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 Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of any 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 such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 28, 2026

NEW ISSUE – Book-Entry-Only

Rating:
S&P: S&P "A-"
(Stable outlook)
(See "OTHER INFORMATION – RATING herein)

In the opinion of Bond Counsel (defined below), under current law and subject to conditions described in the Section herein "Tax Exemption," interest on the Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "TAX EXEMPTION."

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

$8,710,000*
CITY OF PINELAND, TEXAS
(Sabine County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026A

Dated Date: November 1, 2026 **Due: As shown on Page 2**
Interest Accrues from the Delivery Date (defined herein)

Payment Terms ... Interest on the $8,710,000* City of Pineland, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026A (the "Certificates") will accrue from the date of initial delivery, expected November 19, 2026, to the Underwriter (as defined herein) thereof (the "Delivery Date") and will be payable March 1 and September 1 of each year commencing September 1, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES – Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Houston, Texas (see "THE CERTIFICATES – Paying Agent/Registrar").

Authority for Issuance ... The Certificates are being 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 (the "Certificate of Obligation Act of 1971") and the ordinance authorizing the Certificates (the "Ordinance") to be passed by City Council of the City, and constitute direct obligations of the City of Pineland, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system, as provided in the Ordinance (see "THE CERTIFICATES – Authority for Issuance").

Purpose ... Proceeds from the sale of the Certificates will be used for all or any part of the costs associated with (i) the construction, improvement, design, repair, rehabilitation and equipment of the City's waterworks and sanitary sewer system, including a new wastewater treatment plant, and (ii) the cost of professional services in connection therewith.

Additional Debt ... The City is proposing to issue its $750,000 Combination Tax and Revenue Certificates of Obligation, Series 2026B (the "Series 2026B Certificates") through a private placement with the Water Finance Exchange Inc. for the same purpose as the Certificates. The Series 2026B Certificates are expected to close on the Delivery Date.

CUSIP PREFIX: _____
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 Underwriter and will be subject to the approving opinion of the Attorney General of Texas and the opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel (see APPENDIX A, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the City by Hunton Andrews Kurth LLP, Houston, Texas, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriter by its counsel Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

Delivery ... It is expected that the Certificates will be available for delivery through the facilities of DTC on November 19, 2026 (the "Delivery Date").

STIFEL

* Preliminary, subject to change.

MATURITY SCHEDULE*

Principal Amount ($) *	Maturity Sept. 1	Interest Rate (%)	Price or Yield (1)	CUSIP Suffix (2)	Principal Amount ($) *	Maturity Sept. 1	Interest Rate (%)	Price or Yield (1)	CUSIP Suffix (2)
60,000	2032				360,000	2045			
90,000	2033				380,000	2046			
115,000	2034				400,000	2047			
120,000	2035				420,000	2048			
135,000	2036				445,000	2049			
240,000	2037				470,000	2050			
255,000	2038				495,000	2051			
265,000	2039				520,000	2052			
280,000	2040				550,000	2053			
295,000	2041				580,000	2054			
310,000	2042				610,000	2055			
325,000	2043				645,000	2056			
345,000	2044								

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2037*, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2036* or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION. . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on page 2 hereof are combined to create term Certificates ("Term Certificates"), each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on September 1 of the first year which has been combined to form such Term Certificate and continuing on September 1 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").

(1) The initial reoffering prices or yields on the Certificates are furnished by the Underwriter and represent the initial offering prices or yields to the public, which may be changed by the Underwriter at any time.

(2) 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© 2026 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. CUSIP® numbers are provided for convenience of reference only. None of the City, the Financial Advisor, or the Underwriter take any responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

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

This Official Statement, which includes the cover page, inside cover page and the Appendices attached 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 promise or guarantee of the Financial 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.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

None of the City, Bond Counsel, the Underwriter, or the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("DTC") or its book-entry-only system as described under "Book-Entry-Only System" as such information has been provided by DTC.

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

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED ASA RECOMMENDATION THEREOF.

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities and Exchange Act of 1934. 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 the 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 prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Underwriter after such Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

TABLE OF CONTENTS

Page

OFFICIAL STATEMENT SUMMARY iv
Selected Financial Information v
General Fund Consolidated Statement Summary v
CITY OFFICIALS, STAFF AND CONSULTANTS vi
Elected officials vi
Selected Administrative Staff vi
Consultants and Advisors vi
INTRODUCTION 1
THE CERTIFICATES 1
TAX INFORMATION 6
Ad Valorem Property Taxation 6
City Application of Tax Code 10
Tax Abatement Policy 10
Table 1 - Valuation, Exemptions and General Obligation Debt 11
Table 2 - Taxable Assessed Valuations 12
Table 3 - Valuation and General Obligation Debt History 12
Table 4 – Tax Rate, Levy and Collection History 13
Table 5 - Largest Taxpayers 2025[(1)] 13
General Obligation Debt Limitation 13
Table 6 - Tax Adequacy[(1)] 14
Table 7 - Estimated Overlapping Debt 14
DEBT INFORMATION 15
Table 8 - Pro-Forma General Obligation Debt Service Requirement 15
Table 9 - Computation of Self-Supporting Debt 17
Table 10- Authorized But Unissued General Obligation Bonds 17
Table 11 - Other Obligations 17
Pension Fund 18
Other Post-Employment Benefits 18
FINANCIAL INFORMATION 19
Table 12 - General Fund Revenues and Expenditure History 19
Table 13 - Municipal Sales Tax History 20
Financial Policies 20
INVESTMENTS 21
Legal Investments 21
Additional Provisions 22
Table 14 - Current Investments 22
THE WATERWORKS AND SEWER SYSTEM 23
General 23
Table 15 - Waterworks and Sewer System 25
Water and Sewer Revenue and Expense 25
TAX EXEMPTION 26
Opinion of Bond Counsel 26
Alternative Minimum Tax 26
Other Tax Matters 26
Qualified Tax-Exempt Obligations for Financial Institutions 27
Original Issue Discount 27
Certificate Premium 27
CONTINUING DISCLOSURE OF INFORMATION 27
OTHER INFORMATION 29
Rating 29
Potential for Gulf Storm Impacts 29
Cybersecurity Plan 29
Litigation 29
Registration and Qualification of Certificates For Sale 29
Legal Investments and Eligibility to Secure Public Funds in Texas 29
Legal Matters 30
Authenticity of Financial Data and Other Information 30
Financial Advisor 30
Underwriter 30
Forward-Looking Statements Disclaimer 31
Certification of the Official Statement 31
Miscellaneous 31

APPENDICES

FORM OF BOND COUNSEL'S OPINION ..... A
AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED DECEMBER 31, 2025 ..... B

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Pineland is a political subdivision and municipal corporation of the State, located in Sabine County, Texas. The City covers approximately 2.1 square miles (see "INTRODUCTION – DESCRIPTION OF THE CITY").
THE CERTIFICATES	The Certificates are issued as $8,710,000* Combination Tax and Revenue Certificates of Obligation, Series 2026A. The Certificates are issued as serial certificates maturing 2031 through 2056, unless the purchaser designates one or more maturities as a Term Certificate (see "THE CERTIFICATES – DESCRIPTION OF THE CERTIFICATES").
PAYMENT OF INTEREST	Interest on the Certificates accrues from the Delivery Date, expected to be November 19, 2026, and is payable September 1, 2027, and each September 1 and March 1 thereafter until maturity or prior redemption (see "THE CERTIFICATES – DESCRIPTION OF THE CERTIFICATES" and "THE CERTIFICATES – OPTIONAL REDEMPTION").
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an Ordinance passed by the City Council of the City (see "THE CERTIFICATES – AUTHORITY FOR ISSUANCE").
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the City, payable from and secured by a combination of (i) a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system (see "THE CERTIFICATES – SECURITY AND SOURCE OF PAYMENT").
REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2037,* in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2036,* or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – OPTIONAL REDEMPTION"). In addition, if principal amounts designated in the serial maturity schedule above are combined by the Underwriter (as defined herein) to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption as described herein (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").
TAX EXEMPTION	In the opinion of Bond Counsel, under current law and subject to conditions described in the Section herein "Tax Exemption," interest on the Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "TAX EXEMPTION."
QUALIFIED TAX-EXEMPT OBLIGATIONS	The Certificates will be designated as "qualified tax-exempt obligations" for financial institutions.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for all or any part of the costs associated with (i) the construction or acquisition of and/or improvements to the City's water, wastewater, including the improvements in the wastewater treatment plant, and (ii) the cost of professional services incurred in connection therewith.
RATING	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign a rating of "A-" (stable outlook) to the Certificates at the time of delivery of the Certificates. See "OTHER INFORMATION – RATING."
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 principal denominations of $5,000 or integral multiples

* Preliminary, subject to change.

thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM").

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 12/31	Estimated City Population[1]	Taxable Assessed Valuation [2]	Per Capita Taxable Assessed Valuation	Funded Tax Debt [3]	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Total Tax Collections as a Percent of Total Levy
2022	909	$ 78,466,018	$ 86,321	$ 0	$ 0	0%	100.00%
2023	914	79,794,642	87,303	0	0	0%	100.00%
2024	908	145,949,847	160,738	0	0	0%	100.00%
2025	900	121,801,693	135,335	0	0	0%	100.00%
2026	902	120,232,661	133,296	0	0	0%	104.21% [5]
2027	902	117,568,437	130,342	$9,460,000 [4]	$10,487.80 [4]	8.05% [4]	(In Process)

(1) Source: The City.
(2) As reported by the Sabine County Appraisal District.
(3) Includes self-supporting debt.
(4) Projected, subject to change.
(5) As of September 30, 2026.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended December 31,					
	2026[1]	2025	2024	2023	2022	2021
Beginning Balance	$1,393,381	$ 1,228,913	$ 1,166,592	$ 1,082,931	$ 930,838	$ 901,056
Total Revenues	$1,014,180	1,615,279	2,403,441	1,119,638	1,006,255	740,834
Total Expenditures	$705,184	(1,615,031)	2,426,120	1,035,977	854,162	711,052
Net Transfers/Other Resources	-	164,220	85,000	-	-	-
Changes in Fund Balances	-	-		-	-	-
Ending Fund Balance	$1,702,377	1,393,381	$1,228,913	$1,166,592	$1,082,931	$ 930,838

(1) Unaudited information through August 31, 2026.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Position	Term Expires (May)	Occupation
Joseph Lane	Mayor	2027	Teacher
Tracy Lane	Council Member	2028	Funeral Director
Demond Williams	Council Member	2028	Driver
Echo Jordan	Council Member	2027	Tax Assessor Deputy
Elaine Lacey	Council Member	2027	Teacher/Administrator
Lisa Welch	Council Member	2028	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Number of Years in Current Position	Number of Years of Municipal Experience
DeWayne Armstrong	City Administrator	3 years	5 years
Sheena Moody	City Secretary	5 years	5 years
Robert G. Neal, Jr.	City Attorney	30 years	30 years
Kenneth Isaacks	Chief of Police	9 years	18 years
Cynthia Brister	Municipal Court Judge	2 years	14 years

CONSULTANTS AND ADVISORS

Auditors ..... Goff & Herrington, P.C.
Houston, Texas

Bond Counsel ..... Hunton Andrews Kurth LLP
Houston, Texas

Disclosure Counsel ..... Hunton Andrews Kurth LLP
Houston, Texas

Financial Advisor ..... Water Finance Exchange Municipal Advisors
San Antonio, Texas

For additional information regarding the City, please contact:

DeWayne Armstrong
City Manager
City of Pineland
110 Timberland Hwy
Pineland, Texas 75968
(409) 584-2390

or

Rogelio Rodriguez
Director
Water Finance Exchange Municipal Advisors
10127 Morocco St., Suite 170
San Antonio, Texas 78216
(210) 843-3900

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$8,710,000*
CITY OF PINELAND, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026A

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $8,710,000* City of Pineland, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026A (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the "Ordinance") to be adopted by the City Council of the City of Pineland (the "City") on the date of sale of the Certificates which will authorize the issuance of the Certificates, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Water Finance Exchange Municipal Advisors, San Antonio, Texas.

