunding, reported as deferred outflows of resources, are not due and payable in the current period and, therefore, are not reported in the funds. A summary of these items are as follows:	
Long-term liabilities:	
Due in one year	(17,762,615)
Due in more than one year	(133,578,285)
Deferred outflows of resources:	
Deferred loss on bond refunding	826,291
Included in the items related to long-term liabilities is the recognition of the City's net pension liability. The net position related to pensions includes deferred outflows of resources in the amount of \$13,064,762, deferred inflows of resources in the amount of \$4,243,166, and the net pension liability of \$36,957,258.	(28,135,662)
Included in the items related to long-term liabilities is the recognition of the City's net OPEB liability. The net position related to OPEB includes deferred outflows of resources in the amount of \$21,036,972, deferred inflows of resources in the amount of \$15,578,763, and the net OPEB liability of \$92,678,679.	<u>(87,220,470)</u>
Net position of governmental activities	<u>\$ 358,452,871</u>

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

	Special Revenue				
	General	Hotel Occupancy Tax	Crime District	4B-Economic Development	4B-Transit
Revenues					
Property taxes	\$ 15,641,625	\$ -	\$ -	\$ -	\$ -
Hotel occupancy taxes	-	23,512,535	-	-	-
Sales taxes	44,072,484	-	21,657,059	6,652,150	15,374,978
Mixed beverage taxes	2,729,384	-	-	-	-
Franchise taxes	6,548,547	-	-	-	-
Licenses and permits	2,231,373	-	-	-	-
Intergovernmental	437,451	-	683,568	-	-
Charges for services	9,835,000	9,885,470	-	-	-
Fines and forfeitures	1,287,234	-	34,754	-	-
Investment income	546,430	1,536,889	550,689	509,050	-
Contributions	52,313	-	-	-	-
Miscellaneous	180,500	82,273	-	399,319	-
Total revenues	83,562,341	35,017,167	22,926,070	7,560,519	15,374,978
Expenditures					
Current:					
General government	20,784,240	-	-	-	-
Public safety	23,816,780	-	25,435,783	-	-
Culture and recreation	18,230,932	-	-	14,696	-
Public works	11,431,159	-	-	-	-
Tourism	-	25,882,404	-	-	-
Economic development	-	-	-	3,990,293	-
Transportation	-	-	-	-	15,003,172
Capital outlay	2,091,274	158,086	165,108	5,556,350	-
Debt service:					
Principal	991,790	34,846	33,155	-	-
Interest	107,399	1,604	152	-	-
Fiscal agent charges	-	-	-	-	-
Total expenditures	77,453,574	26,076,940	25,634,198	9,561,339	15,003,172
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,108,767	8,940,227	(2,708,128)	(2,000,820)	371,806
Other Financing Sources (Uses)					
Transfers in	5,336,667	360,062	2,416,788	-	-
Transfers out	(12,621,869)	(7,371,110)	-	(2,939,132)	(360,062)
Sale of capital assets	66,156	-	-	-	-
Leases issued	18,193	-	-	-	-
Subscriptions issued	1,547,121	-	104,727	-	-
Insurance recoveries	56,658	-	-	-	-
Total other financing sources (uses)	(5,597,074)	(7,011,048)	2,521,515	(2,939,132)	(360,062)
Net Change in Fund Balances	511,693	1,929,179	(186,613)	(4,939,952)	11,744
Fund Balances, Beginning of Year, as previously presented	16,829,387	40,360,134	8,847,668	15,807,197	44,765
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Fund Balances, Beginning of Year, as adjusted	16,829,387	40,360,134	8,847,668	15,807,197	44,765
Fund Balances, End of Year	\$ 17,341,080	\$ 42,289,313	\$ 8,661,055	\$ 10,867,245	\$ 56,509

Capital Projects

Debt Service	TIF #1	General Facilities and Equipment	Grant	Nonmajor Governmental Funds	Total Governmental Funds
\$ 12,973,249	\$ 1,787,175	\$ -	\$ -	\$ 7,276,219	\$ 37,678,268
-	-	-	-	-	23,512,535
-	-	-	-	-	87,756,671
-	-	-	-	-	2,729,384
-	-	-	-	187,956	6,736,503
-	-	-	-	-	2,231,373
-	-	6,185,311	324,757	1,773,962	9,405,049
-	-	4,169,545	-	4,957,645	28,847,660
-	-	-	-	106,485	1,428,473
380,262	544,455	754,458	622	2,131,123	6,953,978
-	-	-	-	167,882	220,195
-	-	306,800	-	47,852	1,016,744
<u>13,353,511</u>	<u>2,331,630</u>	<u>11,416,114</u>	<u>325,379</u>	<u>16,649,124</u>	<u>208,516,833</u>
14,628	114,420	718,797	-	283,937	21,916,022
-	-	-	226,021	2,068,088	51,546,672
-	-	14,703	9,196	5,476,589	23,746,116
-	-	258,631	-	4,200,175	15,889,965
-	-	-	-	-	25,882,404
-	-	-	-	4,885,585	8,875,878
-	-	-	-	-	15,003,172
-	686,772	15,906,135	3,637,490	7,503,252	35,704,467
10,502,250	-	-	-	2,428,186	13,990,227
4,386,127	-	-	-	187,113	4,682,395
620	-	-	-	-	620
<u>14,903,625</u>	<u>801,192</u>	<u>16,898,266</u>	<u>3,872,707</u>	<u>27,032,925</u>	<u>217,237,938</u>
(1,550,114)	1,530,438	(5,482,152)	(3,547,328)	(10,383,801)	(8,721,105)
2,513,055	-	5,728,805	1,003,589	9,204,703	26,563,669
(666,444)	-	-	(175,344)	(339,889)	(24,473,850)
-	-	182,298	-	540,411	788,865
-	-	-	-	-	18,193
-	-	-	-	-	1,651,848
-	-	751,239	-	297,118	1,105,015
<u>1,846,611</u>	<u>-</u>	<u>6,662,342</u>	<u>828,245</u>	<u>9,702,343</u>	<u>5,653,740</u>
296,497	1,530,438	1,180,190	(2,719,083)	(681,458)	(3,067,365)
6,669,703	12,144,898	18,258,313	-	51,948,616	170,910,681
-	-	-	168,666	(168,666)	-
<u>6,669,703</u>	<u>12,144,898</u>	<u>18,258,313</u>	<u>168,666</u>	<u>51,779,950</u>	<u>170,910,681</u>
<u>\$ 6,966,200</u>	<u>\$ 13,675,336</u>	<u>\$ 19,438,503</u>	<u>\$ (2,550,417)</u>	<u>\$ 51,098,492</u>	<u>\$ 167,843,316</u>

This Page Intentionally Left Blank

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

Net change in fund balances - total governmental funds	\$ (3,067,365)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization. This is the amount of capital outlay recorded in the current period.	35,704,467
Governmental funds do not recognize capital, lease, and subscription assets contributed by other entities. However, in the Statement of Activities, the acquisition cost of those assets is recognized as revenue, then depreciated/amortized over their estimated useful lives.	1,653,071
Depreciation/amortization on capital, lease, and subscription assets is reported in the Statement of Activities but does not require the use of current financial resources. Therefore, depreciation/amortization is not reported as expenditures in the governmental funds.	(19,779,650)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) decrease net position.	(629,495)
The issuance of long-term debt (e.g. bonds, leases, subscription liabilities) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of leases	(18,193)
Issuance of subscriptions	(1,651,848)
Repayment of principal on long-term debt	12,930,436
Repayment of principal on leases	379,371
Repayment of principal on subscription liabilities	680,420
Amortization of:	
Premium/discount on bond issuances	568,824
Loss on refunding	(142,457)
Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	70,300
Arbitrage due in connection with unspent bond proceeds in governmental activities is not due and payable and therefore is not reported as expenditures in governmental funds. This is the net change in arbitrage liability.	(286,737)
Current year changes in certain long-term liabilities (do)/do not require the use of current financial resources and, therefore, are/(are not) reported as expenditures in governmental funds.	
Compensated absences liability	584,366
Net OPEB liability and related deferred outflows and inflows of resources	(4,040,662)
Net Pension liability and related deferred outflows and inflows of resources	(406,821)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change during the year for these revenue sources.	<u>(4,828,909)</u>
Change in net position of governmental activities	<u>\$ 17,719,118</u>

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

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 6,679,002	\$ 1,651	\$ 6,680,653
Receivables, net	3,770,045	6,294	3,776,339
Inventory	-	126,244	126,244
Total current assets	<u>10,449,047</u>	<u>134,189</u>	<u>10,583,236</u>
Noncurrent assets			
Restricted cash and investments:			
Bond construction	19,488,848	-	19,488,848
Impact fees	3,637,803	-	3,637,803
Customer deposits	1,059,205	-	1,059,205
Total restricted cash and investments	<u>24,185,856</u>	<u>-</u>	<u>24,185,856</u>
Capital and lease assets:			
Land	548,132	45,838	593,970
Easements	57,555,464	-	57,555,464
Construction in progress	9,792,851	-	9,792,851
Buildings	577,791	6,622,625	7,200,416
Improvements other than buildings	1,718,784	9,988,217	11,707,001
Infrastructure	156,268,487	-	156,268,487
Vehicles, machinery and equipment	8,077,741	2,598,957	10,676,698
Water storage rights	683,547	-	683,547
Computer software	79,507	-	79,507
Lease equipment	3,195	55,066	58,261
Subscription asset	156,058	-	156,058
Less accumulated depreciation/amortization	<u>(76,214,554)</u>	<u>(11,871,232)</u>	<u>(88,085,786)</u>
Net capital and lease assets	<u>159,247,003</u>	<u>7,439,471</u>	<u>166,686,474</u>
Total noncurrent assets	<u>183,432,859</u>	<u>7,439,471</u>	<u>190,872,330</u>
Total assets	<u>193,881,906</u>	<u>7,573,660</u>	<u>201,455,566</u>
Deferred Outflows of Resources			
Deferred outflows related to pension	911,779	343,648	1,255,427
Deferred outflows related to OPEB	1,873,978	480,891	2,354,869
Total deferred outflows of resources	<u>2,785,757</u>	<u>824,539</u>	<u>3,610,296</u>

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

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 3,079,040	\$ 446,750	\$ 3,525,790
Accrued liabilities	225,792	189,788	415,580
Due to other funds	-	15,366	15,366
Accrued bond interest payable	134,163	-	134,163
Arbitrage liability	205,338	-	205,338
Retainage payable	258,550	-	258,550
Compensated absences	99,631	90,934	190,565
Bonds payable	1,056,775	-	1,056,775
Lease liability	354	13,801	14,155
Subscription liability	68,138	-	68,138
Customer deposits	1,059,205	-	1,059,205
Total current liabilities	<u>6,186,986</u>	<u>756,639</u>	<u>6,943,625</u>
Noncurrent liabilities			
Bonds payable	24,187,362	-	24,187,362
Lease liability	-	3,454	3,454
Net OPEB liability	8,255,839	2,118,574	10,374,413
Net pension liability	2,579,217	972,102	3,551,319
Compensated absences	42,700	38,972	81,672
Total noncurrent liabilities	<u>35,065,118</u>	<u>3,133,102</u>	<u>38,198,220</u>
Total liabilities	<u>41,252,104</u>	<u>3,889,741</u>	<u>45,141,845</u>
Deferred Inflows of Resources			
Deferred inflows related to pension	296,127	111,610	407,737
Deferred inflows related to OPEB	1,387,760	356,120	1,743,880
Total deferred inflows of resources	<u>1,683,887</u>	<u>467,730</u>	<u>2,151,617</u>
Net Position			
Net investment in capital assets	152,427,880	7,310,007	159,737,887
Restricted for:			
Impact fees	3,637,803	-	3,637,803
Unrestricted	<u>(2,334,011)</u>	<u>(3,269,279)</u>	<u>(5,603,290)</u>
Total net position	<u>\$ 153,731,672</u>	<u>\$ 4,040,728</u>	<u>\$ 157,772,400</u>