DESCRIPTION OF THE CITY . . . The City was incorporated in 1941. The City operates under the General Law, Type A form of government. The city consists of a Mayor and five Council member positions. All of these elected positions are volunteer. The Mayor and Councilmembers are all elected at large, with no term limits. The Mayor, and Council Seats 2 and 4 are up for re-election in odd years, and Council Seats 1, 3, and 5 are up for re-election in even years. The City provides a full range of municipal services: public safety, public improvements, sanitation, repair and maintenance of infrastructure, recreation and general administrative services. The City estimates the 2026 population is 902. The City covers approximately 2.1 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates will accrue from the date of initial delivery (the "Delivery Date") to the Underwriter (as defined herein) and mature on September 1 in each of the years and in the amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on March 1 and September 1, commencing September 1, 2027. 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, New York, New York ("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, initially U.S. Bank Trust Company, National Association, Houston, Texas, 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 "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City sufficient to provide for the payment of principal of and interest on all obligations payable in whole or in part from ad valorem taxes, levied within limits prescribed by law. Additionally, the Certificates are payable from and secured by a limited pledge of a subordinate lien on the net revenues of the City's Waterworks and Sewer System, as provided in the Ordinance authorizing the Certificates.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance. The City Council shall have the power, and is hereby authorized, to levy, assess, and collect annual taxes not to exceed the maximum limit set by the Constitution and laws of the State of Texas, as they now exist or as they may be amended, on each One Hundred Dollars ($100) assessed valuation of all property having a location within the corporate limits of the City and not exempt from taxation by the Constitution and laws of the State of Texas.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2037,* in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2036,* or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying

* Preliminary, subject to change.

Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, 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 . . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule above are combined to create term Certificates ("Term Certificates"), each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on September 1 of the first year which has been combined to form such Term Certificate and continuing on September 1 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

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 CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its 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 Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 and 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 and the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor 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-only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered to the DTC.

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

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

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System of the Certificates is discontinued, printed Certificates will be issued to the DTC Participants or the holder, as the case may be, and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES – TRANSFER, EXCHANGE, AND REGISTRATION" below.

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

TRANSFER, EXCHANGE AND REGISTRATION . . . Certificates may be assigned by the execution of an assignment form on the respective 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 payment office of the Paying

Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See **"**BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the Holders and thereafter, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the 15th day of the preceding month.

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

DEFEASANCE . . . The City reserves the right to defease the Certificates in any manner now or hereafter allowed by law.

REMEDIES OF HOLDERS OF THE CERTIFICATES . . . The Ordinance does not establish specific events of default with respect to the Certificates or provide for the appointment of a trustee to represents the interests of the Certificate holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of the Certificates could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificate; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due or perform other material terms and covenants contained in the Ordinance. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The Texas Supreme Court ruled in *Tooke v. City of Mexia,* 197 S.W.3d 325 (Tex. 2006), that a waiver of governmental 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 governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

In *Tooke,* the Court noted the enactment in 2005 of sections 271.151-160, 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 in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville,* 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson,* the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of 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.

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville,* 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the City's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the

City was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of 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 Certificate holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

USE OF CERTIFICATE PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

Sources of Funds:		
Par Amount of Certificates[1]		$ 8,710,000
Par Amount of Series 2026B Certificates[1][3]		$ 750,000
Net Premium		
	Total	$ -
Uses of Funds:		
Deposit to Project Fund		$ 9,240,000
Costs of Issuance[2]		
Underwriter's Discount		
	Total	$ -

(1) Preliminary and subject to change.
(2) Includes legal fees of the City, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, contingency and other costs of issuance.
(3) $750,000 Combination Tax and Revenue Certificates of Obligation, Series 2026B, to be privately placed with Water Finance Exchange Inc. for the same purpose as the Certificates. Expected to close on the Delivery Date (November 19, 2026).

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TAX INFORMATION

AD VALOREM PROPERTY TAXATION

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

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

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

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

State law provides eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board.

The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION — CITY AND TAXPAYER REMEDIES").

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

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

Cities, counties and school districts that adopted an optional homestead exemption described in (1), above, for the 2022 tax year are prohibited from repealing or reducing the exemption through December 31, 2027.

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production

of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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

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

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

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

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – CITY APPLICATION OF PROPERTY TAX CODE**"** herein.

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

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

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

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "— 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.

LEVY AND COLLECTION OF TAXES . . . The City is responsible for the collection of its taxes unless it elects to transfer such functions to another governmental entity. Taxes are due January 1, or when billed, whichever comes later, and become delinquent after February. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of twelve percent (12%) of the amount of the tax for the first calendar month it is delinquent, plus twenty percent (20%) for attorney recovery costs. The Property Tax Code also makes provision for the split payment of taxes,. Furthermore, the City may provide, on a local option basis, for the split payment and partial payment of taxes under certain circumstances.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property 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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year and become delinquent

on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1. The City has the policy of providing a discounts of 3% if taxes are paid by October 1, 2% if paid by November 1, and 1% if paid by December 1.

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%. In addition, if an account is delinquent in February, a 20% attorney's collection fee is added to the total tax penalty and interest charge. 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 $12,000.

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

The City contracts with Sabine County Tax Assessor/Collector for tax collection.

The City does permit split payments and installment plans. Split payments are limited to two payments and installments plans require half of the property tax payment due as the first payment.

The City does tax goods-in-transit. See "TAX INFORMATION – FREEPORT AND GOODS IN TRANSIT EXEMPTIONS."

Goods in transit, as defined by state Tax Code, section 11.253(a)(2), as amended by Senate Bill 1 enacted by the 82nd state legislature in its first special session, shall remain subject to taxation by the city. (Ordinance 225 adopted 10/18/11) See "TAX INFORMATION – FREEPORT AND GOODS IN TRANSIT EXEMPTIONS." The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes. See "TABLE 13 - MUNICIPAL SALES TAX HISTORY."

See "TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for a listing of the amounts of the exemptions described above

TAX ABATEMENT POLICY

The City has established a tax abatement policy to encourage business development within the City. The City maintains a tax abatement agreement (the "Georgia-Pacific Agreement") with Georgia-Pacific Wood Products LLC ("Georgia-Pacific") which supports a $100 million modernization of the company's existing sawmill, located in a 429-acre reinvestment zone the City Council designated on September 21, 2021. In return for a 10-year abatement of city property taxes on the improvements (60% for the first five years, 40% for the next five), Georgia-Pacific commits to keeping at least 250 full-time jobs at the facility for the life of the Georgia-Pacific Agreement. It also agrees that no current employees will be laid off because of the modernization, so any reduction toward that 250 full-time job minimum happens only through attrition. The company will make reasonable efforts to hire Sabine County residents and to use local businesses for construction, operation, and maintenance. The project is expected to expand the City's tax base, and the City will keep 40–60% of its tax revenue on the new improvements even during the abatement years. Georgia-Pacific also agrees to keep the improvements in place and operating, or to replace them with equipment of similar function, for at least 20 years after construction is certified complete. That commitment runs a full decade beyond the abatement itself and signals a long-term investment in the City.

The Georgia-Pacific Agreement gives the City remedies if Georgia-Pacific violates any portion of the Georgia-Pacific Agreement. Each year by May 1, Georgia-Pacific must certify its compliance, including its total employee count in Sabine County, and the City may inspect the site with 48 hours' notice. The City can declare a default if Georgia-Pacific breaks a material term or allows property taxes owed to any Sabine County taxing unit to be delinquent. Georgia-Pacific then has 90 days to cure, which may be extended up to 150 days if it is diligently working on the problem. If the default is not cured, the Georgia-Pacific Agreement terminates. Georgia-Pacific must then repay all abated taxes (minus any payments already made), plus interest and penalties at the state's delinquent-tax rates, within 60 days. Events beyond the Georgia-Pacific's reasonable control (including force majeure) do not count as a default.

The City Council voted on September 15, 2026 to renew the Georgia-Pacific Agreement for an additional 5-year term. That amended Georgia-Pacific Agreement is currently being drafted and reviewed by the City and Georgia-Pacific. Georgia-Pacific has (2) two years remaining on the 60% abatement (years 2026 and 2027), which in years 2028-2032 will reduce to 40%.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

Real & Personal Property		$ 217,257,221
Minerals		$ 10,260,500
2026 Market Valuation Established by Sabine County Appraisal District		$ 227,517,721
Less Exemptions/Reductions at 100% Market Value:	-	$ (105,022,133)
2026 Taxable Assessed Valuation (before freeze)		$ 117,568,437
General Obligation Debt Payable from Ad Valorem Taxes		
September 30, 2026 [(1)]		$ -
Current Ad Valorem Tax Debt		$ -
The Certificates and the Series 2026B Certificates		9,460,000
		$ 9,460,000
Interest and Sinking Fund (as of December 31, 2025)[(1)]		$ -
Ratio Funded Debt to Taxable Assessed Valuation		8.05%

2026 Estimated Population - 902
Per Capita Taxable Assessed Valuation - $133,296
Per Capita Funded Debt - $10,487.80

(1) The City intends to utilize utility revenues to pay for the debt service but will levy an I&S tax should that be necessary.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS

Taxable Appraised Value for Fiscal Year Ending December 31,

	Taxable Appraised Value For Fiscal Year Ended December 31,					
	2026		2025		2024	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Total Appraised Value Before Exemptions	$222,590,570		$222,997,770		$224,028,994	
LESS EXEMPTIONS:						
Less: Total Exemptions/Reductions	$105,022,133	47.18%	$102,765,109	46.08%	$102,227,301	45.63%
Taxable Assessed Valuation	$117,568,437		$120,232,661		$121,801,693	

Note: The above figures reflect the taxable appraised values as stated at the beginning of each tax year to the Sabine County Appraisal District.

Any difference between these figures and final Taxable Assessed Valuations are due to adjustments and corrections to respective tax rolls.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 12/31	Estimated Population[1]	Taxable Assessed Valuation[1]	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End of Year[3]	Ratio of Funded Debt To Taxable Assessed Valuation	Funded Debt Per Capita
2021	911	$ 76,509,148	$ 83,984	$ -	0.00%	$ -
2022	909	78,466,018	86,321	$ -	0.00%	$ -
2023	914	79,794,642 [2]	87,303	$ -	0.00%	$ -
2024	908	145,949,847	160,738	$ -	0.00%	$ -
2025	900	121,801,693	135,335	$ -	0.00%	$ -
2026	902	120,232,661	133,296	$ 9,460,000	0.00%	$ 10,487.80

(1) Source: U.S. Census Bureau and Sabine County Appraisal District.

(2) Includes expansion of Georgia-Pacific Lumber Mill.

(3) Includes the Certificates and the Series 2026B Certificates. Preliminary and subject to change.

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TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Year Ended 12/31	Local Maintenance	Debt Service	Total Tax Rate	Tax Levy	% Current Collections	% Total Collections
2021	$ 0.407057	$ -	$ 0.40706	$ 311,436	97.70%	105.68%
2022	0.407057	$ -	0.40706	319,401	96.85%	103.24%
2023	0.413041	$ -	0.41304	329,585	96.76%	82.86%
2024	0.234152	$ -	0.23415	341,744	74.77%[1]	102.62%[1]
2025	0.350000	$ -	0.35000	426,306	96.60%	104.21%
2026	0.370460	$ -	0.37046	445,414	96.98%[2]	104.21%[2]

(1) In Tax year 2023 there was a reduction in taxable value for Georgia-Pacific post-tax assessment.
(2) As of October 5, 2026.

TABLE 5 - LARGEST TAXPAYERS 2025(1)

Name of Taxpayer	Nature of Property	2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Georgia Pacific Wood Products(2)	Lumber Processing	$ 83,062,780	69.09%
BNSF Railway Co.	Railroad	1,789,370	1.49%
Inland Diversified DG TX	Retail Store	928,677	0.77%
Don M. Tate	Residential Land	797,748	0.66%
Deep East Texas Elec Coop Inc.	Electric Utility/Power Plant	766,420	0.64%
B & B Express	Grocery Store	660,080	0.55%
Uslbm LLC And Affiliates	Inventory	657,900	0.55%
Southside Bank	Financial/Banking	655,470	0.55%
		$ 89,318,445	74.29%

Source: State Comptroller Property Tax Board Report
(1) The largest taxpayer in the City currently accounts for over 69% of the City's tax base, thereby creating a concentration risk for the City. Adverse developments in economic conditions could adversely impact the businesses that own such properties in the City and the tax values in the City, resulting in less local tax revenue. Economic and market forces, such as a downturn in the economy, or legislative changes impacting school funding or property taxation, for example, can also affect assessed values, particularly as these forces might trigger an increase in foreclosures or in delinquent tax payments or in the number of requests submitted to the assessment appeals board for a reduction in assessed value of taxable property in the City.
(2) Georgia-Pacific has operated in Pineland since 2016 and is described as the largest sawmill in the South. From 2021 to 2023 it completed a major modernization project that raised capacity from 380 to 450 million board feet a year which was supported by a 10-year property tax abatement agreement with the City (the "Georgia-Pacific Agreement"). Under the Georgia-Pacific Agreement, the City grants an abatement of 60% of the property taxes on the property and improvements for the first five years of the 10-year abatement period and 40% for the next five years. The abatement steps down from 60% to 40% in 2028. In the agreement, Georgia-Pacific commits to keep at least 250 jobs and to operate the improvements for 20 years. The City can declare a default if the company breaks a material term or allows property taxes owed to any Sabine County taxing unit to become delinquent over the term of the agreement. If the default is not cured timely, the Georgia-Pacific must repay to the City all abated taxes (minus any payments already made), plus interest and penalties at the state's delinquent-tax rates (see TAX INFORMATION – TAX ABATEMENT POLICY).

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

TABLE 6 - TAX ADEQUACY[1]

Estimated Tax Supported Debt Service Requirements, Fiscal Year Ending 12/31/2027	$	377,093
Estimated Interest and Sinking Fund Balance Fund Balance at 12/31/2027		0
Estimated Interest and Sinking Fund Tax Levy @ 95% Collections		0
Budgeted Transfers	$	377,093
Estimated Investment Income		0
Estimated Balance as of 12/31/2027	$	0[2]

(1) The City will utilize utility revenues to pay for the debt service but will levy an I&S tax if and when necessary.
(2) Includes the Certificates and the Series 2026B Certificates.

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

Taxing Jurisdiction	FYE 2026 Taxable Assessed Valuation	FYE 2026 Tax Rate	FYE 2026 Total Funded Debt	Estimated % Applicable	District's Overlapping Funded Debt	Authorized But Unissued Debt As Of 12/31/2026
Pineland, City of	$120,232,661	$ -	$9,460,000 [1]	100.00%	$ 9,460,000[1]	$ -
Sabine County	1,399,002,151	0.34200	1,375,000		-	-
Sabine Hospital District	1,509,760,769	0.16500	-	32.30%	-	-
West Sabine ISD	283,321,282	0.78700	6,585,000	28.97%	1,907,675	-
Total Direct and Overlapping G.O. Tax Debt					$11,367,675	
Ratio of Direct Overlapping G. O. Tax Debt to Taxable Assessed Valuation					9.45%	
Per Capita Overlapping Funded Debt					$12,602.74	

(1) Includes the Certificates and the Series 2026B Certificates.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENT

	Series 2026A Certificates(1)			Series 2026B Certificates(2)						
FYE 12/31	Principal	Interest	Total	Principal	Interest	Total	Total Debt Service	Self-Supporting	Tax-Funded Requirement	% Prin. Retired
2027	$ -	$ 363,565	$ 363,565	$ -	$ 13,528	$ 13,528	$ 377,093	$ 377,093	–	
2028	-	464,125	464,125	-	17,270	17,270	481,395	481,395	–	
2029	-	464,125	464,125	55,000	17,270	72,270	536,395	536,395	–	
2030	-	464,125	464,125	80,000	15,166	95,166	559,291	559,291	–	
2031	-	464,125	464,125	110,000	12,312	122,312	586,437	586,437	–	2.59%
2032	60,000	464,125	524,125	95,000	8,558	103,558	627,683	627,683	–	
2033	90,000	461,125	551,125	95,000	5,254	100,254	651,379	651,379	–	
2034	115,000	456,625	571,625	105,000	1,950	106,950	678,575	678,575	–	
2035	120,000	450,875	570,875	110,000	1,200	111,200	682,075	682,075	–	
2036	135,000	444,875	579,875	100,000	450	100,450	680,325	680,325	–	13.42%
2037	240,000	438,125	678,125				678,125	678,125	–	
2038	255,000	426,125	681,125				681,125	681,125	–	
2039	265,000	413,375	678,375				678,375	678,375	–	
2040	280,000	400,125	680,125				680,125	680,125	–	
2041	295,000	385,425	680,425				680,425	680,425	–	27.54%
2042	310,000	369,938	679,938				679,938	679,938	–	
2043	325,000	353,663	678,663				678,663	678,663	–	
2044	345,000	336,600	681,600				681,600	681,600	–	
2045	360,000	318,488	678,488				678,488	678,488	–	
2046	380,000	299,588	679,588				679,588	679,588	–	45.72%
2047	400,000	279,638	679,638				679,638	679,638	–	
2048	420,000	258,138	678,138				678,138	678,138	–	
2049	445,000	235,563	680,563				680,563	680,563	–	
2050	470,000	211,644	681,644				681,644	681,644	–	
2051	495,000	186,381	681,381				681,381	681,381	–	69.29%
2052	520,000	159,775	679,775				679,775	679,775	–	
2053	550,000	131,175	681,175				681,175	681,175	–	
2054	580,000	100,925	680,925				680,925	680,925	–	
2055	610,000	69,025	679,025				679,025	679,025	–	
2056	645,000	35,475	680,475				680,475	680,475	–	100.00%
Total	**$8,710,000**	**$9,906,877**	**$18,616,877**	**$750,000**	**$92,958**	**$842,958**	**$19,459,835**	**$19,459,835**		

(1) Preliminary, subject to change, The City has no currently outstanding general obligation debt. Using 5.45% for illustrative purposes.

(2) The City is proposing to issue its Combination Tax and Revenue Certificates of Obligation, Series 2026B, in the proposed amount of $750,000, which represents a direct placement with the Water Finance Exchange. The City is structuring its wastewater treatment plant project as part of a broader municipal bond issue, combined with mission- and programmatic-driven capital, alongside traditional investors. The Water Finance Exchange committed $250,000 as a mission-related investment (MRI), purchasing a tranche of the needed funding at a below market-rate (3.00%) from its endowment. The City will pair this with a $250,000 program-related investment (PRI) at 0%, a below-market rate made in direct support of its charitable mission. Layered with a $250,000 pre-development loan from the Water Finance Exchange at a AAA municipal market rate, the blended structure will reduce the overall cost of capital compared with financing the full project at standard market rates. The estimated savings over the life of the debt contributes to keeping future utility rate increases smaller and more gradual. The Water Finance Exchange is an affiliated, but separate, entity from the City's Financial Advisor. The City's Financial Advisor has disclosed this potential conflict of interest to the City in writing, and the City's Financial Advisor has agreed to take steps to mitigate such potential conflict of interest. The City has acknowledged this disclosure.

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TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

Revenues Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 12/31/2027	$ 572,465[(1)]
Less: Revenue Debt Service Requirements, Fiscal Year Ended 12/31/2027	377,093[(1)]
Estimated Balance	$ 195,372

(1) Includes the Certificates and the Series 2026B Certificates.

ADDITIONAL DEBT ... The City is proposing to issue its $750,000 Combination Tax and Revenue Certificates of Obligation, Series 2026B (the "Series 2026B Certificates") through a private placement with the Water Finance Exchange Inc. for the same purpose as the Certificates. The Series 2026B Certificates are expected to close on the Delivery Date.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . Aside from the Certificates and the Series 2026B Certificates, the City does not anticipate the issuance of additional general obligation debt backed by ad valorem taxes for projects in the next twelve months.

TABLE 10- AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued General Obligation Bonds.

TABLE 11 - OTHER OBLIGATIONS

In prior years, the City borrowed funds from the Government Capital Corporation to purchase heavy machinery. The total loan was $250,000 and will be paid back in annual installments of $24,494, including interest. The interest rate on the loan is fixed at 5.25%. The total amount outstanding on this equipment loan at December 31, 2025 was $226,664. During the year ended December 31, 2024, the City borrowed funds from the Government Capital Corporation to purchase public safety vehicles and machinery. The total loan was $573,976 and will be paid back in variable annual installments, including interest. The interest rate on the loan is fixed at 6.15%. The total amount outstanding on this loan at December 31, 2025 was $229,912.

	Beginning Balance	Additions	Payments / Adjustment	Ending Balance
Governmental Activities:				
Public Safety Vehicles[1]	$573,477	$0	$343,565	$229,912
Business Type Activities:				
Equipment Loan[2]	$238,631	$0	$11,967	$226,664

Period Ending	Government Activities		
12/31	Principal	Interest	Requirements
2026	$ 12,594	$ 11,900	$ 24,494
2027	13,256	11,239	24,495
2028	13,951	10,543	24,494
2029	14,684	9,810	24,494
2030	15,455	9,039	24,494
2031 - 2035	90,331	32,140	122,471
2035 - 2039	66,393	7,090	73,483
	$ 226,664	$ 91,761	$ 318,425

Period Ending	Business Type Activities		
12/31	Principal	Interest	Requirements
2026	$ 24,694	$ 14,140	$ 38,834
2027	26,213	12,621	38,834
2028	27,825	11,009	38,834
2029	29,536	9,297	38,833
2030	31,352	7,481	38,833
2031 - 2035	90,292	20,186	110,478
2035 - 2039	-	-	-
	$ 229,912	$ 74,734	$ 304,646

[1] The loan for public safety vehicles is serviced by the general fund.
[2] The loan for equipment is serviced by the utility fund.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense.

OTHER POST-EMPLOYMENT BENEFITS . . . The City does not offer any post-employment benefits.

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FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended December 31,				
Revenues	2025	2024	2023	2022	2021
Taxes	$864,171	$ 445,200	$ 542,068	$ 684,466	$ 462,235
Operating Grants & Contributions	504,423	1,254,546	505,758	260,095	167,774
Charges for Services	14,672	15,241	14,010	13,939	9,508
Fines and forfeitures	121,252	49,507	39,431	43,085	42,242
Interest	51,792	64,951	10,786	4,670	4,692
Loan Proceeds	-	573,477	-	-	-
Other	58,969	519	7,585	-	54,383
Total Revenues	$1,615,279	$ 2,403,441	$ 1,119,638	$ 1,006,255	$ 740,834
General Government	$326,340	$ 342,048	$ 339,144	$ 370,126	$339,234
Public Safety	294,233	277,688	236,661	236,297	169,731
Highways and streets	216,077	182,682	56,978	28,020	15,296
Parks & Recreation	-	69,619	72,510	53,099	90,928
Debt Service:	378,834	31,500	24,135	14,152	39,916
Capital Outlay	399,547	1,522,583	306,549	152,468	55,947
Total Expenditures	$1,615,031	$ 2,426,120	$ 1,035,977	$ 854,162	$ 711,052
Other Resources and Uses:					
Transfers In	$164,220	$ 85,000	$ -	$ -	$ -
Transfers Out	-	-	-	-	-
Total Other Resources and Uses	$164,220	$ 85,000	$ -	$ -	$ -
Excess (Deficiency) of Revenues and Other Resources Over Expenditures and Other (Uses)	$164,468	$ 62,321	$ 83,661	$ 152,093	$ 29,782
Fund Balance - Beginning	$1,228,913	1,166,592	$ 1,082,931	$ 930,838	$ 901,056
Fund Balance - Ending	$1,393,381	$ 1,228,913	$ 1,166,592	$ 1,082,931	$ 930,838

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the General Obligation Debt Service. 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 Ending 12/31	Total Collected		% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita	Ad Valorem Tax Levy	Ad Valorem Tax Levy
2021	$127,659		40.99%	$0.16685	$140	$311,436	$0.40706
2022	$303,035		94.88%	$0.38620	$333	$319,401	$0.40706
2023	$219,468		66.59%	$0.27504	$240	$329,585	$0.41304
2024	$184,551		54.00%	$0.12645	$203	$341,744	$0.23415
2025	$218,468		51.25%	$0.17936	$243	$426,306	$0.35000
2026	$140,667	(1)	31.58%	$0.11700	$156	$445,414	$0.37046

(1) As of August 2026.

FINANCIAL POLICIES

Basis of Accounting .. . The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

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

Debt Service Fund Balance . . . The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Funds . . . Proprietary funds are used to report the same functions presented as business type activities in the governmental-wide financial statements. The City uses an enterprise fund (a type of proprietary fund) to account for its water and sewer operations, natural gas utilities, solid waste collection and disposal and airport operations.

Permanent Fund . . . The Arthur Temple Sr. Memorial Library permanent fund is used to account for an endowment to support the library operations.

System Fund . . . The System Fund accounts for the activities of the City's water and sewer services, natural gas utilities, solid waste collection and disposal, and airport operations.