This Page Intentionally Left Blank

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

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
Operating Revenues			
Charges for services	\$ 33,626,805	\$ 7,145,847	\$ 40,772,652
Miscellaneous	280,864	10,690	291,554
Total operating revenues	<u>33,907,669</u>	<u>7,156,537</u>	<u>41,064,206</u>
Operating Expenses			
Salaries and benefits	4,978,934	3,135,566	8,114,500
Water purchases, storage, and treatment	17,001,416	-	17,001,416
Refuse collections	2,910,966	-	2,910,966
Maintenance, repairs, and supplies	3,524,344	1,578,057	5,102,401
General administrative	4,707,284	1,594,064	6,301,348
Depreciation and amortization	4,387,650	628,071	5,015,721
Total operating expenses	<u>37,510,594</u>	<u>6,935,758</u>	<u>44,446,352</u>
Operating Income (Loss)	<u>(3,602,925)</u>	<u>220,779</u>	<u>(3,382,146)</u>
Nonoperating Revenues (Expenses)			
Gain on disposal of property	36,568	230,400	266,968
Investment income	1,457,538	895	1,458,433
Interest and fiscal agent charges	(1,328,810)	-	(1,328,810)
Total nonoperating revenues (expenses)	<u>165,296</u>	<u>231,295</u>	<u>396,591</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(3,437,629)</u>	<u>452,074</u>	<u>(2,985,555)</u>
Capital contributions	1,431,534	-	1,431,534
Transfers in	666,444	-	666,444
Transfers out	(2,566,198)	(190,065)	(2,756,263)
Change in Net Position	<u>(3,905,849)</u>	<u>262,009</u>	<u>(3,643,840)</u>
Net Position, Beginning of Year	<u>157,637,521</u>	<u>3,778,719</u>	<u>161,416,240</u>
Net Position, End of Year	<u>\$ 153,731,672</u>	<u>\$ 4,040,728</u>	<u>\$ 157,772,400</u>

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

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 34,401,946	\$ 7,205,541	\$ 41,607,487
Payments to employees for salaries and benefits	(4,887,190)	(3,103,380)	(7,990,570)
Payments to suppliers and service providers	(28,449,437)	(3,050,447)	(31,499,884)
Receipts of customer deposits	12,888	-	12,888
	<u>1,078,207</u>	<u>1,051,714</u>	<u>2,129,921</u>
Net cash provided by operating activities			
Cash Flows from Noncapital Financing Activities			
Transfers in	666,444	-	666,444
Transfers out	(2,566,198)	(190,065)	(2,756,263)
Repayment of advances from other funds	-	(101,851)	(101,851)
	<u>(1,899,754)</u>	<u>(291,916)</u>	<u>(2,191,670)</u>
Net cash used for noncapital financing activities			
Cash Flows from Capital and Related Financing Activities			
Principal paid on leases and certificates of obligation	(1,041,745)	(13,772)	(1,055,517)
Interest paid and issuance costs related to capital debt	(1,139,795)	-	(1,139,795)
Acquisition and construction of capital assets	(7,478,741)	(975,670)	(8,454,411)
Intergovernmental receipts	54,892	-	54,892
Proceeds from the sale of assets	38,683	230,400	269,083
	<u>(9,566,706)</u>	<u>(759,042)</u>	<u>(10,325,748)</u>
Net cash used for capital and related financing activities			
Cash Flows from Investing Activities			
Interest received on investments and cash equivalents	1,457,538	895	1,458,433
	<u>1,457,538</u>	<u>895</u>	<u>1,458,433</u>
Net cash provided by investing activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(8,930,715)	1,651	(8,929,064)
Cash and Cash Equivalents, Beginning of Year, Including Restricted Cash and Investments	<u>39,795,573</u>	<u>-</u>	<u>39,795,573</u>
Cash and Cash Equivalents, Ending of Year, Including Restricted Cash and Investments	<u>\$ 30,864,858</u>	<u>\$ 1,651</u>	<u>\$ 30,866,509</u>

(Including \$24,185,856 of restricted cash and cash equivalents in the Water and Sewer Fund)

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

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (3,602,925)	\$ 220,779	\$ (3,382,146)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,387,650	628,071	5,015,721
(Increase) decrease in assets:			
Customer receivable	494,276	49,004	543,280
Prepaid items	7,493	-	7,493
Inventories	-	22,966	22,966
Deferred outflows of resources - pension	552,393	208,195	760,588
Deferred outflows of resources - OPEB	(920,272)	(236,156)	(1,156,428)
Increase (decrease) in liabilities:			
Accounts and retainage payable	(576,943)	5,977	(570,966)
Accrued liabilities	5,961	30,519	36,480
Customer deposits	12,888	-	12,888
Net OPEB liability	1,748,561	448,707	2,197,268
Net pension liability	(710,983)	(267,968)	(978,951)
Compensated absences	(38,529)	(8,669)	(47,198)
Deferred inflows of resources - pension	186,982	70,474	257,456
Deferred inflows of resources - OPEB	(468,345)	(120,185)	(588,530)
Total adjustments	4,681,132	830,935	5,512,067
Net cash provided by operating activities	\$ 1,078,207	\$ 1,051,714	\$ 2,129,921
Schedule of Noncash Capital and Related Financing Activities			
Contributions of capital assets	\$ 1,338,289	\$ -	\$ 1,338,289
Contribution of capital assets from governmental activities	93,245	-	93,245
Capital assets included in accounts payable and change in retainage payable	759,672	112,209	871,881
Issuance of leases and subscriptions	156,058	-	156,058
Amortization of bond premium	96,922	-	96,922

City of Grapevine, Texas
Statement of Fiduciary Net Position
September 30, 2025

	<u>(As of December 31, 2024)</u>	
	<u>OPEB</u>	<u>Private-Purpose</u>
	<u>Trust Fund</u>	<u>Trust Fund</u>
Assets		
Cash and cash equivalents	\$ -	\$ 16,506
Mutual funds - equity	1,817,587	-
Mutual funds - fixed income	1,211,725	-
	<hr/>	<hr/>
Total assets	3,029,312	16,506
Net Position		
Restricted for other postemployment benefits	3,029,312	-
Restricted for scholarships	-	16,506
	<hr/>	<hr/>
Total net position	<u>\$ 3,029,312</u>	<u>\$ 16,506</u>

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

	(For the Year Ended December 31, 2024)	
	OPEB Trust Fund	Private-Purpose Trust Fund
Additions		
Contributions		
Employer	\$ 2,849,027	\$ -
Net investment income	325,994	645
Total additions	<u>3,175,021</u>	<u>645</u>
Deductions		
Benefits payments	2,868,090	-
Administrative expenses	16,862	-
Total deductions	<u>2,884,952</u>	<u>-</u>
Net Increase in Fiduciary Net Position	290,069	645
Net Position, Beginning of Year	<u>2,739,243</u>	<u>15,861</u>
Net Position, End of Year	<u>\$ 3,029,312</u>	<u>\$ 16,506</u>

This Page Intentionally Left Blank

Notes to the Financial Statements

This Page Intentionally Left Blank

Note 1. Summary of Significant Accounting Policies

The City of Grapevine (“City”) is a municipal corporation incorporated under Article XI of the Texas Constitution (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, safety, and convenience of its citizens.

The accounting and reporting policies of the City relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. The following represents the more significant accounting and reporting policies and practices used by the City.

Reporting Entity

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

Based on these criteria, the financial information of the following entities has been blended or discretely presented within the financial statements.

Blended Component Units

Grapevine Tax Increment Financing District Reinvestment Zone Number One and Two (the “TIFs”) were formed to finance and make public improvements under the authority of the Tax Increment Financing Act. The TIFs are governed by two separate boards of directors that are substantively the same as the City Council. The chairman of the board is also designated by the City Council. The City is obligated for the debts of both TIFs.

The Grapevine Crime Control and Prevention District (Crime District) was established to account for the accumulation and use of sales tax proceeds designated for crime reduction programs. One-half (1/2) cent of local sales and use tax within the district funds the Crime District. The Board of Directors of the Crime Control and Prevention District is substantively the same as the City Council. The City is entitled to and can otherwise access all the resources of the Crime District.

The Grapevine 4B Economic Development Corporation consists of two funds. The 4B Transit Fund accounts for funds designated for Grapevine’s participation in the commuter rail development project with the Trinity Metro. The 4B Economic Development Fund accounts for funds used to stimulate the local economy, development, and redevelopment opportunities. One-half (1/2) cent local sales and use tax within the City funds these two blended component units. Three eighths (3/8th) of one cent of the local sales tax is used to fund the 4B Transit Fund. One eighth (1/8th) of one cent of the local sales tax is used to fund the 4B Economic Development Fund. The Board of Directors of the Grapevine 4B Economic Development Corporation include citizens as members but is substantively the same as the City Council. The City is entitled to and can otherwise access all the resources of the Grapevine 4B Economic Development Corporation.

Separate financial statements for the TIF funds, Crime Control and Prevention District, the 4B Transit Fund, and the 4B Economic Development Fund are not prepared.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Discretely Presented Component Unit

Grapevine Heritage Foundation (the "Foundation") is a Texas nonprofit corporation governed by a 9-member board of directors appointed by the City Council, which includes a City Council member and the Director of the City's Convention and Visitor's Bureau. The Foundation's operating budget is subject to the approval of the City Council. The City is able to impose its will on the Foundation. The board is not substantively the same as the City Council. The Foundation does not provide services to the City.

Separate financial statements are not prepared for the Heritage Foundation.

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. 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 government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, culture and recreation, tourism, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The non-major funds are aggregated in a separate column in the fund financial statements. The non-major funds are detailed in the supplementary information section of this report.

The City's fiduciary funds are presented in the fund financial statements by type. Since these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use lease and subscription assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

In applying the susceptible to accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Generally, monies must be expended on a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. Ad valorem taxes are recognized as revenues in the year for which they are levied. Sales taxes, franchise taxes, hotel occupancy taxes, charges for services and fines are recognized as revenue as earned, when measurable and available. Licenses, permits, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned since they are measurable and available.

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. 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 City's water and sewer fund and Lake Enterprise fund (municipal golf course) are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital and lease assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Governmental Funds

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

The City reports the following major governmental funds:

The ***General Fund*** accounts for several of the City's primary services (general administration, police administration, fire, public works, libraries, culture, and recreation, etc.) and is the primary operating fund of the City.

The ***Hotel Occupancy Tax Fund*** is a special revenue fund that accounts for all hotel occupancy tax revenues that are restricted by state statute and can only be used on expenditures related to tourism activities. Additional local revenues generated through tourism activities are accumulated in this fund and are assigned for use on expenditures related to tourism.

The ***Crime District Fund*** is a special revenue fund that accounts for the accumulation and use of sales tax restricted for crime reduction programs.

The ***4-B Economic Development Fund*** accounts for the accumulation of sales tax restricted for economic development projects to stimulate the local economy, development, and redevelopment. This fund is designated as a major fund.

The ***4B Transit Fund*** is a special revenue fund that accounts for the accumulation of sales tax restricted to fund the City's participation in the commuter rail development project with the Trinity Metro. This fund is designated as a major fund.

The ***Debt Service Fund*** is used to account for the accumulation of restricted property tax resources levied for the payment of general long-term debt principal, interest, and related costs of governmental funds. This fund is designated as a major fund.

The ***Tax Increment Financing (TIF) #1 Capital Projects Fund*** is used to account for the accumulation of property taxes restricted for capital acquisition and construction, economic incentives, and other expenditures authorized by the TIF #1 Board of Directors. This fund is designated as a major fund.

The ***General Facilities and Equipment Fund*** is a capital projects fund used to account for the general financing, acquisition, construction and improvements of the City's buildings and capital equipment.

The ***Grant Fund*** is a capital projects fund used to account for capital grants awarded to the City that are used for the acquisition and construction of major capital facilities.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the major proprietary funds of the City:

The ***Water and Sewer Fund*** accounts for the operation of the City's water and sewer utility activities including administration, operation and maintenance of the water and sewer system, and billing and collection activities. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the fund.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

The **Lake Enterprise Fund** includes the operations of the City's municipal golf course. The fund is designated as a major fund.

Fiduciary Funds

The **Private-Purpose Trust Fund** is used to account for investments and interest for the benefit of the W.D. Tate Scholarship fund. The benefits are dedicated to recipients in accordance with the benefit terms. The donations and other contributions received by the City do not belong to the City and cannot be spent to further the City's own objectives.

The **Other Postemployment Benefit (OPEB) Trust Fund** is used to report assets held for beneficiaries to fund future postemployment benefits other than pensions. The City utilizes a trust to hold required contributions for OPEBs. Plan trustees must act in accordance with the specific purposes and terms of the OPEB plan. The accompanying statement of fiduciary net position and statement of changes in fiduciary net position are presented as of and for the year ended December 31, 2024, the Plan's year-end, in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74).

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

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

Investments of the City are reported at fair value, except for the portion in investment pools. The government investment pools, TexPool and LOGIC operate in accordance with state laws and regulations. Investments in external pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year end. In instances where pools transact at amortized cost, such as TexPool, no readily determinable fair value is deemed available.

Property Taxes and Other Receivables

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real property located in the City. The appraisal of property within the City is the responsibility of the Central Appraisal Districts of Dallas, Denton, and Tarrant Counties as required by legislation passed by the Texas Legislature. The Appraisal Districts are required under such legislation to assess all property within their Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The assessed value upon which the completed tax year 2024 levy was based was approximately \$13,218,800,000. The value of property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The combined tax rate to finance maintenance and operations and debt service for the year ended September 30, 2025, was \$0.241165 per \$100 of assessed valuation.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are due by January 31 following the levy date. Property taxes levied for 2025 are recorded as receivables, net of estimated uncollectibles. The collections during 2025 and those considered “available” at year-end are recognized as revenues in 2025. The City considers property taxes available if they are collected within 60 days after year-end. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred inflows of resources in the fund financial statements.