Budgetary Procedures . . . The city budget is adopted in September prior to the beginning of the fiscal year, January 1. The City Manager puts together a proposed budget for discussion by June of the preceding year. City Council deliberates the budget between June and August. Once the city budget is passed by the city council in September, it is formally filed with the City Secretary. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayers' comments. Prior to January 1, the budget is adopted and legally enacted through passage of an ordinance. Both state law and the City's investment policies are subject to change.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law 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 Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) Certificates issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) 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 (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of ninety (90) days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two (2) years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b1 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 (2) years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations

that have a stated final maturity of greater than ten (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.

ADDITIONAL PROVISIONS

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than ninety (90) days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 14 - CURRENT INVESTMENTS

The City's temporary investments at August 31, 2026 are as follows. These investments are held at Meeder Public Funds:

Balance Sheet	Total
Book Value	$2,007,930.44
Accrued Balance	$13,915.02
Book Value + Accrued	**$2,021,845.46**
Net Unrealized Carrying Value Gain	$(20,385.90)
Carrying value and Accrued	**$2,001,459.56**

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THE WATERWORKS AND SEWER SYSTEM

GENERAL

The City owns and operates its water supply, storage, and distribution facilities and provides services to approximately 417 customers of which two are wholesales connections. The City's water is supplied by two ground wells and a ground water treatment plant. As of December 31, 2025, the City's water system, including wholesale customers, consists of 13.5 miles of water mains and 89 fire hydrants. As of December 31, 2025, the system had average daily production of .368 million gallons and a maximum daily production capacity of 1.13 million gallons. Wastewater treatment is provided by the Pineland Regional Wastewater Treatment Plant to serve the City and its wholesale customers. The City operates and maintains a total of 13.5 miles of wastewater lines and 230 manholes. The plant had average daily treatment of .179 million gallons per day as of December 31, 2025. Currently, the wastewater treatment plant has a maximum daily treatment capacity of .214 million gallons per day.

Below are the City's existing utility rates as of January 20, 2026.

Water - Residential	City Limits	Outside City Limits
Minimum (0-1,000 gal)	$ 35.50	$ 56.50
1,001-3,000 gal	$ 4.50	$ 5.85
3,001-6,000 gal	$ 4.65	$ 5.95
6,001+ gal	$ 4.75	$ 6.05

Sewer - Residential	City Limits	Outside City Limits
Minimum (0-1,000 gal)	$ 32.50	$ 50.50
1,001-3,000 gal	$ 4.00	$ 5.50
3,001-6,000 gal	$ 4.15	$ 5.65
6,001+ gal	$ 4.25	$ 5.75

The City appointed Water Finance Exchange to provide a comprehensive rate study that includes an analysis of each connection class, volumetric water usage, meter size, and industrial customers. This rate study, dated July 21, 2026, outlined the need for rate adjustments in all customer classes over the next ten years. On August 17, 2026, the City Council of the City approved a resolution by unanimous vote to adjust the water and sewer rates as outlined in the rate study which, along with paying for necessary operations and maintenance costs of the City's utility system, will provide for adequate debt service coverage of the Certificates. Along with a rate adjustment for all customer classes the city has approved the following water and sewer rate adjustments for residential connections inside the city:

Water - Residential	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Minimum (0-1,000 gal)	$ 35.50	$ 41.25	$ 46.75	$ 52.00	$ 57.00	$ 61.75	$ 65.75	$ 68.75	$ 70.75	$ 71.75
1,001-3,000 gal	$ 4.50	$ 6.25	$ 8.00	$ 8.25	$ 8.75	$ 8.80	$ 9.00	$ 9.25	$ 9.50	$ 10.00
3,001-6,000 gal	$ 4.65	$ 6.50	$ 8.25	$ 8.50	$ 9.00	$ 9.25	$ 9.50	$ 9.75	$ 10.00	$ 10.50
6,001+ gal	$ 4.75	$ 6.75	$ 8.50	$ 8.75	$ 9.25	$ 9.60	$ 10.00	$ 10.25	$ 10.50	$ 10.75

Sewer - Residential	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Minimum (0-1,000 gal)	$ 32.50	$ 41.25	$ 46.75	$ 52.00	$ 57.00	$ 61.75	$ 65.75	$ 68.75	$ 70.75	$ 71.75
1,001-3,000 gal	$ 4.00	$ 6.25	$ 8.00	$ 8.25	$ 8.75	$ 8.80	$ 9.00	$ 9.25	$ 9.50	$ 10.00
3,001-6,000 gal	$ 4.15	$ 6.50	$ 8.25	$ 8.50	$ 9.00	$ 9.25	$ 9.50	$ 9.75	$ 10.00	$ 10.50
6,001+ gal	$ 4.25	$ 6.75	$ 8.50	$ 8.75	$ 9.25	$ 9.60	$ 10.00	$ 10.25	$ 10.50	$ 10.75

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Below is the projected debt service coverage for the Certificates and the Series 2026B Certificates based on the approved rate adjustments and historical water usage and expenses:[1]

FYE 12/31	Projected 2026A Total D/S	Projected 2026B Total D/S	Total Projected Debt Service	Projected Net Available tor D/S[2]	Projected Coverage
2027	$ 363,565	$ 13,528	$ 377,093	$ 572,465	1.52
2028	464,125	17,270	481,395	705,566	1.47
2029	464,125	72,270	536,395	788,798	1.47
2030	464,125	95,166	559,291	866,811	1.55
2031	464,125	122,312	586,437	932,194	1.59
2032	524,125	103,558	627,683	1,000,838	1.59
2033	551,125	100,254	651,379	1,033,093	1.59
2034	571,625	106,950	678,575	1,071,050	1.58
2035	570,875	111,200	682,075	1,076,968	1.58
2036	579,875	100,450	680,325	1,076,968	1.58
2037	678,125	-	678,125	1,076,968	1.59
2038	681,125	-	681,125	1,076,968	1.58
2039	678,375	-	678,375	1,076,968	1.59
2040	680,125	-	680,125	1,076,968	1.58
2041	680,425	-	680,425	1,076,968	1.58
2042	679,938	-	679,938	1,076,968	1.58
2043	678,663	-	678,663	1,076,968	1.59
2044	681,600	-	681,600	1,076,968	1.58
2045	678,488	-	678,488	1,076,968	1.59
2046	679,588	-	679,588	1,076,968	1.58
2047	679,638	-	679,638	1,076,968	1.58
2048	678,138	-	678,138	1,076,968	1.59
2049	680,563	-	680,563	1,076,968	1.58
2050	681,644	-	681,644	1,076,968	1.58
2051	681,381	-	681,381	1,076,968	1.58
2052	679,775	-	679,775	1,076,968	1.58
2053	681,175	-	681,175	1,076,968	1.58
2054	680,925	-	680,925	1,076,968	1.58
2055	679,025	-	679,025	1,076,968	1.59
2056	680,475	-	680,475	1,076,968	1.58
Total	**$ 18,616,877**	**$ 842,958**	**$ 19,459,835**	**$ 30,664,105**	

(1) Preliminary, subject to change, The City has no currently outstanding general obligation debt. Using 5.45% for illustrative purposes.
(2) Projected net revenues available for debt service are based on the adjusted water rates approved by the City on August 17, 2026, actual FY2025 water usage, and FY2025 expenses, with an inflation factor.

The rate study and recommended rate adjustments took into account adequate revenues to cover operating and non-operating expenses, including debt service. The projection for debt service coverage on the utility side, utilizing net revenues available for debt service, is estimated to be 1.47 to 1.59 over the life of the Certificates and the Series 2026B Certificates, as show in the table above.

TABLE 15 - WATERWORKS AND SEWER SYSTEM

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, debt service payments and expenditure identified as capital.

WATER AND SEWER REVENUE AND EXPENSE

	For Fiscal Year Ended December 31,				
Revenues:	2025	2024	2023	2022	2021
Charges for Services	$ 1,359,343	$ 1,681,580	$ 1,651,294	$ 1,357,640	$ 1,180,276
Interest Revenue	146,487	162,087	39,016	13,292	9,754
Miscellaneous	(32,819)	32,905	69,244	47,520	29,070
Total Revenues	$ 1,473,011	$ 1,876,572	$ 1,759,554	$ 1,418,452	$ 1,219,100
Operating Expenses:					
Personnel	$ 552,996	$ 509,073	$ 417,366	$ 386,446	$ 344,206
Cost of Service	260,111	207,315	161,470	204,402	188,084
Supplies	171,048	160,134	141,785	104,359	109,353
Utilities	92,258	55,192	62,585	63,230	47,875
Contracted Services	54,117	29,052	25,982	29,738	28,644
Other (Minus Depreciation)	87,565	50,586	57,873	40,204	36,954
Total Operating Expenses	$ 1,218,095	$ 1,011,352	$ 867,061	$ 828,379	$ 755,116
Net Available for Debt Service	$ 254,916	$ 865,220	$ 892,493	$ 590,073	$ 463,984

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TAX EXEMPTION

OPINION OF BOND COUNSEL

In the opinion of Bond Counsel, under current law, interest on the Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Certificates.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the City as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Certificates with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Certificates and the timely payment to the United States of any arbitrage rebate amounts with respect to the Certificates. Failure by the City to comply with such covenants, among other things, could cause interest on the Certificates to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions", 63 Bus. Law. 1277 (2008) and "Legal Opinion Principles", 53 Bus. Law. 831 (May 1998). Purchasers of the Certificates should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Certificates.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

ALTERNATIVE MINIMUM TAX

Individuals - Bond Counsel's opinion states that under current law interest on the Certificates is not an item of reference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations - Bond Counsel's opinion also states that under current law interest on the Certificates is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds $1 billion.

OTHER TAX MATTERS

The Certificates will be designated as qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

In addition to the matters addressed above, prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Certificates should consult their own tax advisors as to the status of interest on the Certificates under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Certificates, under current Service procedures, the Service will treat the City as the taxpayer and the owners of the Certificates will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Certificates after their issuance, including but not limited to public knowledge of an audit of the Certificates by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities

and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Certificates who purchase Certificates after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Certificates should seek advice concerning such matters as they deem prudent in connection with their purchase of Certificates.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution", on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations" A "qualified small issuer" is any governmental issuer (together with any "on-behalf of and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank, " as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item." The City expects that the Certificates will be designated, or deemed designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations. " Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."

ORIGINAL ISSUE DISCOUNT

Some of the Certificates may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Certificates"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Certificates, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Certificates is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Certificate will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Certificate while the holder holds the Certificate.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Certificate, original issue discount treated as having accrued while the holder holds the Certificate will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Certificate.

Prospective purchasers of Discount Certificates should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Certificates.

CERTIFICATE PREMIUM

Certificates purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable certificate premium. A holder's basis in such a Certificate must be reduced by the amount of premium which accrues while such Certificate is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Certificates while so held. Purchasers of such Certificates should consult their own tax advisors as to the calculation, accrual and treatment of amortizable certificate premium and the state and local tax consequences of holding such Certificates.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligation, because the City does not currently have outstanding more than $10,000,000 in aggregate amount of outstanding municipal securities (including the Certificates and excluding securities offered in transactions that were exempt from the Rule 15c2-12(d)(2)). Pursuant to the exemption, 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 an "obligated person" with respect to the Certificates, within the meaning of Rule 15c2-12. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the MSRB.

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 ("MSRB"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement that is customarily prepared by the City and publicly available, which currently consists of an audited annual financial statement. The City will update and provide this information within twelve months after the end of each fiscal year ending in and after 2026. The City will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the EMMA system at www.emma.msrb.org. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's internet website or filed with the United States SEC, as permitted by Rule 15c2-12. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is December 31. Accordingly, the City must provide updated information by the last day of June in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide the following 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 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) 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 successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material, (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide 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 material events in accordance with this section.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with the Rule. The City intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances,

and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS ... During the last five (5) years, the City has not been subject to any continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATING

The Certificates of the City are rated "[___]" by S&P without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of the company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

POTENTIAL FOR GULF STORM IMPACTS

The City is located approximately 100 miles from the Gulf Coast area. All of the U.S. Gulf Coast is subject to hurricanes, tropical storms and other weather events that can cause the loss of life and damage to property through weather events that include strong winds, storm surges, flooding and heavy rains. As has been seen in recent hurricanes that have landed along the U.S. Gulf Coast, such weather events can cause substantial interruption of business activity. In the event of a severe storm in the vicinity of the City, the City could experience reduced business activity for a prolonged period, which would adversely affect the receipts of service fees and revenues and possibly its ability to pay contractual commitments and debt obligations. As a result of the damage caused by the hurricanes, the City has had to make significant repairs and replacements to its systems. The costs for most of the system repairs have been paid from insurance proceeds or federal relief funds. Additional hurricanes striking the area of the City in the future could result in decreases in population, taxable assessed valuations and require additional system repairs.