Property taxes are imposed nonexchange revenues. Assets from imposed nonexchange transactions are recorded when the entity has enforceable legal claim to the asset, or when the entity receives resources, whichever comes first. The enforceable legal claim date for property taxes is the assessment date. The assessment date has been designated in the enabling legislation as October 1.

Inventories and Prepaid Items

Inventories are valued at average cost on a first-in, first-out basis. Inventories in the General Fund are recorded using the consumption method (i.e., recorded as an expenditure when used rather than when purchased).

Prepaid items are payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A corresponding portion of fund balance is shown as nonexpendable in governmental funds to indicate it is not available for other subsequent expenditures. Prepaid items are defined as payments of greater than \$50,000 that benefit future periods. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain cash and investments balances are restricted by various legal and contractual obligations. Certain proceeds of the City’s general obligation bonds and certificates of obligation, impact fees, and customer deposits are, by law, considered restricted assets.

Due from Other Governments

The amount due from other governments represents balances owed to the City from various governmental agencies for reimbursement of eligible expenditures and balances in relation to a contractual agreement with the Fort Worth Transportation Authority for Grapevine’s contribution to the construction of the TEXRail project.

Notes Receivable

The notes receivable represents the balance owed to the City from Hotel Vin for initial construction costs paid for by the City which are to be repaid in accordance with an Economic Development Agreement.

Lease Receivable

The City is a lessor for noncancellable leases related to cellular towers, building space, and billboards. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

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

- The City uses the lessee’s rate, or the rate disclosed in the agreement. If the rate is not readily available, the City uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure assets are defined by the City as assets costing in excess of \$50,000 that have an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are as follows:

Capital Assets Class	Years
Buildings	7 – 40
Water and sewer system	30 – 50
General infrastructure	20 – 30
Improvements other than buildings	10 – 20
Machinery and equipment	3 – 15
Water storage rights	40
Other intangibles	3 – 20
Motor vehicles	3 – 10

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Deferred Inflows and Outflows of Resources

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

- Deferred loss on bond refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions and other inputs included in determining the OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Differences between expected and actual economic experience for the City's pension and OPEB plans – These effects on the pension and OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees).

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in the Statements of Net Position and/or balance sheet are as follows:

- Differences between expected and actual economic experience for the City's OPEB plan – These effects on the OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees).
- Changes in actuarial assumptions and other inputs included in determining the pension and OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual investment earnings on pension and OPEB assets – This difference is deferred and amortized over a closed five-year period.
- Leases – Represents the initial value of the lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease. This deferred inflow is recorded at both the fund level and government-wide financial statements.
- Unavailable revenue – This arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, court fines and fees, ambulance billing, and intergovernmental revenues.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. The City's policy is that leave earned in the current period is used before leave earned in prior periods. Employees are reimbursed upon termination for accumulated vacation and only non-exempt employees are reimbursed for compensatory time. The liabilities for these amounts are accrued as they are incurred in the government-wide and proprietary fund financial statements. Employees are not reimbursed upon termination for accumulated sick leave. Accrued vacation and compensatory time, that is expected to be liquidated within one year, is reported as a short-term liability. The remainder of the liability is reflected as long-term.

Unearned Revenue

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned, which consists primarily of franchise fees collected in advance for future periods, recreation center fees collected in advance for future reservations and memberships, Grapevine Vintage Railroad fees collected in advance for future reservations, and park and campground fees collected in advance for future reservations.

Long-term Debt

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

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

Lease Liability

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

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

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

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

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

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

Subscription Liability

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life or subscription term, whichever is shorter.

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

- The City uses the interest rate charged by the subscription-based information technology arrangement (SBITA) vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Subscription assets are reported with capital, lease, and subscription assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Pensions

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

Defined Benefit Other Postemployment Benefit Plan

The City has a single employer defined benefit other postemployment (benefit) OPEB plan (Plan). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. The liability for the OPEB liabilities are paid from the General Fund, Crime District Fund, and enterprise funds based on the assignment of an employee at termination.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources of governmental and business-type activities and proprietary funds. The government-wide and proprietary fund financials utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This amount consists of capital, lease and subscription assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt, that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position – This amount is restricted by external parties such as creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Fund Balance and Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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.

Minimum Fund Balance Policy

The Council has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at 72 days of general fund current expenditures (approximately 20%). This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a “revenue” source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within a three-year period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City’s management to make estimates and assumptions that effect reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

Adoption of New Accounting Standards

The City adopted GASB Statement No. 101, *Compensated Absences* (GASB 101) for the year ended September 30, 2025. The new accounting guidance updates the recognition and measurement guidance for compensated absences under a unified model. Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements. The adoption of GASB 101 had no impact on the City’s beginning of year net position.

The City adopted GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102) for the year ended September 30, 2025. The new accounting guidance requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The adoption of GASB 102 had no impact on the City’s beginning of year net position.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Future Financial Reporting Requirements

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2025. The City will evaluate the potential impact on the City's net position.

Statement No.	Title	Adoption Required
103	<i>Financial Reporting Model Improvements</i>	September 30, 2026
104	<i>Disclosure of Certain Capital Assets</i>	September 30, 2026
105	<i>Subsequent Events</i>	September 30, 2027

Note 2. Cash and Investments

The City utilizes a pooled cash and investment concept for all its funds, to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

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

	September 30, 2025	Percent of Total Portfolio	Weighted Average Maturity (Days)
Primary Government			
Cash and cash equivalents:			
Cash deposits – City	\$ 55,081,453	28%	
Certificates of deposit	41,149,315	21%	152
Total cash and cash equivalents	<u>96,230,768</u>		
Investment Pools:			
TexPool	34,273,647	18%	1
LOGIC	59,235,580	31%	1
Total investment pools	<u>93,509,227</u>		
Total cash and investments of the primary government	<u>\$ 189,739,995</u>		
Portfolio weighted average maturity (days)			52
Discretely Presented Component Unit			
Cash deposits	<u>\$ 648,753</u>		
Fiduciary Funds			
OPEB Trust Fund	\$ 3,029,312		
Private Purpose Trust Fund	16,506		
Total cash and investments of fiduciary funds	<u>\$ 3,045,818</u>		
Total cash and investments of the reporting entity	<u>\$ 193,434,566</u>		

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Reconciliation to the Basic Financial Statements. The cash and investments as of September 30, 2025, are reported in the financial statements as follows:

Government-wide Statement of Net Position:	
Governmental activities	\$ 158,873,486
Business-type activities	30,866,509
Discretely presented component unit	648,753
Fiduciary Funds Statement of Net Position:	
OPEB Trust Fund	3,029,312
Private Purpose Trust Fund	<u>16,506</u>
Total cash and investments	<u>\$ 193,434,566</u>

Investment Pools

During the year, the City invested in multiple public fund investment pools, including LOGIC and TexPool.

TexPool was created to invest funds on behalf of Texas political subdivisions. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operation, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the fair value to report net position to compute share prices. TexPool allows for same day or next day redemptions and deposits. As of September 30, 2025, TexPool's portfolio maintained a weighted average maturity of approximately 42 days.

Hilltop Securities, Inc. (HTS) and JPMorgan Investment Management, Inc. (JPMIM) serve as co-administrators for LOGIC under an agreement with its Board of Trustees and Board of Directors, respectively. HTS provides distribution, administrative, participant support and marketing services. JPMIM provides investment management, custody, and fund accounting services. JPMorgan Chase Bank, N.A. serves as custodian for LOGIC.

LOGIC and TexPool are not registered with the Securities and Exchange Commission (SEC) as investment companies. LOGIC and TexPool are investment pools that have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

The government investment pool TexPool is carried at amortized cost. LOGIC is carried at net asset value.

Interest Rate Risk – In accordance with its investment policy, the City minimizes the risk that the interest earnings and the fair value of investments in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
- Investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
- Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Credit Risk – In accordance with its investment policy, the City minimizes credit risk, the risk of loss due to the failure of the issuer or backer of the investment by:

- Limiting investments to the safest types of investments.
- Pre-qualifying the financial institutions and broker/dealers with which the City will do business.
- Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

Concentration of Credit Risk – The City's investment policy allows up to 100% to be invested in U. S. Treasury Bills/Notes/Bonds, and U. S. Agencies and Instrumentalities.

Custodial Credit Risk – State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of the State of Texas or its agencies. The City's deposits were fully collateralized by government securities as required by State statutes as of September 30, 2025.

OPEB Trust Fund Investments – The City has contracted with Public Agency Retirement Services (PARS) for trust administration and Union Bank serves as the trustee for all investments of the OPEB Trust Fund. PARS provides its participants a range of investment strategies, and the City has selected the PARS Balanced HighMark Plus Portfolio. The goal of the Plan's investment program is to generate adequate long-term returns that, when combined with contributions, will result in sufficient assets to pay present and future obligations to the Plan.

The Balanced Portfolio's goal is to provide growth of both principal and income. The Plan's underlying investments are allocated between equity and fixed income securities. The OPEB Plan does not have a formal policy for custodial credit risk. As of December 31, 2024, all investments are registered in the name of the OPEB Plan's custodian established through a master trust custodial agreement. The OPEB Trust Fund investments are carried at fair value of \$3,029,312 as of December 31, 2024. The investment in master trust is classified in Level 3 of the fair value hierarchy using quoted market prices of the mutual funds owned by the trust, allocated among members. The Trust's funds are invested in a mutual fund that is invested in equity and fixed income mutual funds. The investment strategy of the OPEB Trust Fund is to provide current income with capital appreciation. The credit rating and weighted average maturity is not available for the pool.

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 Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

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 hierarchy in which the fair value measurements fall at September 30, 2025:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by Fair Value Level				
Investment in Master Trust – OPEB	\$ 3,029,312	\$ -	\$ -	\$ 3,029,312
Total investments by fair value level	<u>3,029,312</u>	<u>-</u>	<u>-</u>	<u>3,029,312</u>
Investments Measured at Net Asset Value – LOGIC	59,235,580			
Investments Measured at Amortized Cost – TexPool	34,273,647			
Non-negotiable Certificates of Deposit – Amortized Cost	<u>36,130,183</u>			
Total investments	<u>\$ 132,668,722</u>			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient or amortized cost have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for the applicable external investment pool balances. Additionally, the City has investments in an investment pool and certificates of deposit, as listed above, which are recorded at amortized cost and excluded from the fair value hierarchy.

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. Investment in Master Trust is classified as Level 3 as there is limited trade information. These securities are priced using the last trade price.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Note 3. Receivables

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

	General	Hotel	Crime	4B -	4B -	Debt	General	Grant	Non-Major	Water and	Lake
	Fund	Occupancy	District	Economic	Transit	Service	Facilities and	Fund	Governmental	Sewer	Enterprise
	Fund	Fund	Fund	Development	Fund	Fund	Equipment	Fund	Funds	Fund	Fund
Receivables:											
Ad valorem	\$ 351,173	\$ -	\$ -	\$ -	\$ -	\$ 406,055	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	7,798,374	-	3,606,128	1,076,738	2,604,927	-	-	-	-	-	-
Hotel and motel taxes	-	1,596,161	-	-	-	-	-	-	-	-	-
Court fines	634,096	-	-	-	-	-	-	-	-	-	-
Charges for services	2,445,126	-	-	-	-	-	-	-	-	-	-
Leases	2,886,674	9,799	-	-	-	-	1,069,975	-	2,899,886	3,868,961	6,294
Interest	15,464	23	-	-	-	-	4,823	-	13,968	-	-
Notes	-	-	-	-	-	-	3,539,758	-	-	-	-
Due from other governments	92,478	-	44,500	-	-	-	3,250,000	3,103,055	377,221	-	-
Other	2,330,967	99,902	-	-	-	-	678,311	-	262,698	-	-
Gross receivables	<u>16,554,352</u>	<u>1,705,885</u>	<u>3,650,628</u>	<u>1,076,738</u>	<u>2,604,927</u>	<u>406,055</u>	<u>8,542,867</u>	<u>3,103,055</u>	<u>3,553,773</u>	<u>3,868,961</u>	<u>6,294</u>
Less: allowance for doubtful accounts	<u>(2,282,707)</u>	<u>(14,988)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(281,543)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,916)</u>	<u>-</u>
Net receivables	<u>\$ 14,271,645</u>	<u>\$ 1,690,897</u>	<u>\$ 3,650,628</u>	<u>\$ 1,076,738</u>	<u>\$ 2,604,927</u>	<u>\$ 124,512</u>	<u>\$ 8,542,867</u>	<u>\$ 3,103,055</u>	<u>\$ 3,553,773</u>	<u>\$ 3,770,045</u>	<u>\$ 6,294</u>

Based on the payment schedule for notes receivables and due from other governments, the balances are not expected to be collected within the next year.