CYBERSECURITY PLAN

The city is aware that its website www.pinelandtx.gov contains web spam, and as such, the city has abandoned that website. Currently, it is only a placeholder. The city has hired a cybersecurity company, NacSpace, and is in the process of developing a secure website. Additionally, the cybersecurity company has reviewed the city's vulnerabilities and is providing hardware and software security upgrades such as multifactor authentication, by department access levels and malicious attempt monitoring. Elements of this plan have already been implemented, with others to follow. The city's new website and these protocols will be fully implemented by around November 28th.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF 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 governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies,

fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "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.

LEGAL MATTERS

The City will furnish complete transcripts 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 Certificate, and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions 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 Exemption" herein. Though it may represent the Financial Advisor and the Underwriter 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 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 under the captions "THE CERTIFICATES" (exclusive of the subcaptions "Tax Rate Limitation," "Book-Entry-Only System," "Remedies of the Holders of the Certificates", and "Use of Certificate Proceeds"), "TAX EXEMPTION," and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Certificates for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas," and "Legal Matters" (exclusive of the last two sentences of the first paragraph thereunder) under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fees to be paid to 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 opinions 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. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Certificates.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

Water Finance Exchange Municipal Advisors is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Water Finance Exchange Municipal Advisors, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel 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 Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITER

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at a price of $_____, (representing the principal amount of the Certificates, plus an original issue premium of $_____, less an underwriting discount of $_____). The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Certificates, if the Certificates are purchased. The Certificates may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Certificates into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, Municipal Advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, 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.

MISCELLANEOUS

The Ordinance also approves the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Certificates by the Underwriter.

_____
Mayor
City of Pineland, Texas

ATTEST:

_____
City Secretary
City of Pineland, Texas

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APPENDIX A

FORM OF BOND COUNSEL'S OPINION

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November __, 2026

WE HAVE ACTED as Bond Counsel for the City of Pineland, Texas, (the "City") in connection with an issue of certificates of obligation (the "Certificates") described as follows:

> CITY OF PINELAND, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026A, dated November 1, 2026, in the aggregate principal amount of $_____.
>
> The Certificates bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance (the "Ordinance") adopted by the City Council of the City authorizing their issuance.

WE HAVE ACTED as 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 exclusion of interest on the Certificates from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City, certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely, and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates. We have also examined executed Certificate No. I-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

> (1) 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 in effect; the Certificates constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Certificates may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Certificates have been authorized and delivered in accordance with law; and

(2) The Certificates are payable, both as to principal and interest, from, and secured by, the proceeds of a continuing, direct annual ad valorem tax, levied within the limits prescribed by law, against taxable property within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates; and

(3) The Certificates are further secured by a limited pledge of a subordinate lien on the net revenues, in an amount not to exceed $10,000, of the waterworks and sanitary sewer system of the City.

THE REVENUES TO BE derived from the operation of both the City's waterworks and sanitary sewer system after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), in an amount not to exceed $10,000, are pledged to the payment of the principal of and interest on the Certificates, to the extent that ad valorem taxes may ever be insufficient or unavailable for said purpose; provided, however, that such pledge is junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the City, whether authorized heretofore or hereafter, which the City designates as having a pledge senior to the pledge of Net Revenues to the payment of the Certificates.

THE CITY HAS RESERVED THE RIGHT to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation and other obligations of any kind secured by a pledge of the Net Revenues that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Net Revenues securing the Certificates.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. The opinion in (a) and (b) of the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Certificates with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. The City has covenanted in the Ordinance to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Certificates in gross income of the owners thereof for federal income tax purposes.

INTEREST ON the Certificates owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such

corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations, such as the Certificates, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Certificates.

THE OPINIONS SET FORTH ABOVE ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Our services as Bond Counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Certificates and the tax-exempt status of the interest thereon. Our services have not included any financial or other non-legal advice. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Certificates or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated October __, 2026 and its Official Statement dated November __, 2026, that may have been relied upon by anyone in making the decision to purchase Certificates. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law or the interpretation thereof that may hereafter occur or become effective.

Very truly yours,

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

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CITY OF PINELAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

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CITY OF PINELAND, TEXAS
Annual Financial Report
For the Year Ended December 31, 2025

Table of Contents

	Page
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13-14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Net Position - Proprietary Fund	19
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	20
Statement of Cash Flows - Proprietary Fund	21
Notes to the Financial Statements	22-40
Required Supplementary Information:	
Budgetary Comparison Reporting	
Budgetary Comparison Schedule - General Fund	41
Texas Municipal Retirement System	
Schedule of Changes in Net Pension Liability and Related Ratios - TMRS	42-43
Schedule of Pension Contributions - TMRS	44-45
Schedule of Changes in Net OPEB Liability and Related Ratios - TMRS	46-47
Schedule of OPEB Contributions - TMRS	48-49
Notes to the TMRS Schedules	50-51
Other Schedules:	
Comparative Statement of Net Position - Enterprise Fund	52
Comparative Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund	53

CITY OF PINELAND, TEXAS
Annual Financial Report
For the Year Ended December 31, 2025

Table of Contents

	Page
FEDERAL AWARDS SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	54-55
Independent Auditor's Report Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	56-58
Schedule of Findings and Questioned Costs	59
Schedule of Prior Audit Findings	60
Corrective Action Plan	61
Schedule of Expenditures of Federal Awards	62
Notes to the Schedule of Expenditures of Federal Awards	63

FINANCIAL SECTION

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Goff & Herrington, P.C.
Certified Public Accountants

AJ Goff, CPA
Ronnie Herrington, CPA
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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Pineland, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pineland, Texas (City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-11), the budgetary comparison information (page 41), and the pension and other post-employment benefits (OPEB) schedules (pages 42-51) 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 accompanying comparative schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 comparative financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.
Certified Public Accountants

March 3, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Pineland, Texas' annual financial report presents our narrative discussion and analysis of the City's financial activities for the year ended December 31, 2025. Please read it in conjunction with the City's financial statements, which immediately follow this section.

Financial Highlights

- The City's total net position was $12,384,032 as of December 31, 2025. Of this amount, $5,003,802 (unrestricted) may be used to meet the City's continuing obligations to citizens, customers and creditors.
- During the year ended December 31, 2025, the City's net position increased by $1,763,092 from operations.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $744,774 or 46.12 percent of total general fund expenditures.

Overview of the Financial Statements

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The City's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position.** This is the City wide statement of financial position presenting information that includes all of the City's assets**,** liabilities, deferred outflows of resources, and deferred inflows of resources, 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 as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other non financial factors such as changes to the City's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the City's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

Both of the government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, streets, parks and recreation, and economic development. Business-type activities include water and sewer operations, natural gas utilities, solid waste collection and disposal, and airport operations.

During the fiscal year ended December 31, 2025, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. GASB 101 establishes updated recognition and measurement guidance for compensated absences, including vacation leave and certain types of sick leave.

Management evaluated the City's compensated absence policies and calculated the liability in accordance with the requirements of GASB 101. Based on this evaluation, the resulting liability was determined to be immaterial to the financial statements. Accordingly, no adjustment was recorded in the accompanying financial statements.

The implementation of GASB 101 did not have a material impact on the City's financial position, results of operations, or cash flows

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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 cash 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 the City'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, readers 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 change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds, the general fund, which is considered a major fund, and the library permanent fund. The City adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The library permanent fund is comprised of an endowment and earnings on the endowment investments to be used for the support of the Arthur Temple Sr. Memorial Library. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

Proprietary funds - Proprietary funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses an enterprise fund (a type of proprietary fund) to account for its water and sewer operations, natural gas utilities, solid waste collection and disposal and airport operations.

Notes to the financial statements - The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information which includes comparative financial information. Supplementary information follows the notes to the financial statements.

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's assets exceed liabilities by $12,384,032 at the close of the fiscal year.

By far the largest portion of the City's net position (57.13 percent) reflects its investment in capital assets (land, buildings, utility systems, machinery and equipment). The City uses these assets to provide services to the citizens, consequently, these assets are not available for future spending.

The City's Net Position

	Governmental		Business-type		Total	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	1,780,521	1,957,798	3,697,779	3,992,202	5,478,300	5,950,000
Capital and Non-Current Assets	3,231,815	3,071,650	4,405,860	2,580,210	7,637,675	5,651,860
Total Assets	5,012,336	5,029,448	8,103,639	6,572,412	13,115,975	11,601,860
Deferred Outflows - TMRS	29,443	59,552	38,427	74,773	67,870	134,325
Total Deferred Outflows	29,443	59,552	38,427	74,773	67,870	134,325
Other Liabilities	47,021	117,253	93,990	10,710	141,011	127,963
Long Term Liabilities	249,123	592,861	374,592	371,533	623,715	964,394
Total Liabilities	296,144	710,114	468,582	382,243	764,726	1,092,357
Deferred Inflows - TMRS	15,221	10,147	19,866	12,741	35,087	22,888
Total Deferred Inflows	15,221	10,147	19,866	12,741	35,087	22,888
Net Position:						
Net Investment in Capital	2,955,987	2,498,173	4,119,270	2,341,579	7,075,257	4,839,752
Restricted	304,973	323,012	-	-	304,973	323,012
Unrestricted	1,469,454	1,547,554	3,534,348	3,910,622	5,003,802	5,458,176
Total Net Position	4,730,414	4,368,739	7,653,618	6,252,201	12,384,032	10,620,940

The unrestricted net position ($5,003,802) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

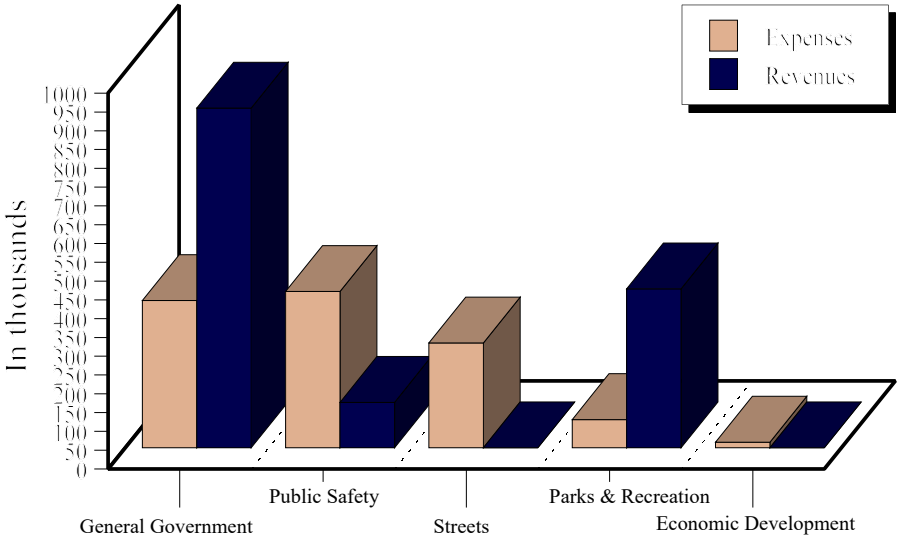
Changes in the City's Net Position

	Governmental Activities		Business-type		Total	
Revenues:	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for services	135,924	64,748	1,326,524	1,714,485	1,462,448	1,779,233
Operating grants and contributions	408,078	160,681	-	-	408,078	160,681
Capital grants and contributions	96,345	1,093,865	1,637,720	199,281	1,734,065	1,293,146
General Revenues:						
Property taxes	431,324	405,291	-	-	431,324	405,291
Sales taxes	218,468	184,551	-	-	218,468	184,551
Franchise fees	44,432	43,393	-	-	44,432	43,393
Investment earnings	54,013	69,759	146,487	162,087	200,500	231,846
Miscellaneous	58,967	519	41,490	101,195	100,457	101,714
Total revenues	1,447,551	2,022,807	3,152,221	2,177,048	4,599,772	4,199,855
Expenses:						
General government	404,740	342,012	-	-	404,740	342,012
Public safety	428,917	403,481	-	-	428,917	403,481
Streets	292,649	230,614	-	-	292,649	230,614
Parks and recreation	88,699	161,366	-	-	88,699	161,366
Economic development	14,833	14,833	-	-	14,833	14,833
Water	-	-	498,837	426,185	498,837	426,185
Sewer	-	-	618,662	527,218	618,662	527,218
Natural Gas	-	-	225,350	170,211	225,350	170,211
Solid Waste	-	-	249,968	185,878	249,968	185,878
Airport	-	-	14,027	21,220	14,027	21,220
Total expenses	1,229,836	1,152,306	1,606,844	1,330,712	2,836,680	2,483,018
Transfers	143,960	85,000	(143,960)	(85,000)	-	-
Increase (decrease) in net position	361,675	955,501	1,401,417	761,336	1,763,092	1,716,837
Beginning net position	4,368,739	3,413,238	6,252,201	5,490,865	10,620,940	8,904,103
Ending net position	4,730,414	4,368,739	7,653,618	6,252,201	12,384,032	10,620,940