Note 4. Lease Receivable

The City leases a portion of its property to various cell phone companies and businesses who use the space to conduct their operations, the terms of which expire 2026 through 2043. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

The City recognized \$981,682 in lease revenue and \$128,863 in interest revenue during the current fiscal year related to these leases. Lease revenues are reported within charges for services in the accompanying statement of revenues, expenditures, and changes in fund balances. As of September 30, 2025, the City's receivable for lease payments was \$6,866,334, in addition to lease interest receivable of \$34,278. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2025, the balance of the deferred inflow of resources was \$6,616,587.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

The following is a schedule by year of minimum payments to be received under the City's leases that are included in the measurement of the lease receivable as of September 30, 2025:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 955,171	\$ 135,421	\$ 1,090,592
2027	994,074	115,355	1,109,429
2028	957,250	94,353	1,051,603
2029	997,522	72,924	1,070,446
2030	642,569	53,084	695,653
2031-2035	1,668,450	154,089	1,822,539
2036-2040	457,105	59,094	516,199
2041-2043	194,193	10,540	204,733
Total	<u>\$ 6,866,334</u>	<u>\$ 694,860</u>	<u>\$ 7,561,194</u>

Note 5. Capital, Lease, and Subscription Assets

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

Primary Government	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 36,782,765	\$ 5,004,413	\$ -	\$ -	\$ 41,787,178
Right of way	79,562,729	-	-	-	79,562,729
Construction in progress	16,099,159	22,564,014	(240,587)	(13,496,233)	24,926,353
Total capital assets not being depreciated	132,444,653	27,568,427	(240,587)	(13,496,233)	146,276,260
Capital, lease, and subscription assets being depreciated/amortized:					
Buildings	240,382,962	-	(1,534,112)	1,003,288	239,852,138
Improvements other than buildings	68,850,250	49,650	(103,388)	9,176,710	77,973,222
Machinery and equipment	55,505,513	7,323,239	(2,717,917)	137,739	60,248,574
Computer software	809,731	-	-	-	809,731
Infrastructure	162,377,531	485,455	-	3,085,251	165,948,237
Lease building	170,611	-	-	-	170,611
Lease equipment	3,563,140	18,193	-	-	3,581,333
Subscription assets	1,047,584	1,912,574	(206,565)	-	2,753,593
Totals capital, lease, and subscription assets being depreciated/amortized	532,707,322	9,789,111	(4,561,982)	13,402,988	551,337,439
Less accumulated depreciation/amortization for:					
Buildings	(52,313,911)	(6,033,088)	1,356,058	-	(56,990,941)
Improvements other than buildings	(34,812,987)	(3,446,536)	103,388	-	(38,156,135)
Machinery and equipment	(34,960,224)	(3,692,195)	2,625,737	-	(36,026,682)
Computer software	(168,320)	(112,126)	-	-	(280,446)
Infrastructure	(105,250,036)	(5,560,805)	-	-	(110,810,841)
Lease building	(85,305)	(34,122)	-	-	(119,427)
Lease equipment	(146,023)	(382,690)	-	-	(528,713)
Subscription assets	(875,115)	(518,088)	181,136	-	(1,212,067)
Total accumulated depreciation/amortization	(228,611,921)	(19,779,650)	4,266,319	-	(244,125,252)
Total capital, lease, and subscription assets, being depreciated/amortized, net	304,095,401	(9,990,539)	(295,663)	13,402,988	307,212,187
Governmental activities capital, lease, and subscription assets, net	<u>\$ 436,540,054</u>	<u>\$ 17,577,888</u>	<u>\$ (536,250)</u>	<u>\$ (93,245)</u>	<u>\$ 453,488,447</u>

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 593,970	\$ -	\$ -	\$ -	\$ 593,970
Easements	57,555,464	-	-	-	57,555,464
Construction in progress	8,291,064	6,739,378	-	(5,237,591)	9,792,851
Total capital assets not being depreciated	66,440,498	6,739,378	-	(5,237,591)	67,942,285
Capital, lease, and subscription assets being depreciated/amortized:					
Buildings	7,200,416	-	-	-	7,200,416
Improvements other than buildings	10,291,453	65,861	-	1,349,687	11,707,001
Machinery and equipment	9,241,319	1,726,138	(596,750)	305,991	10,676,698
Water storage rights	683,547	-	-	-	683,547
Computer software	79,507	-	-	-	79,507
Infrastructure	151,309,932	1,283,397	-	3,675,158	156,268,487
Lease equipment	74,192	-	(15,931)	-	58,261
Subscription assets	-	156,058	-	-	156,058
Totals capital, lease, and subscription assets being depreciated/amortized	178,880,366	3,231,454	(612,681)	5,330,836	186,829,975
Less accumulated depreciation/amortization for:					
Buildings	(2,289,317)	(149,065)	-	-	(2,438,382)
Improvements other than buildings	(8,387,178)	(178,714)	-	-	(8,565,892)
Machinery and equipment	(4,575,851)	(904,024)	594,665	-	(4,885,210)
Water storage rights	(683,547)	-	-	-	(683,547)
Computer software	(43,266)	(13,149)	-	-	(56,415)
Infrastructure	(67,659,337)	(3,692,387)	-	-	(71,351,724)
Lease equipment	(42,135)	(14,468)	15,901	-	(40,702)
Subscription assets	-	(63,914)	-	-	(63,914)
Total accumulated depreciation/amortization	(83,680,631)	(5,015,721)	610,566	-	(88,085,786)
Total capital, lease, and subscription assets, being depreciated/amortized, net	95,199,735	(1,784,267)	(2,115)	5,330,836	98,744,189
Business-type activities capital, lease, and subscription assets, net	\$ 161,640,233	\$ 4,955,111	\$ (2,115)	\$ 93,245	\$ 166,686,474

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

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

Governmental activities:	
General government	\$ 3,989,860
Public safety	3,413,111
Public works	6,745,313
Culture and recreation	4,857,014
Tourism	<u>774,352</u>
Total depreciation and amortization expense – governmental activities	<u>\$ 19,779,650</u>
Business-type activities:	
Water and sewer	\$ 4,387,650
Lake Enterprise	<u>628,071</u>
Total depreciation and amortization expense – business-type activities	<u>\$ 5,015,721</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Discretely Presented Component Unit					
Capital assets not being depreciated:					
Land	\$ 450,067	\$ -	\$ -	\$ -	\$ 450,067
Total capital assets not being depreciated	<u>450,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,067</u>
Capital assets being depreciated:					
Buildings	1,031,174	-	-	-	1,031,174
Improvements other than buildings	998,902	-	-	-	998,902
Vehicles and equipment	<u>31,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,275</u>
Total capital assets being depreciated	<u>2,061,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,061,351</u>
Less accumulated depreciation:					
Buildings	(476,648)	(26,419)	-	-	(503,067)
Improvements other than buildings	(948,074)	(3,213)	-	-	(951,287)
Vehicles and equipment	<u>(31,275)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,275)</u>
Total accumulated depreciation	<u>(1,455,997)</u>	<u>(29,632)</u>	<u>-</u>	<u>-</u>	<u>(1,485,629)</u>
Total capital assets being depreciated, net	<u>605,354</u>	<u>(29,632)</u>	<u>-</u>	<u>-</u>	<u>575,722</u>
Discretely presented component unit capital assets, net	<u>\$ 1,055,421</u>	<u>\$ (29,632)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025,789</u>

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Construction Commitments

The City has active construction commitments as of September 30, 2025, related to the following projects:

<u>Project</u>	<u>Commitment</u>
City building improvements	\$ 1,505,698
Streets and drainage projects	1,928,121
Water and wastewater treatment plant projects	26,560,136
Water and wastewater projects	2,351,499
Parks projects	<u>4,351,787</u>
 Total	 <u>\$ 36,697,241</u>

The commitments for City building improvements, streets, parks and drainage construction will be funded from unexpended general obligation and certificates of obligation bond proceeds. Water and wastewater projects will be funded from unexpended certificates of obligation and revenue bond proceeds and operations.

Note 6. Interfund Receivables, Payables and Transfers

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

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Lake Enterprise Fund	<u>\$ 15,366</u>

Interfund balances for all the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid in one year or less.

Interfund Transfers

A summary of interfund transfers by fund type is as follows:

	<u>Transfers in</u>								
	<u>General Fund</u>	<u>Hotel Occupancy Fund</u>	<u>Crime District Fund</u>	<u>Debt Service Fund</u>	<u>General Facilities and Equipment Fund</u>	<u>Grant Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total Transfers Out</u>
General Fund	\$ -	\$ -	\$ 2,416,788	\$ -	\$ 1,000,378	\$ -	\$ 9,204,703	\$ -	\$ 12,621,869
Hotel Occupancy Fund	1,976,128	-	-	666,555	4,728,427	-	-	-	7,371,110
Debt Service Fund	-	-	-	-	-	-	-	666,444	666,444
4B - Economic Development Fund	537,090	-	-	1,398,453	-	1,003,589	-	-	2,939,132
4B - Transit Fund	-	360,062	-	-	-	-	-	-	360,062
Grant Fund	175,344	-	-	-	-	-	-	-	175,344
Nonmajor Governmental	117,074	-	-	222,815	-	-	-	-	339,889
Water and Sewer Fund	2,340,966	-	-	225,232	-	-	-	-	2,566,198
Lake Enterprise	<u>190,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,065</u>
 Total transfers in	 <u>\$ 5,336,667</u>	 <u>\$ 360,062</u>	 <u>\$ 2,416,788</u>	 <u>\$ 2,513,055</u>	 <u>\$ 5,728,805</u>	 <u>\$ 1,003,589</u>	 <u>\$ 9,204,703</u>	 <u>\$ 666,444</u>	 <u>\$ 27,230,113</u>

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Interfund transfers are primarily made by the City for the following reasons:

- Transfers to the General Fund from other funds consist of funding for various capital projects, economic development, and fund various programs accounted for in other funds.
- Transfers to the Hotel Occupancy Fund consist of funding for shuttle services.
- Transfers to the CCPD Fund represent amounts estimated to be required to cover the variance between CCPD requirements and CCPD sales tax collections.
- Transfers to the Debt Service Fund were required to pay for self-supporting debt associated with the 4B Fund and the CVB Fund, as well as amount from the Nonmajor Governmental fund and the Water and Sewer fund for debt service payments.
- Transfers to the General Facilities and Equipment Fund represent amounts required to cover excess costs associated with Convention & Visitors Bureau capital improvements and general government.
- Non-major Governmental Funds transfers in consist of amounts for fleet replacement, IT infrastructure, Quality of Life projects, and Parks, Facilities, and Street maintenance requirements.
- Transfers to the Water and Sewer Fund were for debt service payments.

Note 7. Deferred Inflows of Resources

As of September 30, 2025, deferred inflows of resources reported in the governmental funds for unavailable revenues and leases are as follows:

	General Fund	Hotel Occupancy Tax Fund	Crime District Fund	Debt Service Fund	General Facilities and Equipment Fund	Grant Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 101,680	\$ -	\$ -	\$ 122,338	\$ -	\$ -	\$ -	\$ 224,018
Court fines and fees	158,524	-	-	-	-	-	-	158,524
Ambulance billing	629,061	-	-	-	-	-	-	629,061
Intergovernmental	-	-	-	-	-	2,980,375	444,739	3,425,114
Leases	2,720,320	8,898	-	-	1,062,660	-	2,824,709	6,616,587
Other	59,315	-	17,961	-	-	-	-	77,276
						\$		
Total	\$ 3,668,900	\$ 8,898	\$ 17,961	\$ 122,338	\$ 1,062,660	2,980,375	\$ 3,269,448	\$ 11,130,580

Note 8. Lease Liabilities

The City leases property and equipment from various third parties to conduct its operations, the terms of which expire 2026 through 2033. The measurement of the lease payables is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

As of September 30, 2025, the value of the lease liabilities was \$2,890,100. Incremental borrowing rates of 0.2130 percent to 2.660 percent were used to measure lease liabilities. The value of the right-to-use assets as of the end of the current fiscal year was \$3,810,205 and had accumulated amortization of \$688,842.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

The future principal and interest payments for lease liabilities as of September 30, 2025, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total Requirements
2026	\$ 373,629	\$ 75,457	\$ 449,086
2027	351,059	66,068	417,127
2028	334,891	57,132	392,023
2029	343,799	48,223	392,022
2030	352,944	39,078	392,022
2031-2033	1,116,169	59,900	1,176,069
Total	<u>\$ 2,872,491</u>	<u>\$ 345,858</u>	<u>\$ 3,218,349</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total Requirements
2026	\$ 14,155	\$ 24	\$ 14,179
2027	3,454	1	3,455
Total	<u>\$ 17,609</u>	<u>\$ 25</u>	<u>\$ 17,634</u>

Note 9. Subscription Liabilities

The City has subscription IT arrangements to conduct its operations, the terms of which expire 2026 through 2029. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

As of September 30, 2025, the value of the subscription liabilities was \$1,123,844. An incremental borrowing rate of 2.3120 percent to 3.2380 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2025, was \$2,909,651 and had accumulated amortization of \$1,275,981.