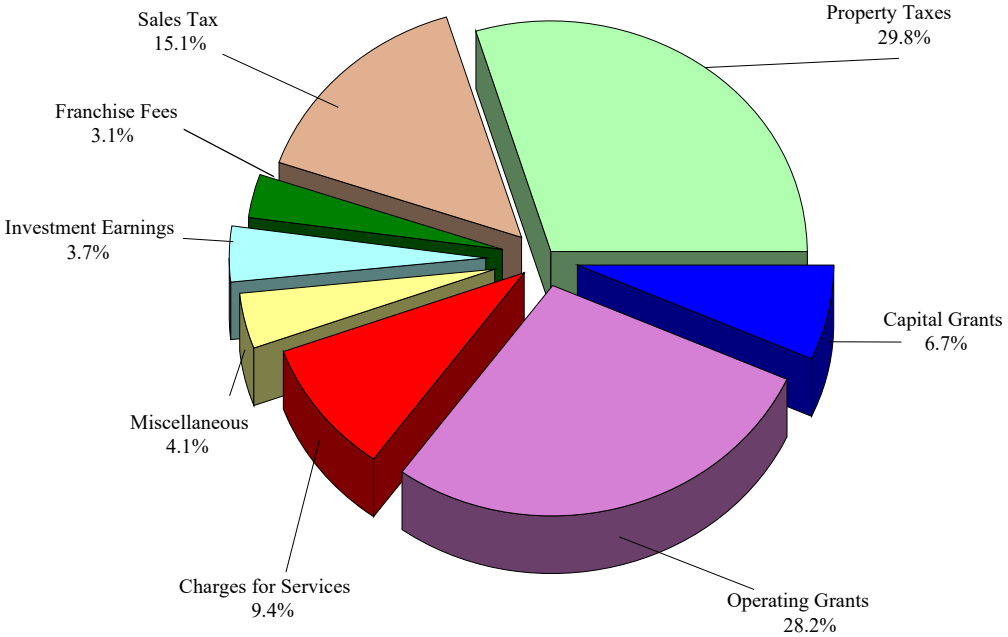
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities. Governmental activities increased the City's net position by $361,675, contributing to the overall increase in the City's total net position.

Expenses and Revenues - Governmental Activities

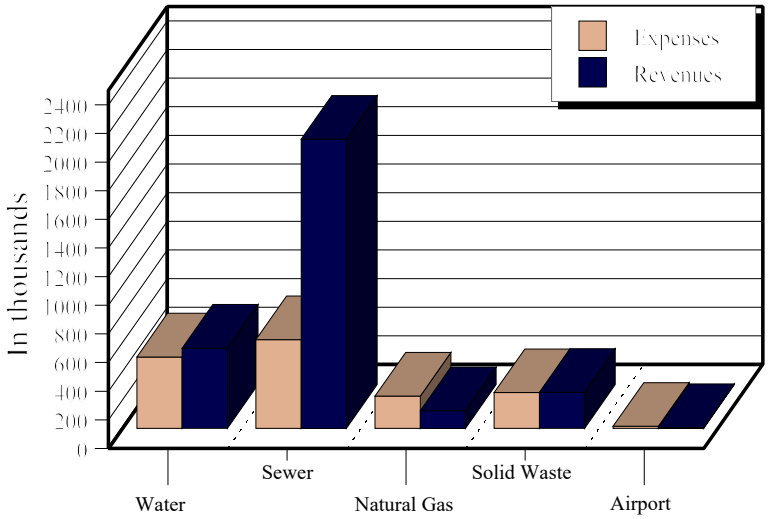


Revenues by Source - Governmental Activities

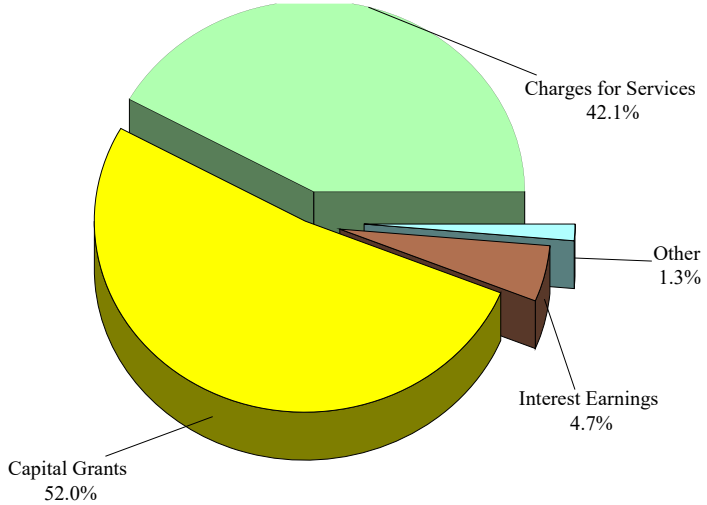


Business-type Activities. Business-type activities increased the City's net position by $1,401,417, contributing to the overall increase in the City's total net position

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported an ending fund balance of $1,698,354, an increase of $146,429 compared with the prior year. Of this balance, $744,774 is unassigned, which is available for current 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.

Unrestricted net position of the proprietary fund at the end of the year amounted to $3,534,348.

General Fund Budgetary Highlights

Over the course of the year the City monitored its budget as actual results were analyzed. Actual expenditures were $706,390 below the final budget amounts. The most significant negative variances were in the capital outlay and debt service functions, as actual expenditures were more than anticipated.

There was a positive budget variance of $720,368 in overall revenues, mostly due to excess grants and contributions received in 2025.

Capital Asset and Debt Administration

Capital Assets. At the end of the current fiscal year, the City's investment in capital assets for its governmental and business-type activities amounts to $7,531,833 (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility systems and improvements, vehicles and equipment, airport facilities, and park facilities.

City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	197,667	197,667	13,289	13,289	210,956	210,956
Building & improvements	1,622,238	1,252,442	3,035	3,886	1,625,273	1,256,328
Utility systems	-	-	1,614,163	1,429,039	1,614,163	1,429,039
Vehicles and equipment	1,230,995	1,219,973	512,858	549,127	1,743,853	1,769,100
Construction in progress	134,999	401,568	2,202,589	584,869	2,337,588	986,437
Net capital assets	3,185,899	3,071,650	4,345,934	2,580,210	7,531,833	5,651,860

Significant capital additions include continued construction on the sewer plant funded by grants, other improvements to the utility systems, street improvements, and purchasing public safety vehicles and equipment. The 2026 budget does not include any significant capital outlays.

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long-term debt. In prior years, the City borrowed funds from the Government Capital Corporation to purchase heavy machinery. The total loan was $250,000 and will be paid back in annual installments of $24,494, including interest. The interest rate on the loan is fixed at 5.25%. The total amount outstanding on this loan at December 31, 2025 was $226,664.

During the year ended December 31, 2024, the City borrowed funds from the Government Capital Corporation to purchase public safety vehicles and machinery. The total loan was $573,976 and will be paid back in variable annual installments, including interest. The interest rate on the loan is fixed at 6.15%. The total amount outstanding on this loan at December 31, 2025 was $229,912.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the 2026 budget, including property tax valuations and rates, estimated sales tax receipts, and fees that will be charged for business-type activities. The City estimates General Fund revenues to decrease by 40.07% compared to actual 2025 results, mostly due to grants and contributions received in 2025 that are not included in the 2026 budget. The City expects System Fund operating revenues to decrease by 55.04% from 2025 actuals, also due to grant receipts in 2025 that are not included in the 2026 budget.

The 2026 General Fund operating expenditure budget is expected to decrease by 67.86% compared to 2025 actual results. The significant decrease is related to capital expenditures and debt service in 2025 that are not included in the 2026 budget.

The 2026 System Fund operating expense budget, without depreciation on capital assets acquired with grant funds, is expected to decrease 13.83% compared to 2025 actual results.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase slightly, and the System Fund reserves are expected to increase by the close of 2026.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Pineland's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the City Secretary, P. O. Box 6, Pineland, Texas, 75968.

Government-Wide Financial Statements

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CITY OF PINELAND, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	822,441	2,379,707	3,202,148
Investments	882,089	1,154,446	2,036,535
Due from other funds	-	-	-
Property tax receivable (net)	52,781	-	52,781
Accounts receivable	-	144,931	144,931
Prepaids and other assets	23,210	18,695	41,905
Net pension asset	45,916	59,926	105,842
Capital Assets (net of accumulated depreciation):			
Land	197,667	13,289	210,956
Other capital assets, net of depreciation	2,988,232	4,332,645	7,320,877
Total assets	5,012,336	8,103,639	13,115,975
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - TMRS Pension	26,474	34,551	61,025
Deferred outflows - TMRS OPEB	2,969	3,876	6,845
Total deferred outflows	29,443	38,427	67,870
LIABILITIES			
Accounts payable	-	79,754	79,754
Due to other funds	-	-	-
Accrued expenses	47,021	14,236	61,257
Long-term Liabilities:			
Customer meter deposits	-	122,856	122,856
Net OPEB liability	19,211	25,072	44,283
Long-term debt, due within one year	24,694	12,594	37,288
Long-term debt, due after one year	205,218	214,070	419,288
Total liabilities	296,144	468,582	764,726
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - TMRS Pension	11,381	14,855	26,236
Deferred inflows - TMRS OPEB	3,840	5,011	8,851
Total deferred inflows	15,221	19,866	35,087
NET POSITION			
Net investment in capital assets	2,955,987	4,119,270	7,075,257
Restricted	304,973	-	304,973
Unrestricted	1,469,454	3,534,348	5,003,802
Total net position	4,730,414	7,653,618	12,384,032

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	391,514	-	-	96,345
Public safety	415,691	121,252	-	-
Streets	279,423	-	-	-
Parks and recreation	75,473	14,672	408,078	-
Economic development	14,833	-	-	-
Debt service	52,902	-	-	-
Total governmental activities	1,229,836	135,924	408,078	96,345
Business-type activities:				
Water	498,837	559,281	-	-
Sewer	618,662	381,018	-	1,637,720
Natural Gas	225,350	129,770	-	-
Solid Waste	249,968	251,162	-	-
Airport	14,027	5,293	-	-
Total business-type activities	1,606,844	1,326,524	-	1,637,720
	2,836,680	1,462,448	408,078	1,734,065
General revenues:				
Property taxes				
Sales taxes				
Franchise fees				
Investment earnings				
Miscellaneous				
Other funding sources				
Transfers in (out)				
Total general revenues and transfers				
Change in net				
Net position, beginning				
Net position, ending				

See accompanying notes to the financial statements

Net (Expense) Revenues and Changes in Net Position		
Governmental Activities	Business Activities	Total
(295,169)	-	(295,169)
(294,439)	-	(294,439)
(279,423)	-	(279,423)
347,277	-	347,277
(14,833)	-	(14,833)
(52,902)	-	(52,902)
(589,489)	-	(589,489)
-	60,444	60,444
-	1,400,076	1,400,076
-	(95,580)	(95,580)
-	1,194	1,194
-	(8,734)	(8,734)
-	1,357,400	1,357,400
(589,489)	1,357,400	767,911
431,324	-	431,324
218,468	-	218,468
44,432	-	44,432
54,013	146,487	200,500
58,967	-	58,967
-	41,490	41,490
143,960	(143,960)	-
951,164	44,017	995,181
361,675	1,401,417	1,763,092
4,368,739	6,252,201	10,620,940
4,730,414	7,653,618	12,384,032