The future principal and interest payments for subscription liabilities as of September 30, 2025, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total Requirements
2026	\$ 696,370	\$ 27,219	\$ 723,589
2027	323,000	8,770	331,770
2028	33,948	876	34,824
2029	2,388	9	2,397
Total	<u>\$ 1,055,706</u>	<u>\$ 36,874</u>	<u>\$ 1,092,580</u>

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total Requirements
2026	\$ 68,138	\$ 1,641	\$ 69,779
Total	<u>\$ 68,138</u>	<u>\$ 1,641</u>	<u>\$ 69,779</u>

Note 10. Long-Term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with principal maturing each year.

A summary of the terms of general obligation bonds outstanding and their corresponding allocations to the governmental and business-type activities as of September 30, 2025, follows:

General Obligation Bonds	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding
Governmental activities:					
2015 General Obligation Refunding Bonds	02/26/2015	\$ 14,695,000	3.000%	02/15/2026	\$ 270,000
2017 General Obligation Refunding Bonds	02/21/2017	1,365,000	2.000% - 3.000%	02/15/2027	305,000
2019 General Obligation Refunding and Improvement Bonds	07/09/2019	28,860,000	3.000% - 4.000%	02/15/2039	19,810,000
2021 General Obligation Refunding Bonds	09/02/2021	44,945,000	1.000% - 2.000%	02/15/2033	<u>35,705,000</u>
Total general obligation bonds outstanding					<u>\$ 56,090,000</u>

Annual debt service requirements for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total Requirements
2026	\$ 6,080,000	\$ 1,103,986	\$ 7,183,986
2027	5,955,000	987,355	6,942,355
2028	5,955,000	877,026	6,832,026
2029	6,115,000	761,013	6,876,013
2030	5,755,000	643,918	6,398,918
2031 - 2035	20,435,000	1,686,421	22,121,421
2036 - 2039	<u>5,795,000</u>	<u>353,925</u>	<u>6,148,925</u>
Total	<u>\$ 56,090,000</u>	<u>\$ 6,413,644</u>	<u>\$ 62,503,644</u>

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Certificates of Obligation

The City also issues certificates of obligation to finance the acquisition and construction of capital assets including certain capital improvement projects, municipal facilities, and machinery and equipment.

The City had the following certificates of obligation outstanding as of September 30, 2025:

Certificates of Obligation	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding
Governmental Activities:					
2015 Combination Tax and Revenue Certificates of Obligation	2/26/2015	\$ 2,000,000	3.000% - 4.500%	2/15/2035	\$ 715,000
2017 Combination Tax and Revenue Certificates of Obligation	2/21/2017	9,535,000	3.000% - 5.000%	2/15/2037	5,965,000
2018 Combination Tax and Revenue Certificates of Obligation	5/15/2018	32,310,000	3.000% - 5.000%	2/15/2038	25,430,000
2021 Combination Tax and Revenue Certificates of Obligation	9/02/2021	10,220,000	2.000% - 4.000%	2/15/2041	8,675,000
2022 Combination Tax and Revenue Certificates of Obligation	12/21/2022	13,510,000	4.000% - 5.000%	2/15/2042	11,790,000
2024 Combination Tax and Revenue Certificates of Obligation	6/18/2024	15,717,975	4.000% - 5.000%	2/15/2044	15,285,725
					<u>\$ 67,860,725</u>
Business-type Activities:					
2015 Combination Tax and Revenue Certificates of Obligation	2/26/2015	\$ 9,720,000	3.000% - 4.500%	2/15/2035	\$ 5,640,000
2024 Combination Tax and Revenue Certificates of Obligation	6/18/2024	18,827,025	4.000% - 5.000%	2/15/2044	18,309,275
					<u>\$ 23,949,275</u>
Total certificates of obligation outstanding					<u>\$ 91,810,000</u>

Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows:

Year Ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2026	\$ 3,788,225	\$ 2,512,792	\$ 6,301,017	\$ 1,056,775	\$ 1,027,102	\$ 2,083,877
2027	3,965,525	2,333,037	6,298,562	1,089,475	979,195	2,068,670
2028	4,135,550	2,147,010	6,282,560	1,159,450	927,772	2,087,222
2029	4,175,125	1,966,549	6,141,674	1,234,875	872,439	2,107,314
2030	4,289,700	1,802,647	6,092,347	1,355,300	811,272	2,166,572
2031 - 2035	23,556,275	6,558,226	30,114,501	7,308,725	3,153,842	10,462,567
2036 - 2040	17,862,725	2,482,990	20,345,715	5,447,275	1,713,126	7,160,401
2041 - 2044	6,087,600	410,103	6,497,703	5,297,400	434,147	5,731,547
Total	<u>\$ 67,860,725</u>	<u>\$ 20,213,354</u>	<u>\$ 88,074,079</u>	<u>\$ 23,949,275</u>	<u>\$ 9,918,895</u>	<u>\$ 33,868,170</u>

Contractual Obligations

The City has issued contractual obligations to finance the acquisition of certain capital equipment. These obligations are issued pursuant to the Constitution of the State of Texas, including particularly Subchapter A of Chapter 271, Texas Local Government Code (the Public Property Finance Act), and constitute direct obligations of the City of Grapevine, Texas, payable from a continuing ad valorem tax levied on all taxable property within the City.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

The City had the following Public Property Finance (“PPF”) contractual obligations outstanding as of September 30, 2025:

Contractual Obligations	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding
Governmental activities:					
2015 Public Property Finance Contractual Obligations	12/30/2015	\$ 3,070,000	4.000%	2/15/2026	\$ 75,000
2018 Public Property Finance Contractual Obligations	3/6/2018	2,500,000	3.950%	3/01/2028	853,590
Total contractual obligations outstanding					<u>\$ 928,590</u>

Contractual obligation debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities Publicly Sold			Governmental Activities Private Placement		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2026	\$ 75,000	\$ 1,500	\$ 76,500	\$ 273,582	\$ 33,717	\$ 307,299
2027	-	-	-	284,388	22,910	307,298
2028	-	-	-	295,620	11,677	307,297
Total	<u>\$ 75,000</u>	<u>\$ 1,500</u>	<u>\$ 76,500</u>	<u>\$ 853,590</u>	<u>\$ 68,304</u>	<u>\$ 921,894</u>

Revenue Bonds

On May 15, 2018, the City issued Sales Tax Revenue Refunding Bonds, Series 2018, to refund the existing Sales Tax Revenue Bonds, Series 2014. The Sales Tax Revenue Refunding Bonds, Series 2018, were issued by the Grapevine 4B Economic Development Corporation, a blended component unit of the City, pursuant to Chapters 501, 502, and 505, Texas Local Government Code. These bonds are special obligations of the City, payable from a secured lien on and pledge of certain pledged revenues which include the proceeds of ¼ of the ½ cent sales and use tax levied within the City for the benefit of the Grapevine 4B Economic Development Corporation.

As of September 30, 2025, the remaining balances for principal and interest on the debt are \$10,615,000 and \$1,968,631, respectively. Annual debt service requirements through February 15, 2034, do not exceed \$1,500,000 per year and are paid out of the debt service fund through a transfer of principal and interest expense from the Grapevine 4B Economic Development Corporation. Sales tax revenue collections in the 4B-Economic Development Fund were \$6,652,150 for the year ended September 30, 2025.

The following is a summary of pledged revenues of the 4B-Economic Development Fund for the year ended September 30, 2025:

Revenue Pledged	Total Pledged Revenue	Current Year Debt Service Payments	Percentage Portion of Pledged Revenue Stream	Remaining Principal and Interest	Period Revenue will not be Available for Other Purposes
.25% Sales and Use Tax	\$ 6,652,150	\$ 1,396,569	21%	\$ 12,583,633	Until 2034

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

A reserve fund is required to be maintained as security for the payment of the sales tax revenue refunding bonds. The reserve fund is required to be funded in an amount equal to the maximum annual principal and interest required for the bonds. The reserve is currently funded at \$1,402,400, which meets the reserve requirements.

On June 6, 2000, the City issued Combination Tax and Tax Increment Revenue Certificates of Obligation, Series 2000. These bonds were subsequently refunded with Combination Tax and Tax Increment Reinvestment Zone Revenue Refunding Bonds, Series 2005A, and with Combination Tax and Tax Increment Reinvestment Zone Revenue Refunding Bonds, Series 2015A.

The Combination Tax and Tax Increment Reinvestment Zone #2 Revenue Refunding Bonds, Series 2015A, were issued pursuant to the Constitution and the general laws of the State of Texas, including particularly, Chapter 1207, Texas Government Code and Section 9.26 of the City's Home Rule Charter, and are direct obligations of the City, payable from a combination of the levy and collection of a continuing ad valorem tax levied on all taxable property within the City and a subordinate lien on an pledge of the tax increments deposited in the tax increment fund established for TIF #2.

As of September 30, 2025, the remaining principal and interest on the bonds was \$2,230,000 and \$78,050, respectively. Principal and interest payments for the fiscal year were \$2,165,000 and \$143,000. Tax increment revenues for TIF #2 for the current year were \$7,276,219. The outstanding revenue bonds have a final maturity of August 15, 2026.

Revenue Pledged	Total Pledged Revenue	Current Year Debt Service Payments	Percentage Portion of Pledged Revenue Stream	Remaining Principal and Interest	Period Revenue will not be Available for Other Purposes
Ad Valorem Tax	\$ 7,276,219	\$ 2,308,000	32%	\$ 2,308,050	Until 2026

A summary of the terms of the revenue bonds outstanding for the governmental activities as of September 30, 2025, is as follows:

Revenue Bonds	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding
Governmental activities:					
2015 A Combination Tax and TIRZ #2 Revenue Refunding Bonds	2/26/2015	\$ 20,565,000	3.000% - 3.500%	8/15/2026	\$ 2,230,000
2018 Sales Tax Revenue Refunding Bonds	5/15/2018	16,930,000	3.000% - 4.000%	2/15/2034	<u>10,615,000</u>
Total revenue bonds outstanding					<u>\$ 12,845,000</u>

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Annual debt service requirements for the revenue bonds are as follows:

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2026	\$ 3,245,000	\$ 459,619	\$ 3,704,619
2027	1,050,000	348,013	1,398,013
2028	1,085,000	311,963	1,396,963
2029	1,125,000	273,288	1,398,288
2030	1,170,000	230,200	1,400,200
2031 - 2034	5,170,000	423,600	5,593,600
Total	<u>\$ 12,845,000</u>	<u>\$ 2,046,683</u>	<u>\$ 14,891,683</u>

The following is a summary of long-term liability transactions, excluding net pension and other postemployment benefit liabilities, of the City for the year ended September 30, 2025 :

	Beginning Balance	Increases	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 61,985,000	\$ -	\$ (5,895,000)	\$ 56,090,000	\$ 6,080,000
Certificates of obligation	71,412,975	-	(3,552,250)	67,860,725	3,788,225
Contractual obligations	145,000	-	(70,000)	75,000	75,000
Contractual obligations – private placement	1,116,776	-	(263,186)	853,590	273,582
Revenue bonds	15,995,000	-	(3,150,000)	12,845,000	3,245,000
Premium on bond issues	5,663,827	-	(571,276)	5,092,551	-
Discount on bond issues	(22,056)	-	2,452	(19,604)	-
Lease liabilities	3,233,669	18,193	(379,371)	2,872,491	373,629
Subscription liabilities	84,278	1,651,848	(680,420)	1,055,706	696,370
Total bonds, notes payable, lease and subscription liabilities	<u>159,614,469</u>	<u>1,670,041</u>	<u>(14,559,051)</u>	<u>146,725,459</u>	<u>14,531,806</u>
Compensated absences *	<u>5,199,807</u>	<u>-</u>	<u>(584,366)</u>	<u>4,615,441</u>	<u>3,230,809</u>
Total governmental activities long-term liabilities	<u>\$ 164,814,276</u>	<u>\$ 1,670,041</u>	<u>\$ (15,143,417)</u>	<u>\$ 151,340,900</u>	<u>\$ 17,762,615</u>

* Changes in compensated absences are reflected net.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

	Beginning Balance	Increases	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Water and sewer obligations:					
Certificates of obligation	\$ 24,927,025	\$ -	\$ (977,750)	\$ 23,949,275	\$ 1,056,775
Premium on bond issues	1,391,784	-	(96,922)	1,294,862	-
Lease liabilities	32,086	-	(14,477)	17,609	14,155
Subscription liabilities	-	131,428	(63,290)	68,138	68,138
	<u>26,350,895</u>	<u>131,428</u>	<u>(1,152,439)</u>	<u>25,329,884</u>	<u>1,139,068</u>
Total bonds payable and lease liabilities					
Compensated absences *	319,435	-	(47,198)	272,237	190,565
	<u>26,670,330</u>	<u>131,428</u>	<u>(1,199,637)</u>	<u>25,602,121</u>	<u>1,329,633</u>
Total business-type activities long-term liabilities					

* Changes in compensated absences are reflected net.

Note 11. Defined Benefit Pension Plan

Plan Description

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

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

Benefits Provided

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

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

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Starting in 2005, the City of Grapevine granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which considers salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest until retirement. At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1998, the City of Grapevine provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, or 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI, repeating

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	544
Inactive employees entitled to but not yet receiving benefits	413
Active employees	<u>639</u>
Total	<u><u>1,596</u></u>

Contributions

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

Employees for the City of Grapevine were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City of Grapevine were 20.14% and 20.06% in calendar years 2025 and 2024 respectively. The City’s contributions to TMRS for the fiscal year ended September 30, 2025, were \$12,381,300 and were equal to the required contributions.

Net Pension Liability

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

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Actuarial Assumptions

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35%	7.1%
Core Fixed Income	6%	5.0%
Non-Core Fixed Income	6%	6.8%
Hedge Funds	5%	6.4%
Private Equity	13%	8.5%
Private Debt	13%	8.2%
Real Estate	12%	6.7%
Infrastructure	6%	6.0%
Other Private Markets	4%	7.3%
Total	100%	

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at October 1, 2024	\$ 379,432,354	\$ 327,757,237	\$ 51,675,117
Changes for the year:			
Service cost	11,148,705	-	11,148,705
Interest	25,392,181	-	25,392,181
Difference between expected and actual experience	1,884,404	-	1,884,404
Change in assumptions	-	-	-
Contributions - employer	-	11,690,694	(11,690,694)
Contributions - employee	-	4,079,505	(4,079,505)
Net investment income	-	34,045,150	(34,045,150)
Benefit payments, including refunds of employee contributions	(17,652,495)	(17,652,495)	-
Administrative expense	-	(218,411)	218,411
Other changes	-	(5,108)	5,108
Net changes	<u>20,772,795</u>	<u>31,939,335</u>	<u>(11,166,540)</u>
Balance at September 30, 2025	<u>\$ 400,205,149</u>	<u>\$ 359,696,572</u>	<u>\$ 40,508,577</u>

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

	1% Decrease in Discount Rate (5.75)%	Current Single Discount Rate Assumption (6.75)%	1% Increase in Discount Rate (7.75)%
City's net pension liability / (asset)	93,896,398	40,508,577	(3,595,265)

Pension Plan Fiduciary Net Position

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

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

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

For the year ended September 30, 2025, the City recognized pension expense of \$12,827,215, which is allocated to the governmental and business-type activities in the amounts of \$11,702,675 and \$1,124,540, respectively on the basis of covered payroll.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,917,224	\$ -
Changes in actuarial assumptions	-	1,042,704
Difference between projected and actual investment earnings	-	3,608,199
Contributions subsequent to the measurement date	<u>9,402,965</u>	<u>-</u>
 Total	 <u>\$ 14,320,189</u>	 <u>\$ 4,650,903</u>

\$9,402,965 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ 2,498,230
2027	4,894,026
2028	(4,741,631)
2029	<u>(2,384,304)</u>
 Total	 <u>\$ 266,321</u>

Note 12. Other Postemployment Benefit (OPEB) Plan

Plan Description

The City offers retired employees and their dependents the option to retain health and dental insurance coverage under the City's plan through a single employer defined benefit OPEB plan administered by the City of Grapevine Post-Retirement Health Care Plan Trust. Public Agency Retirement Services (PARS) is the Trust Administrator. The governing body of the Trust is composed of a coalition of member public agencies. Each member public agency appoints its individual plan administrator to serve as a member of the governing body. Certain provisions of the Trust may be changed by a two-thirds vote of the members of the governing body. A more detailed description of the plan is as follows:

Eligibility

The benefit is available to retirees and their spouses.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

An employee must resign and satisfy the requirements for service retirement under TMRS with 20 years of full-time service with the City or 5 years of service with the City for age 60 and above. City Council members that serve three terms will be classified as retired employees when they leave office.

Retirees pay premiums for coverage in the OPEB programs. There is not a maximum employer paid premium amount (capped benefit). Active employees do not contribute to the retiree health care plan. Retirees are eligible for benefits immediately upon retirement. If the employee returns to work for an employer that offers health coverage, they become ineligible for the City's plan and cannot rejoin the City's health plan at a later date.

Benefits Provided

Retirees are eligible for medical, dental, vision, and prescription insurance until they become Medicare eligible. Retirees are also eligible for a \$20,000 life insurance policy. Once Medicare eligible, retirees are eligible for dental, vision, and life insurance only. At that time, the City medical plan will no longer be available. The City supplements 70% of the premium to all retirees who either (1) retire after the age of 65 or (2) are covered pre-Medicare in the retiree medical program. Spouses of retirees will receive the City supplement if they have been on the plan for one year prior to retirement.

If an active employee passes away, the spouse and dependents will become eligible for retiree coverage if (1) the employee was eligible for retirement as defined by the Texas Municipal Retirement System; and (2) the employee had dependent coverage at the time of death. Coverage will continue under the plan if monthly retiree premiums are paid by the specified due date, until dependents are no longer considered eligible dependents as defined by the plan, until the covered dependent becomes Medicare eligible, or until a surviving spouse remarries.

For the fiscal year ended September 30, 2025, the City's contributions to the plan were \$2,762,766, which consists of a trust contribution of \$19,063 and benefit payments of \$2,743,703.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	295
Active members	639
Total	934

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Health care cost trend rates	Pre-65 Medical: Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years; Post-65 Medical Subsidy: Initial rate of 5.90% declining to an ultimate rate of 1.25% after 9 years Dental: 4.00%; Vision: 3.00%
------------------------------	--

Notes:	The Single Discount Rate changed from 3.80% as of December 31, 2023 to 4.10% as of December 31, 2024. Additionally, the participation rates for future retirees were lowered and the healthcare trend rates were updated to reflect the plan's anticipated experience.
--------	--

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

There is no separately issued audited benefit plan report available for the City’s OPEB plan.

Investment Policy

The plan’s policy in regard to the allocation of invested assets is established by the City. The current asset allocation policy for the plan year ended December 31, 2024, is as follows:

Asset Class	Target Allocation
Equity	54.00%
Diversifying	6.00%
Fixed Income	38.00%
Cash	2.00%
Total	100.00%

Concentrations

All of the Plan’s investments are held with Public Agency Retirement Services in the Balanced Index Fund.

Rate of Return

For the plan year ended December 31, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 12.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 4.10% was used to measure the total OPEB liability. This single discount rate was based on the municipal bond rates of 4.08% as of the measurement date. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” based on the daily rate closest to but not later than the measurement date, along with the expected rate of return on OPEB plan investments of 6.25% resulting in the single discount rate of 4.10%.

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.25%.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.10%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate 3.10%	Discount Rate 4.10%	1% Increase in Discount Rate 5.10%
City's net OPEB liability	\$ 118,959,009	\$ 103,053,092	\$ 90,089,838

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the Net OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's net OPEB liability	\$ 88,602,970	\$ 103,053,092	\$ 121,362,642

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEBs

As of September 30, 2025, the City reported a liability of \$103,053,092 for its net OPEB liability. The net OPEB liability was determined by an actuarial valuation as of December 31, 2024, and a measurement date of December 31, 2024. For the year fiscal ended September 30, 2025, the City recognized OPEB expense of \$7,899,334, which is allocated to governmental and business-type activities in the amounts of \$7,104,104 and \$795,230, respectively on the basis of covered payroll. There were no changes of benefit terms that affected measurement of the net OPEB liability during the measurement period.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at beginning of year	\$ 83,966,008	\$ 2,739,243	\$ 81,226,765
Changes for the year:			
Service cost	5,099,788	-	5,099,788
Interest	3,233,111	-	3,233,111
Difference between expected and actual experience	3,659,776	-	3,659,776
Changes of assumptions	12,991,811	-	12,991,811
Contributions – employer	-	2,849,027	(2,849,027)
Net investment income	-	325,994	(325,994)
Benefit payments	(2,868,090)	(2,868,090)	-
Administrative expense	-	(16,862)	16,862
Net changes	22,116,396	290,069	21,826,327
Balance at end of year	\$ 106,082,404	\$ 3,029,312	\$ 103,053,092

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

The plan's Fiduciary Net Position as a percentage of Total OPEB Liability was 2.86% at September 30, 2025.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.80% to 4.10%. As of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,115,523	\$ 4,455,531
Changes in actuarial assumptions	17,746,126	12,830,234
Difference between projected and actual investment earnings	-	36,878
Contributions subsequent to the measurement date	<u>2,530,192</u>	<u>-</u>
 Total	 <u>\$ 23,391,841</u>	 <u>\$ 17,322,643</u>

\$2,530,192 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the City paid with its own assets and will be recognized as a reduction of the net OPEB liability for the fiscal year ending September 30, 2026.

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

2026	\$ 577,235
2027	279,449
2028	(854,182)
2029	(917,326)
2030	2,660,001
Thereafter	<u>1,793,829</u>
 Total	 <u>\$ 3,539,006</u>

Note 13. 457(b) Retirement Plans

The City offers all employees an opportunity to participate in two deferred compensation plans that have been established in accordance with Internal Revenue Code Section 457. These plans are 457(b) plans, and one is administered by Mission Square, and one is administered by Nationwide. The Plans provisions and contribution requirements are established and may be amended by plan administrator. Vantage Trust Company is the trustee of the Mission Square plan and Nationwide is the trustee of its plan. Employees may enroll in the plans and/or change their contribution amounts at any time. The City does not contribute to either plan.

Note 14. Commitments and Contingencies

The City is a defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City.

The City participates in several federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability that may arise as the result of these audits is not believed to be estimable or probable.

Note 15. Tax Abatements

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code, Chapter 311 (Tax Increment Financing Act) and Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax Code. The economic development agreements are designed to support the creation of new businesses, the expansion and retention of existing businesses within the City, and the attraction of companies that offer high impact jobs and share the community's values. Recipients may be eligible to receive economic assistance based on the employment, economic or community impact of the project requesting assistance. Recipients generally commit to building or remodeling real property and related infrastructure, redeveloping properties, expanding operations, or bringing targeted business to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has the following categories of economic development agreements:

General Economic Development

The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount, or a percentage of hotel occupancy taxes or sales taxes received by the City, may result in fee reductions such as utility charges or building inspection or permit fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs, or other expenses. For fiscal year 2025, the City rebated \$2,873,104 and \$1,938,321 in sales taxes and hotel occupancy taxes, respectively, and made incentive payments of \$100,000 under these agreements.

Tax Increment Financing

The City has adopted two Tax Increment Financing zones ("TIFs") under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements which earmark TIF revenues for payment to developers and represent obligations over the life of the TIF or until the terms of the agreements have been met. Additionally, the City enters into general economic development agreements under Chapter 380 of the Texas Local Government Code, which are funded with TIF resources. The City made \$5,000,005 in payments for TIF obligations.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

Note 16. Risk Management

The City purchases a fully insured program for property and casualty insurance coverage through Travelers Insurance and workers' compensation coverage through Texas Municipal League. The City is insured at the following limits:

Policy	Limits	Deductible
General liability	1,000,000 per occurrence/\$2,000,000 aggregate	\$ 10,000
Automobile liability	1,000,000 per occurrence	-
Automobile physical damage	Actual cash value	\$ 5,000
Excess liability	\$10,000,000 per occurrence/\$10,000,000 aggregate	\$ 10,000
Property	\$274,746,337	\$ 100,000
Workers' compensation	Statutory/employers' liability	\$ 1,000,000

Risk Management oversees the City's self-insured employee health plan and retiree health plans. UMR is the third-party administrator for the employee and pre-65 retiree health plans. Claims and other plan administration services are performed by UMR. All participating funds make payments to the General Fund for their portion of property and casualty and health plan cost.

Financial responsibility in a self-insured funding arrangement is on the City, the risk of losses exceeding an affordable threshold is transferred to an insurance company through the purchase of stop-loss insurance with Stealth Partner Group. Stop-loss insurance protects the City from plan claims costs exceeding a specified deductible during the plan year.

There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

Specific Excess Loss Insurance

The City has specific excess loss insurance to cover specific claims incurred by plan participants. The City has a \$250,000 specific deductible for each medical plan member. The specific benefit period reimbursement maximum under this coverage is unlimited per covered person.

Aggregate Excess Loss Insurance

The City also has coverage for aggregate claims incurred under the self-insured health plan. Under this coverage, aggregate claims in excess of an estimate annual aggregate attachment point of \$10,000,000 would be covered up to an aggregate benefit period reimbursement maximum of \$1,000,000.

City of Grapevine, Texas
Notes to the Financial Statements
September 30, 2025

The City establishes the insurance claim liability based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements. Activity for the last two years is as follows:

	<u>2025</u>	<u>2024</u>
Claims payable, beginning of year	\$ 1,047,048	\$ 1,306,336
Current year claims and changes in estimates	12,262,033	12,910,848
Payments on claims	<u>(12,269,643)</u>	<u>(13,170,136)</u>
Claims payable at end of year	<u>\$ 1,039,438</u>	<u>\$ 1,047,048</u>

Note 17. Impact Fees

The City records impact fees received in excess of the costs of physical connection to the water and sewer system as revenues. Corresponding cash is recorded as a restricted asset for future expansion of the water and sewer system.

Note 18. Water and Sewer Contracts

The City has separate contracts with the Trinity River Authority of Texas ("TRA") for the purchase of treated water and for the transportation, treatment, and disposal of wastewater. The contracts require the City to pay varying amounts based on the costs associated with water purchased and wastewater transported and/or treated and disposed. The costs include the City's proportionate share of TRA's operating and maintenance expenses, related debt service costs, plus certain other miscellaneous charges. The City also purchases water from the City of Dallas-Water Utilities and Dallas County Park Cities Municipal Utilities District. Payments during 2025 for the purchase of treated water were \$13,648,187 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$3,353,229.

Note 19. Adjustments to Beginning Fund Balances

During fiscal year 2025, the Grant fund changed from being included in the nonmajor funds to a major fund. This change to or within the financial reporting entity resulted in adjustments to beginning fund balances, as follows:

	<u>Reporting Units Affected by Adjustments to Beginning Balances</u>	
	<u>Nonmajor Governmental</u>	<u>Grant</u>
9/30/2024 Fund Balances, Beginning of Year, as previously reported	\$ 168,666	\$ -
Change from nonmajor to major fund	<u>(168,666)</u>	<u>168,666</u>
9/30/2024 Fund Balance, Beginning of Year, as adjusted	\$ -	\$ 168,666

Required Supplementary Information

This Page Intentionally Left Blank

City of Grapevine, Texas
General Fund Budgetary Comparison Schedule
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Increase (Decrease)
Revenues				
Property taxes	\$ 15,794,705	\$ 15,794,705	\$ 15,641,625	\$ (153,080)
Sales taxes	42,500,000	42,500,000	44,072,484	1,572,484
Mixed beverage taxes	2,838,000	2,838,000	2,729,384	(108,616)
Franchise taxes	6,626,872	6,626,872	6,548,547	(78,325)
Licenses and permits	2,048,388	2,048,388	2,231,373	182,985
Intergovernmental	100,000	100,000	437,451	337,451
Charges for services	7,114,500	7,114,500	9,835,000	2,720,500
Fines and forfeitures	1,286,000	1,286,000	1,287,234	1,234
Investment income	416,484	416,484	546,430	129,946
Contributions	-	-	52,313	52,313
Miscellaneous	135,500	135,500	180,500	45,000
Total revenues	78,860,449	78,860,449	83,562,341	4,701,892
Expenditures				
Current:				
General government	19,413,173	19,413,173	20,784,240	(1,371,067)
Public safety	23,107,021	23,107,021	23,816,780	(709,759)
Culture and recreation	17,651,619	17,651,619	18,230,932	(579,313)
Public works	13,551,991	13,551,991	11,431,159	2,120,832
Capital outlay	171,400	171,400	2,091,274	(1,919,874)
Debt service:				
Principal	-	-	991,790	(991,790)
Interest	-	-	107,399	(107,399)
Total expenditures	73,895,204	73,895,204	77,453,574	(3,558,370)
Excess (deficiency) of revenues over (under) expenditures	4,965,245	4,965,245	6,108,767	1,143,522
Other Financing Sources (Uses)				
Transfers in	5,314,623	5,314,623	5,336,667	22,044
Transfers out	(10,388,051)	(10,388,051)	(12,621,869)	(2,233,818)
Sale of capital assets	108,300	108,300	66,156	(42,144)
Leases issued	-	-	18,193	18,193
Subscriptions issued	-	-	1,547,121	1,547,121
Insurance recoveries	75,000	75,000	56,658	(18,342)
Total other financing sources (uses)	(4,890,128)	(4,890,128)	(5,597,074)	(706,946)
Net Change in Fund Balances	75,117	75,117	511,693	436,576
Fund Balances, Beginning of Year	16,829,387	16,829,387	16,829,387	-
Fund Balances, Ending of Year	\$ 16,904,504	\$ 16,904,504	\$ 17,341,080	\$ 436,576

City of Grapevine, Texas
Hotel Occupancy Tax Fund Budgetary Comparison Schedule
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Increase (Decrease)
	Original	Final		
Revenues				
Hotel occupancy taxes	\$ 21,396,873	\$ 21,396,873	\$ 23,512,535	\$ 2,115,662
Charges for services	10,068,620	10,068,620	9,885,470	(183,150)
Investment income	1,088,100	1,088,100	1,536,889	448,789
Miscellaneous	111,000	111,000	82,273	(28,727)
Total revenues	32,664,593	32,664,593	35,017,167	2,352,574
Expenditures				
Current:				
Tourism	29,983,932	29,983,932	25,882,404	4,101,528
Capital outlay	-	-	158,086	(158,086)
Debt service:				
Principal	-	-	34,846	(34,846)
Interest	-	-	1,604	(1,604)
Total expenditures	29,983,932	29,983,932	26,076,940	3,906,992
Excess (deficiency) of revenues over (under) expenditures	2,680,661	2,680,661	8,940,227	6,259,566
Other Financing Sources (Uses)				
Transfers in	425,816	425,816	360,062	(65,754)
Transfers out	(2,536,310)	(2,536,310)	(7,371,110)	(4,834,800)
Total other financing sources (uses)	(2,110,494)	(2,110,494)	(7,011,048)	(4,900,554)
Net Change in Fund Balances	570,167	570,167	1,929,179	1,359,012
Fund Balances, Beginning of Year	40,360,134	40,360,134	40,360,134	-
Fund Balances, Ending of Year	\$ 40,930,301	\$ 40,930,301	\$ 42,289,313	\$ 1,359,012

City of Grapevine, Texas
Crime District Fund Budgetary Comparison Schedule
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Increase (Decrease)
	Original	Final		
Revenues				
Sales taxes	\$ 21,250,000	\$ 21,250,000	\$ 21,657,059	\$ 407,059
Intergovernmental	446,000	446,000	683,568	237,568
Fines and forfeitures	75,100	75,100	34,754	(40,346)
Investment income	35,000	35,000	550,689	515,689
Miscellaneous	6,500	6,500	-	(6,500)
Total revenues	21,812,600	21,812,600	22,926,070	1,113,470
Expenditures				
Current:				
Public safety	24,229,388	24,229,388	25,435,783	(1,206,395)
Capital outlay	-	-	165,108	(165,108)
Debt service:				
Principal	-	-	33,155	(33,155)
Interest	-	-	152	(152)
Total expenditures	24,229,388	24,229,388	25,634,198	(1,404,810)
Excess (deficiency) of revenues over (under) expenditures	(2,416,788)	(2,416,788)	(2,708,128)	(291,340)
Other Financing Sources (Uses)				
Transfers in	2,416,788	2,416,788	2,416,788	-
Subscriptions issued	-	-	104,727	104,727
Total other financing sources (uses)	2,416,788	2,416,788	2,521,515	-
Net Change in Fund Balances	-	-	(186,613)	(291,340)
Fund Balances, Beginning of Year	8,847,668	8,847,668	8,847,668	-
Fund Balances, Ending of Year	\$ 8,847,668	\$ 8,847,668	\$ 8,661,055	\$ (291,340)

City of Grapevine, Texas
4B Economic Development Fund Budgetary Comparison Schedule
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Increase (Decrease)
	Original	Final		
Revenues				
Sales taxes	\$ 5,312,500	\$ 5,312,500	\$ 6,652,150	\$ 1,339,650
Investment income	341,715	341,715	509,050	167,335
Miscellaneous	-	-	399,319	399,319
Total revenues	5,654,215	5,654,215	7,560,519	1,906,304
Expenditures				
Current:				
Culture and recreation	-	-	14,696	(14,696)
Economic development	3,857,324	3,857,324	3,990,293	(132,969)
Capital outlay	-	-	5,556,350	(5,556,350)
Total expenditures	3,857,324	3,857,324	9,561,339	(5,704,015)
Excess (deficiency) of revenues over (under) expenditures	1,796,891	1,796,891	(2,000,820)	(3,797,711)
Other Financing Sources (Uses)				
Transfers out	(1,796,891)	(1,796,891)	(2,939,132)	(1,142,241)
Total other financing sources (uses)	(1,796,891)	(1,796,891)	(2,939,132)	(1,142,241)
Net Change in Fund Balances	-	-	(4,939,952)	(4,939,952)
Fund Balances, Beginning of Year	15,807,197	15,807,197	15,807,197	-
Fund Balances, Ending of Year	\$ 15,807,197	\$ 15,807,197	\$ 10,867,245	\$ (4,939,952)

City of Grapevine, Texas
4B Transit Fund Fund Budgetary Comparison Schedule
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Increase (Decrease)
	Original	Final		
Revenues				
Sales taxes	\$ 15,937,500	\$ 15,937,500	\$ 15,374,978	\$ (562,522)
Total revenues	15,937,500	15,937,500	15,374,978	(562,522)
Expenditures				
Current:				
Transportation	15,511,684	15,511,684	15,003,172	508,512
Total expenditures	15,511,684	15,511,684	15,003,172	508,512
Excess (deficiency) of revenues over (under) expenditures	<u>425,816</u>	<u>425,816</u>	<u>371,806</u>	<u>(54,010)</u>
Other Financing Sources (Uses)				
Transfers out	(425,816)	(425,816)	(360,062)	65,754
Total other financing sources (uses)	(425,816)	(425,816)	(360,062)	65,754
Net Change in Fund Balances	-	-	11,744	11,744
Fund Balances, Beginning of Year	<u>44,765</u>	<u>44,765</u>	<u>44,765</u>	<u>-</u>
Fund Balances, Ending of Year	<u>\$ 44,765</u>	<u>\$ 44,765</u>	<u>\$ 56,509</u>	<u>\$ 11,744</u>

1. Summary of Significant Accounting Policies

A. Budgets

The City follows these procedures in establishing budgetary data reflected in the financial statements:

- (1) Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to September 15, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council, after public hearings. Total expenditures may not exceed appropriations at the individual fund level.
- (5) Budgets are legally adopted for the General Fund, Hotel Occupancy Tax Fund, the Crime District Fund, the 4B – Economic Development Fund, the 4B – Transit Fund, the Debt Service Fund and Enterprise Funds. Budgetary control is maintained at the fund level.
- (6) Budgets for the General, Hotel Occupancy Tax, Crime District, 4-B Economic Development Fund, 4B–Transit Fund, and Debt Service Fund are adopted in accordance with generally accepted accounting principles. Budget amounts are as amended by the City Council and adjusted for transfers of budgeted amounts between departments within any fund, authorized by the City Manager.
- (7) Budgetary comparison schedules are presented as required supplementary information for the General Fund and for each major special revenue fund. Capital Projects Funds have not been presented as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of these funds is not employed and comparison of actual results of operations to budgetary data for such funds is not presented.
- (8) The budgetary comparison schedules included in the required supplementary information present a comparison of budgetary data to actual results of operations for the General Fund, Hotel Occupancy Tax Fund, Crime District Fund, 4-B Economic Development Fund, and 4B–Transit Fund. A comparison of budgetary data to actual results of operations for the Debt Service Fund is presented as supplementary information.

2. Excess of Expenditures Over Appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations in the following funds by the following amounts:

General Fund – \$3,558,370

Crime District Fund – \$1,404,810

4B–Economic Development Fund – \$5,704,015

The overages were covered by excess revenue or available fund balance.

City of Grapevine, Texas
Schedule of Changes in Net Pension Liability and Related Ratios - TMRS

Plan Year	2015	2016	2017	2018
A. Total pension liability				
Service Cost	\$ 7,082,668	\$ 7,293,298	\$ 7,724,236	\$ 8,129,774
Interest (on the total pension liability)	16,144,617	16,410,412	17,301,746	18,265,311
Difference between expected and actual experience	(1,393,602)	(1,109,085)	(772,200)	(1,201,653)
Changes of assumptions	(77,299)	-	-	-
Benefit payments, including refunds of employee contributions	<u>(9,417,307)</u>	<u>(9,346,450)</u>	<u>(9,863,833)</u>	<u>(10,499,198)</u>
Net change in total pension liability	12,339,077	13,248,175	14,389,949	14,694,234
Total pension liability - beginning	<u>231,804,709</u>	<u>244,143,786</u>	<u>257,391,961</u>	<u>271,781,910</u>
Total pension liability - ending (a)	<u>\$ 244,143,786</u>	<u>\$ 257,391,961</u>	<u>\$ 271,781,910</u>	<u>\$ 286,476,144</u>
B. Plan fiduciary net position				
Contributions - employer	\$ 7,547,081	\$ 7,526,300	\$ 7,958,051	\$ 8,375,515
Contributions - employee	2,769,765	2,764,119	2,922,684	3,093,341
Net investment income	284,606	13,104,905	28,801,972	(7,113,672)
Benefit payments, including refunds of employee contributions	(9,417,307)	(9,346,450)	(9,863,833)	(10,499,198)
Administrative expense	(173,344)	(147,973)	(149,230)	(137,452)
Other	<u>(8,562)</u>	<u>(7,972)</u>	<u>(7,564)</u>	<u>(7,184)</u>
Net change in plan fiduciary net position	1,002,239	13,892,929	29,662,080	(6,288,650)
Plan fiduciary net position - beginning	<u>192,868,916</u>	<u>193,871,155</u>	<u>207,764,084</u>	<u>237,426,164</u>
Plan fiduciary net position - ending (b)	<u>193,871,155</u>	<u>207,764,084</u>	<u>237,426,164</u>	<u>231,137,514</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 50,272,631</u>	<u>\$ 49,627,877</u>	<u>\$ 34,355,746</u>	<u>\$ 55,338,630</u>
D. Plan fiduciary net position as a percentage of total pension liability	79.41%	80.72%	87.36%	80.68%
E. Covered payroll	\$ 39,260,910	\$ 39,444,551	\$ 41,752,627	\$ 44,087,711
F. Net pension liability as a percentage of covered payroll	128.05%	125.82%	82.28%	125.52%

Other Information:

For the 2015 valuation, inflation used was 2.5%, investment rate of return and discount rate used was 6.75% and actuarial studies were updated through December 31, 2014.

For the 2019 valuation, actuarial studies were updated through December 31, 2018.

For the 2023 valuation, actuarial studies were updated through December 31, 2022.

2019	2020	2021	2022	2023	2024
\$ 8,579,543	\$ 8,865,558	\$ 8,933,723	\$ 9,423,807	\$ 10,039,426	\$ 11,148,705
19,238,959	20,359,202	21,349,425	22,689,707	24,123,658	25,392,181
659,154	(1,320,295)	3,663,777	4,715,818	3,265,800	1,884,404
207,921	-	-	-	(2,026,390)	-
<u>(11,488,595)</u>	<u>(12,976,187)</u>	<u>(13,560,965)</u>	<u>(15,110,921)</u>	<u>(16,675,915)</u>	<u>(17,652,495)</u>
17,196,982	14,928,278	20,385,960	21,718,411	18,726,579	20,772,795
<u>286,476,144</u>	<u>303,673,126</u>	<u>318,601,404</u>	<u>338,987,364</u>	<u>360,705,775</u>	<u>379,432,354</u>
<u>\$ 303,673,126</u>	<u>\$ 318,601,404</u>	<u>\$ 338,987,364</u>	<u>\$ 360,705,775</u>	<u>\$ 379,432,354</u>	<u>\$ 400,205,149</u>
\$ 8,626,976	\$ 8,775,571	\$ 9,012,183	\$ 9,263,911	\$ 10,135,547	\$ 11,690,694
3,250,584	3,315,113	3,355,499	3,497,669	3,738,084	4,079,505
35,749,292	20,280,650	37,344,139	(23,532,837)	34,316,178	34,045,150
(11,488,595)	(12,976,187)	(13,560,965)	(15,110,921)	(16,675,915)	(17,652,495)
(201,910)	(131,176)	(172,710)	(203,590)	(218,287)	(218,411)
<u>(6,064)</u>	<u>(5,118)</u>	<u>1,183</u>	<u>242,944</u>	<u>(1,525)</u>	<u>(5,108)</u>
35,930,283	19,258,853	35,979,329	(25,842,824)	31,294,082	31,939,335
<u>231,137,514</u>	<u>267,067,797</u>	<u>286,326,650</u>	<u>322,305,979</u>	<u>296,463,155</u>	<u>327,757,237</u>
<u>267,067,797</u>	<u>286,326,650</u>	<u>322,305,979</u>	<u>296,463,155</u>	<u>327,757,237</u>	<u>359,696,572</u>
<u>\$ 36,605,329</u>	<u>\$ 32,274,754</u>	<u>\$ 16,681,385</u>	<u>\$ 64,242,620</u>	<u>\$ 51,675,117</u>	<u>\$ 40,508,577</u>
87.95%	89.87%	95.08%	82.19%	86.38%	89.88%
\$ 46,426,097	\$ 47,358,751	\$ 47,722,880	\$ 49,967,164	\$ 53,401,200	\$ 58,278,645
78.85%	68.15%	34.95%	128.57%	96.77%	69.51%

City of Grapevine, Texas
Schedule of Contributions - TMRS

Fiscal Year	2016	2017	2018	2019
Actuarial determined contribution	\$ 7,395,291	\$ 7,815,149	\$ 8,334,727	\$ 8,735,515
Contributions in relation to the actuarially determined contribution	<u>7,395,291</u>	<u>7,815,149</u>	<u>8,334,727</u>	<u>8,735,515</u>
Contribution deficiency (excess)	-	-	-	-
Covered payroll	38,748,515	41,002,879	43,861,106	45,272,727
Contributions as a percentage of covered payroll	19.09%	19.06%	19.00%	19.30%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rate are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information	There were no benefit changes during the year.

2020	2021	2022	2023	2024	2025
\$ 8,848,797	\$ 8,857,579	\$ 9,350,889	\$ 10,061,230	\$ 11,211,977	\$ 12,381,300
<u>8,848,797</u>	<u>8,857,579</u>	<u>9,350,889</u>	<u>10,061,230</u>	<u>11,211,977</u>	<u>12,381,300</u>
-	-	-	-	-	-
47,716,819	47,270,943	50,227,753	53,323,702	56,105,602	61,824,340
18.54%	18.74%	18.62%	18.87%	19.98%	20.03%

City of Grapevine, Texas
Schedule of Changes in Net OPEB Liability and Related Ratios
Health Care Benefit Plan

Plan Year	2017	2018	2019	2020
A. Total OPEB liability				
Service Cost	\$ 2,883,770	\$ 3,547,117	\$ 3,955,532	\$ 4,841,226
Interest (on the total OPEB liability)	2,452,440	2,423,640	2,606,795	2,339,946
Difference between expected and actual experience	209,342	(1,065,868)	(528,026)	(3,113,851)
Changes of assumptions	4,730,475	(8,510,968)	6,316,707	10,638,856
Benefit payments	<u>(1,821,839)</u>	<u>(1,687,035)</u>	<u>(1,471,310)</u>	<u>(1,957,430)</u>
Net change in total OPEB liability	8,454,188	(5,293,114)	10,879,698	12,748,747
Total OPEB liability - beginning	<u>63,837,532</u>	<u>72,291,720</u>	<u>66,998,606</u>	<u>77,878,304</u>
Total OPEB liability - ending (a)	<u>\$ 72,291,720</u>	<u>\$ 66,998,606</u>	<u>\$ 77,878,304</u>	<u>\$ 90,627,051</u>
B. Plan fiduciary net position				
Employer Contributions	\$ 2,821,839	\$ 2,187,035	\$ 1,971,310	\$ 1,957,430
Net investment income	63,643	(77,518)	304,042	261,069
Benefit payments	(1,821,839)	(1,687,035)	(1,471,310)	(1,957,430)
Administrative expense	(2,315)	(6,401)	(9,715)	(13,083)
Net change in plan fiduciary net position	1,061,328	416,081	794,327	247,986
Plan fiduciary net position - beginning	<u>-</u>	<u>1,061,328</u>	<u>1,477,409</u>	<u>2,271,736</u>
Plan fiduciary net position - ending (b)	<u>1,061,328</u>	<u>1,477,409</u>	<u>2,271,736</u>	<u>2,519,722</u>
C. Net OPEB liability - ending (a) - (b)	<u>\$ 71,230,392</u>	<u>\$ 65,521,197</u>	<u>\$ 75,606,568</u>	<u>\$ 88,107,329</u>
D. Plan fiduciary net position as a percentage of total OPEB liability	1.47%	2.21%	2.92%	2.78%
E. Covered-employee payroll	\$ 41,752,627	\$ 44,087,895	\$ 46,426,087	\$ 47,352,845
F. Net OPEB liability as a percentage of Covered-employee payroll	170.60%	148.61%	162.85%	186.07%

Notes to Schedule:

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. As of December 31, 2024 (Plan Year), only 8 years are included. Additional years will be added in the future as the information becomes available.

The long-term expected investment return assumption was changed from 6.75% to 6.25% in plan year 2020.

The demographic and salary assumptions were updated to reflect the 2023 TMRS Experience Study and the single discount rate changed from 4.07% as of December 31, 2022 to 3.80% in plan year 2023.

The participation rates for future retirees were lowered and the healthcare trend assumption was modified. The single discount rate changed from 3.80% as of December 31, 2023 to 4.10% in plan year 2024.

The following are the discount rates used in each of the periods:

2024	4.10%	2021	1.87%	2018	3.82%
2023	3.80%	2020	2.04%	2017	3.31%
2022	4.70%	2019	2.95%		

	2021	2022	2023	2024
	\$ 6,003,761	\$ 6,237,623	\$ 4,260,841	\$ 5,099,788
	1,892,029	1,879,745	3,189,174	3,233,111
	(577,180)	(4,896,186)	(480,641)	3,659,776
	2,333,350	(22,180,893)	1,872,038	12,991,811
	<u>(1,764,776)</u>	<u>(2,223,797)</u>	<u>(2,206,131)</u>	<u>(2,868,090)</u>
	7,887,184	(21,183,508)	6,635,281	22,116,396
	<u>90,627,051</u>	<u>98,514,235</u>	<u>77,330,727</u>	<u>83,966,008</u>
	<u>\$ 98,514,235</u>	<u>\$ 77,330,727</u>	<u>\$ 83,966,008</u>	<u>\$ 106,082,404</u>
	\$ 1,764,776	\$ 2,223,797	\$ 2,225,194	\$ 2,849,027
	318,383	(417,682)	345,018	325,994
	(1,764,776)	(2,223,797)	(2,206,131)	(2,868,090)
	(15,846)	(14,825)	(14,590)	(16,862)
	302,537	(432,507)	349,491	290,069
	<u>2,519,722</u>	<u>2,822,259</u>	<u>2,389,752</u>	<u>2,739,243</u>
	<u>2,822,259</u>	<u>2,389,752</u>	<u>2,739,243</u>	<u>3,029,312</u>
	<u>\$ 95,691,976</u>	<u>\$ 74,940,975</u>	<u>\$ 81,226,765</u>	<u>\$ 103,053,092</u>
	2.86%	3.09%	3.26%	2.86%
	\$ 50,766,918	\$ 53,427,699	\$ 57,413,752	\$ 58,160,354
	188.49%	140.27%	141.48%	177.19%

**City of Grapevine, Texas
Schedule of Investment Returns
Health Care Benefit Plan**

Plan Year	Annual Money-Weighted Rate of Return
2017	15.64%
2018	(4.66)%
2019	19.90%
2020	13.48%
2021	12.66%
2022	(14.82)%
2023	14.47%
2024	12.00%

*The information in this schedule has been determined as of the measurement date (December 31) of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision, only periods for which such information is available are presented.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

THIS PAGE LEFT BLANK INTENTIONALLY

BRACEWELL

June __, 2026

\$ _____
CITY OF GRAPEVINE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2026

WE HAVE represented the City of Grapevine, Texas (the “Issuer”) as its bond counsel in connection with an issue of certificates of obligation (the “Certificates”) described as follows:

CITY OF GRAPEVINE, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026, dated May 1, 2026, in the principal amount of \$ _____.

The Certificates mature, bear interest, are subject to redemption and may be transferred and exchanged as set out in the Certificates 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 Certificates under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Certificates 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 Certificates. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Certificates 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 Certificates, 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 Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have also examined executed Certificate No. T-1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance.

Bracewell LLP

T: +1.214.468.3800 F: +1.800.404.3970
1445 Ross Avenue, Suite 3800, Dallas, Texas 75202-2724
bracewell.com

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 Certificates 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 Certificates.

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 Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the City of Grapevine, Texas, necessary to pay the principal of and interest on the Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law; in addition, the payment of the principal of and interest on the Certificates is further secured by a pledge of the Surplus Revenues of the Issuer's Waterworks and Sewer System (as defined in the Ordinance), such pledge being limited to an amount not in excess of \$1,000; and the total indebtedness of the Issuer, including the Certificates, does not exceed any constitutional, statutory or other limitations; and
- (C) Interest on the Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates. 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 and other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply

BRACEWELL

Page 3

with the covenants of the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

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.

Municipal Advisory Services
Provided By