See acompanying notes to the financial statements

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Fund Financial Statements

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CITY OF PINELAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Library Permanent Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	822,441	-	822,441
Investments	577,116	304,973	882,089
Property tax receivable (net)	52,781	-	52,781
Prepaids and other assets	23,210	-	23,210
Total assets	1,475,548	304,973	1,780,521
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued liabilities	29,385	-	29,385
Total liabilities	29,385	-	29,385
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	52,782	-	52,782
Total deferred inflows	52,782	-	52,782
Fund balances:			
Nonspendible Fund Balance:			
Prepaid items	23,210	-	23,210
Library endowment	-	300,000	300,000
Restricted Fund Balance:			
Restricted for library operations	-	4,973	4,973
Committed Fund Balance:			
Committed for fire department operations	57,705	-	57,705
Committed for library operations	567,692	-	567,692
Unassigned Fund Balance	744,774	-	744,774
Total fund balances	1,393,381	304,973	1,698,354
Total liabilities, deferred inflows, and fund balances	1,475,548	304,973	1,780,521

See accompanying notes to the financial statments

CITY OF PINELAND, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total fund balances - governmental funds	1,698,354
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $7,101,672 and the accumulated depreciation was $4,030,022. The net effect of including beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.	1,816,367
Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the current year capital outlays, less current year depreciation is to increase (decrease) net position.	1,369,532
Long-term debt is reported in the government-wide statement of net position, but does not require the use of current financial resources and therefore, is not reported as expenditures in governmental funds.	(247,548)
Included in the noncurrent assets is the recognition of the City's proportionate share of the net asset required by GASB 68 in the amount of $45,916, a Deferred Resource Outflow in the amount of $26,474, and a Deferred Inflow in the amount of $11,381. This amounted to an increase in Net Position in the amount of $61,009.	61,009
Included in the noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of $19,211, a Deferred Resource Outflow in the amount of $2,969, and a Deferred Inflow in the amount of $3,840. This amounted to a decrease in Net Position in the amount of $20,082.	(20,082)
Certain long term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.	52,782
Net position of governmental activities	4,730,414

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Library Permanent Fund	Total Governmental Funds
REVENUES			
Taxes:			
Sales taxes	218,468	-	218,468
Franchise fees	44,432	-	44,432
Ad valorem	601,271	-	601,271
Fines	121,252	-	121,252
Charges for services	14,672	-	14,672
Interest income	51,792	2,221	54,013
Operating grants and contributions	504,423	-	504,423
Miscellaneous	58,969	-	58,969
Total revenues	1,615,279	2,221	1,617,500
EXPENDITURES			
Current:			
General government:			
Finance and administration	326,340	-	326,340
Public safety:			
Fire	33,759	-	33,759
Police	260,474	-	260,474
Streets	216,077	-	216,077
Parks and recreation	-	-	-
Debt service	378,834	-	378,834
Capital outlay	399,547	-	399,547
Total expenditures	1,615,031	-	1,615,031
Excess (deficiency) of revenues over expenditures	248	2,221	2,469
OTHER FINANCING SOURCES (USES)			
Transfers in	164,220	-	164,220
Transfers out	-	(20,260)	(20,260)
Total other financing sources and uses	164,220	(20,260)	143,960
Net change in fund balances	164,468	(18,039)	146,429
Fund balance - beginning	1,228,913	323,012	1,551,925
Fund balance - ending	1,393,381	304,973	1,698,354

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Net change in fund balances - governmental funds	146,429
Current year capital outlays are expenditures in the govermental fund financial statements but they should be shown as increases in capital assets in the government-wide financial statements. The effect of removing the current year outlays is to increase net position.	399,547
Depreciation is not recognized as an expense in governmental fund financial statements since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(285,298)
Current year debt proceeds/payments are revenues/expenditures in the govermental fund financial statements but they should be shown as reductions of long-term debt in the government-wide financial statements. The effect of removing the current year debt activity is to decrease net position.	(355,532)
The City recorded their share of the pension expense as part of GASB 68 requirement to record the net pension asset/liability. The effect of recording the current year pension expense increased the net position.	(55,636)
The City recorded their share of the OPEB expense as part of GASB 75 requirement to record the net OPEB asset/liability. The effect of recording the current year OPEB expense increased the net position.	652
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and the change in accrued liabilites for net pension obligation. The net effect of these reclassifications is to increase net position.	511,513
Change in net position of governmental activities	361,675

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2025

ASSETS	
Current assets:	
Cash and cash equivalents	2,379,707
Investments	1,154,446
Accounts receivable	144,931
Other current assets	18,695
Due from other funds	-
Total current assets	3,697,779
Noncurrent assets:	
Net pension asset	59,926
Land	13,289
Other capital assets, net of depreciation	4,332,645
Total noncurrent assets	4,405,860
Total assets	8,103,639
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - TMRS Pension	34,551
Deferred outflows - TMRS OPEB	3,876
Total deferred outflows	38,427
Total assets and deferred outflows	8,142,066
LIABILITIES	
Current liabilities:	
Accounts payable	79,754
Accrued liabilities	14,236
Current portion of long-term debt	12,594
Total current liabilities	106,584
Noncurrent liabilities:	
Customer deposits	122,856
Long-term debt	214,070
Net OPEB liability	25,072
Total noncurrent liabilities	361,998
Total liabilities	468,582
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - TMRS Pension	14,855
Deferred inflows - TMRS OPEB	5,011
Total deferred inflows	19,866
NET POSITION	
Net investment in capital assets	4,119,270
Unrestricted	3,534,348
Total net position	7,653,618
Total liabilities, deferred inflows, and net position	8,142,066

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

REVENUES	
Operating revenues:	
Water sales	571,253
Sewer charges	394,090
Gas sales	142,838
Sanitation charges	251,162
Operating grants and contributions	-
Refunds	(75,438)
Other services	42,619
Total operating revenues	1,326,524
EXPENSES	
Operating expenses:	
Personnel	552,996
Cost of services	260,111
Materials and supplies	171,048
Utilities	92,258
Maintenance and repairs	28,686
Contractual services	54,117
Other operating expenses	58,879
Depreciation	293,579
Total operating expenses	1,511,674
Operating income (loss)	(185,150)
OTHER REVENUES & EXPENSES	
Nonoperating revenues (expenses):	
Grant proceeds - capital	1,637,720
Insurance proceeds	41,490
Interest income	146,487
Interest expense	(17,842)
Pension benefit (expense)	(76,637)
OPEB benefit (expense)	(691)
Total nonoperating revenue (expenses)	1,730,527
OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers out	(143,960)
Total other financing sources and uses	(143,960)
Change in net position	1,401,417
Total net position - beginning	6,252,201
Total net position - ending	7,653,618

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

Cash flows from operating activities:	
Receipts from customers	1,334,129
Payments to suppliers and contractors	(525,559)
Payments to employees	(573,314)
Net cash provided by operating activities	235,256
Cash flows from capital and related financing activities:	
Payments on long-term debt	(11,967)
Proceeds from insurance claims	41,490
Proceeds from capital grants	1,637,720
Purchases of capital assets	(2,059,303)
Net cash used for capital activities	(392,060)
Cash flows from investing activities:	
Operating transfers	(143,960)
Interest received	94,943
Net cash provided by investing activities	(49,017)
Net increase in cash and cash equivalents	(205,821)
Cash and cash equivalents, beginning	2,585,528
Cash and cash equivalents, ending	2,379,707
Reconcilation of operating income to net cash provided by operating	
Operating income	(185,150)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	293,579
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(6,687)
(Increase) decrease in other current assets	64,102
Increase (decrease) in accounts payable	75,438
Increase (decrease) in accrued liabilities	(20,318)
Increase (decrease) in customer meter deposits	14,292
Net cash provided by operating activities	235,256

See accompanying notes to the financial statements

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CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Pineland, Texas, (City) operates under Section 4, Article XI of the Texas constitution as a general law city. The City is governed by a Mayor and five council members. The accompanying financial statements present the City's primary government which includes all functions for which the City's mayor and council exercise significant influence and are financially accountable. Significant influence or accountability is based on any budget adoption, rate setting, taxing authority, outstanding debt secured by the City to finance any deficits that may occur, and receipt of significant subsidies from the City.

Government-wide and Fund Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed in the government-wide financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate fund financial statements are provided for governmental funds and proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and 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 expenditures related to compensated absences, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

Permanent Fund - The Arthur Temple Sr. Memorial Library permanent fund is used to account for an endowment to support the library operations.

The City reports the following major proprietary funds:

System Fund - The System Fund accounts for the activities of the City's water and sewer services, natural gas utilities, solid waste collection and disposal, and airport operations.

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

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

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal operations. The principal operating revenues of the System Fund are charges to customers for sales and services. The System Fund also recognizes as operating revenues tap fees intended to recover the cost of connecting new customers to the system.

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

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

Budget - Annual appropriated budgets are adopted for the General Fund and System Fund. All annual appropriation lapse at year end. The General Fund budget presented includes any approved amendments.

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

Short-term Interfund Receivables/Payables - During the course of operations, transactions occur between individual funds for advances or for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds.

Inventory of Supplies - Inventory of supplies consist primarily of supplies held for consumption stated at cost, which approximates market. Inventory is expended at the time the individual items are used or consumed. Inventory had been fully expended at year end.

Committed Assets - Certain resources set aside for library operations, park improvements, and public safety operations are classified as committed assets, because use is limited by City Council authorization.

Capital assets - Capital assets, which includes land, utility systems, buildings, improvements, vehicles and equipment, are reported in the applicable governmental or business-types activities column in the government-wide financial statements. Capital assets 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. Such assets are recorded at historical cost or estimated historical cost if purchases or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is provided on all capital assets used by governmental and business type activities over the estimated life of the asset using the straight-line method. The estimated useful lives are:

Assets	Years
Buildings and other improvements	20-30
Utility distribution systems and improvements	10-50
Vehicles and equipment	5-10

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Net Position and Fund Balance - Net position reported in the statement of net position include components that are committed for capital improvements and operations. Unreserved fund balance in the governmental fund financial statements represents that portion of fund balance that is available for budgeting for future periods.

Fund Balance Policy - The City reports fund balances for governmental funds in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or "must be maintained intact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the City Council.

The City's committed fund balances represent resources committed for parks and library improvements as well as fire department operations.

Compensated Absences - The City accounts for expenditures related to sick pay when payments are made to employees as amounts do not vest beyond the City's year end. Vacation and sick pay benefits do not accumulate beyond each employee's anniversary date. During the fiscal year ended December 31, 2025, the District implemented GASB Statement No. 101, Compensated Absences. Management determined that the calculated liability under the new standard was immaterial to the financial statements; therefore, no adjustment was recorded.

Long-Term Obligations - In the government-wide financial statements, and proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of 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.

Other Post-Employment Benefits (OPEB) - The fiduciary net position of the TMRS Supplemental Death and Disability Plan (SDD) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the TMRS SDD Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Interfund Transactions - Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as operating transfers.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Statement of Cash Flows - For the purposes of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Subsequent Events - Management has evaluated subsequent events through March 3, 2026, which is the date that these financial statements were available to be issued.

DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed

investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies, except as identified below. In compliance with the Public Funds Investments Act, the City has adopted a deposit and investment policy. At December 31, 2025, the City did not have a formal depository contract in place with the City's agent bank.

The following are disclosed concerning risks:

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City was not exposed to credit risk at December 31, 2025.

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is that the funds of the City must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The City's cash deposits at December 31, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City has not experienced any losses in such accounts and believes that it is not exposed to any significant financial risk on cash.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The City was not exposed to concentration of credit risk at December 31, 2025.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City was not exposed to interest rate risk at December 31, 2025.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The City was not exposed to foreign currency risk at December 31, 2025.

The City's temporary investments in operating accounts as of December 31, 2025 were in the certificates of deposit at the City's depository bank with a carrying amount and market value of $1,043,029, and investment pools with a carrying amount and market value of $688,533. The City's restricted investments, which consists of the Arthur Temple Sr. Memorial Library Fund, were invested in a multi-year guaranteed annuity with a carrying amount and market value of $4,973 and certificates of deposit in the amount of $300,000.

The investment pools used by the City are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of the City's funds in authorized short-term investments.

The investment in the Pools are based on contractual agreements and not the individual security itself, therefore; the City's investment in the Pools are not categorized as to credit risk. The market value of the Pools are based on quoted market values of underlying investments of the Pools. Authorized investments include obligations of the United States, or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies and instrumentalities; and other investments authorized by statutes governing public funds investment pools.

The Pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the Pool is the same as the value of the shares in the pool. The purpose of the Pools is to allow for the pooling of public funds to provide a higher yield on the pooled investments than would be possible with the investment of the individual public entity's funds. The investments in the Pools and any accrued interest may be redeemed at the City's discretion.

RESTRICTED ASSETS

At December 31, 2025, the City's restricted assets consisted of the following:

Arthur Temple Sr. Memorial Library Endowment	300,000
	300,000

RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

The System Fund's significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. Customer accounts receivable are reported net of an allowance for uncollectible accounts. The allowance amount is estimated based on the City's past experience with collections and is estimated at $16,656 as of December 31, 2025.

PROPERTY TAXES

Property taxes are collected and remitted to the City by the Sabine County Tax Assessor Collector. The City recognizes property tax revenue based on the property assessments made January 1 in the preceding fiscal year. Property tax statements are typically mailed October 1 and taxes are considered delinquent as of February 1. Deferred inflows of resources are recorded for property taxes receivable in excess of the amount considered available for the current period.

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

Governmental Activities:	**Beginning Balance**	**Additions**	**Retirements/ Adjustments**	**Ending Balance**
Land	197,667	-	-	197,667
Buildings and improvements	4,241,277	58,039	466,505	4,765,821
Vehicles and equipment	2,261,160	141,570	(13,604)	2,389,126
Construction in progress	401,568	199,938	(466,506)	135,000
Totals at cost	7,101,672	399,547	(13,605)	7,487,614
Less accumulated depreciation for:				
Buildings and improvements	2,988,833	154,749	-	3,143,582
Vehicles and equipment	1,041,189	130,549	(13,605)	1,158,133
Total accumulated depreciation	4,030,022	285,298	(13,605)	4,301,715
Governmental activities capital assets, net	3,071,650	114,249	-	3,185,899

Business-type Activities:	**Beginning Balance**	**Additions**	**Retirements/ Adjustments**	**Ending Balance**
Land	13,289	-	-	13,289
Buildings and improvements	426,283	-	-	426,283
Utility systems and improvements	4,612,929	382,902	-	4,995,831
Vehicles and equipment	917,436	58,681	-	976,117
Construction in progress	584,869	1,617,720	-	2,202,589
Totals at cost	6,554,806	2,059,303	-	8,614,109
Less accumulated depreciation:				
Buildings and improvements	422,397	851	-	423,248
Utility system and improvements	3,183,890	197,778	-	3,381,668
Vehicles and equipment	368,309	94,950	-	463,259
Total accumulated depreciation	3,974,596	293,579	-	4,268,175
Business-type activities capital assets, net	2,580,210	1,765,724	-	4,345,934

Depreciation expense was charged to functions of the City as follows:

Governmental activities:	
General government	10,189
Public safety	121,458
Streets	63,346
Economic development	14,833
Parks and recreation	75,472
Total depreciation expense - governmental activities	285,298
Business-type activities:	
Water	123,317
Sewer	136,382
Natural gas	33,030
Airport	850
Total depreciation expense - business-type activities	293,579

LONG-TERM DEBT

In prior years, the City borrowed funds from the Government Capital Corporation to purchase heavy machinery. The total loan was $250,000 and will be paid back in annual installments of $24,494, including interest. The interest rate on the loan is fixed at 5.25%. The total amount outstanding on this equipment loan at December 31, 2025 was $226,664.

During the year ended December 31, 2024, the City borrowed funds from the Government Capital Corporation to purchase public safety vehicles and machinery. The total loan was $573,976 and will be paid back in variable annual installments, including interest. The interest rate on the loan is fixed at 6.15%. The total amount outstanding on this loan at December 31, 2025 was $229,912.

Long-term debt activity for the year ended December 31, 2025 was as follows**:**

	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
Governmental Activities:				
Public Safety Vehicles	573,477	-	343,565	229,912
Business-type Activities:				
Equipment loan	238,631	-	11,967	226,664

The annual debt service requirements to maturity for the City's long-term debt as of December 31, 2025, is as follows:

Year ended December 31,	Government Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	12,594	11,900	24,694	14,140	37,288	26,040
2027	13,256	11,239	26,213	12,621	39,469	23,860
2028	13,951	10,543	27,825	11,009	41,776	21,552
2029	14,684	9,810	29,536	9,297	44,220	19,107
2030	15,455	9,039	31,352	7,481	46,807	16,520
2031-2035	90,331	32,140	90,292	20,186	180,623	52,326
2035-2039	66,393	7,090	-	-	66,393	7,090
	226,664	91,761	229,912	74,734	456,576	166,495

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases workers' compensation insurance coverage from Deep East Texas Self Insurance Fund, a public entity risk pool, which is self sustaining through member premiums. The Fund reinsures through commercial companies for claims in excess of $1,100,000.

The City maintains other risks of loss coverage with various insurance companies. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. There have been no significant reductions in insurance coverage. Settled claims have not exceeded the commercial coverage during the current fiscal year.

COMMITMENTS AND CONTINGENCIES

Grants

Intergovernmental grants received by the City are subject to audit and adjustment by the funding agency or its representatives. If grant revenues are received for expenditures which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of

City management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements as of December 31, 2025.

DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 938 plans in the defined benefit cash balanced pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.tmrs.com**.**

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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	8
Inactive employees entitled to but not yet receiving benefits	11
Active employees	11
	30

Contributions

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

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.29% and 4.16% in calendar years 2025 and 2024, respectively. The city's contributions to TMRS's pension plan for the year ended December 31, 2025 was $19,736, which equated the required contributions.

Net Pension Asset/Liability

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

Actuarial Assumptions:

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

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 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. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the 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. They 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 in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Markets	4.00%	7.30%
Total	100.00%	

Discount Rate

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

employees. 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 Asset/Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balance at 12/31/2024	$2,363,487	$ 2,512,108	$ (148,621)
Changes for the year:			
Service cost	59,536	-	59,536
Interest	162,257	-	162,257
Change in benefit terms	85,687	-	85,687
Difference between expected and actual expense	35,963	-	35,963
Changes of assumptions	-	-	-
Contributions - employer	-	19,184	(19,184)
Contributions - employee	-	23,058	(23,058)
Net investment income	-	260,134	(260,134)
Benefit payments, including refunds of employee Contributions	(150,265)	(150,265)	-
Administrative expense	-	(1,674)	1,674
Other charges	-	(38)	38
Net Changes	193,178	150,399	42,779
Balance at 12/31/2025	**$2,556,665**	**$ 2,662,507**	**$ (105,842)**

Sensitivity of the net pension asset/liability to changes in the discount rate.

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension (Asset)Liability	$ 178,501	$ (105,842)	$ (344,848)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended December 31, 2025, the City recognized pension expense of $135,358.

At December 31, 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	41,289	-
Changes is actuarial assumptions	-	4,110
Difference between projected and actual Investment earnings	-	22,126
Contributions subsequent to measurement date	19,736	-
Total	$ 61,025	$ 26,236

The amount of $19,736 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2025.

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

Year ended December 31,	
2026	24,630
2027	43,522
2028	(34,988)
2029	(18,111)
2030	-
Thereafter	-
	15,053

POST EMPLOYMENT-BENEFIT OTHER THAN PENSIONS (OPEB)

Plan description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another post-employment benefit ("OPEB") and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Benefits provided

TMRS provides supplemental death benefits for retirees. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Employees Covered by Benefit Terms

At December 31, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	3
Active employees	11
	20

Contributions

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

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City was 0.51% and 0.55% in calendar years 2025 and 2024, respectively. The city's contributions to TMRS's SDD plan for the year ended December 31, 2025, was $2,346, which equated the required contributions .

Net OPEB Liability

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

Actuarial assumptions

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

Inflation	2.50% per year
Overall Payroll Growth	3.60% to 11.85% , including inflation
Discount Rate*	4.08%

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

Discount rate

The discount rate used to measure the total OPEB liability was 4.08rcent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current, active, and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Asset/Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balance at 12/31/2023	$ 43,722	$ -	$ 43,722
Changes for the year:			
Service cost	830	-	830
Interest	1,628	-	1,628
Change in benefit terms	-	-	-
Difference between expected and actual expense	1,982	-	1,982
Changes of assumptions	(1,988)	-	(1,988)
Contributions - employer	-	1,891	(1,891)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee Contributions	(1,891)	(1,891)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net Changes	561	-	561
Balance at 12/31/2024	**$ 44,283**	**$ -**	**$ 44,283**

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates

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

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's Net OPEB (Asset)Liability	$ 51,241	$ 44,283	$ 38,657

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

For the year ended December 31, 2025, the City recognized an OPEB expense of $1,221.

At December 31, 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	2,377	182
Changes is actuarial assumptions	2,122	8,669
Difference between projected and actual Investment earnings	-	-
Contributions subsequent to measurement date	2,346	-
Total	$ 6,845	$ 8,851

The amount of $2,346 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2026	(2,062)
2027	(2,459)
2028	(49)
2029	219
2030	(1)
Thereafter	-
	(4,352)

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Required Supplementary Schedules

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CITY OF PINELAND, TEXAS
BUDETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts		Actual	Variance With Final Budget Positive
REVENUES	**Original**	**Final**	**Amounts**	**(Negative)**
Taxes:				
Sales taxes	180,000	180,000	218,468	38,468
Franchise taxes	45,000	45,000	44,432	(568)
Ad valorem	409,250	409,250	601,271	192,021
Licenses and permits	500	500	-	(500)
Fines	39,400	39,400	121,252	81,852
Charges for services	10,100	10,100	14,672	4,572
Miscellaneous revenues	794	794	58,969	58,175
Interest income	20,000	20,000	51,792	31,792
Operating grants and contributions	189,867	189,867	504,423	314,556
Total revenues	894,911	894,911	1,615,279	720,368
EXPENDITURES				
General government				
Finance and administration	368,561	368,561	326,340	42,221
Public safety				
Fire	58,200	58,200	33,759	24,441
Police	326,580	326,580	260,474	66,106
Streets	80,000	80,000	216,077	(136,077)
Parks and recreation	75,300	75,300	-	75,300
Debt service	-	-	378,834	(378,834)
Capital outlay	-	-	399,547	(399,547)
Total expenditures	908,641	908,641	1,615,031	(706,390)
Excess (deficiency) of revenues over expenditures	(13,730)	(13,730)	248	13,978
OTHER FINANCING SOURCES (USES)				
Transfers in	14,244	14,244	164,220	149,976
Transfers out	-	-	-	-
Total other financing sources (uses)	14,244	14,244	164,220	149,976
Net change in fund	514	514	164,468	163,954
Fund balance - beginning	1,228,913	1,228,913	1,228,913	-
Fund balance - ending	1,229,427	1,229,427	1,393,381	163,954

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

	FY 2025 Plan Yr 2024	FY 2024 Plan Yr 2023	FY 2023 Plan Yr 2022	FY 2022 Plan Yr 2021
TOTAL PENSION LIABILITY				
Service cost	$ 59,536	$ 41,339	$ 43,221	$ 37,822
Interest (on the Total Pension Liability)	162,257	152,947	145,998	140,293
Changes of benefit terms	85,687	-	-	-
Difference between expected and actual experience	35,963	8,182	55,194	37,337
Changes in assumptions	-	(9,594)	-	-
Benefit payments, including refunds of employee contributions	(150,265)	(149,192)	(131,872)	(135,378)
Net Change in Total Pension Liability	193,178	43,682	112,541	80,074
Total Pension Liability - Beginning	2,363,487	2,319,805	2,207,264	2,127,190
Total Pension Liability - Ending (a)	$ 2,556,665	$ 2,363,487	$ 2,319,805	$ 2,207,264
PLAN FIDUCIARY NET POSITION				
Contributions:				
Employer	$ 19,184	$ 12,534	$ 13,811	$ 14,210
Employee	23,058	19,463	20,310	17,773
Net investment income	260,134	272,303	(193,080)	317,393
Benefit payments, including refund of employee contributions	(150,265)	(149,192)	(131,872)	(135,378)
Administrative expense	(1,674)	(1,738)	(1,672)	(1,470)
Other	(38)	(12)	1,997	10
Net Change in Plan Fiduciary Net Position	150,399	153,358	(290,506)	212,538
Plan Fiduciary Net Position - Beginning	2,512,108	2,358,750	2,649,256	2,436,718
Plan Fiduciary Net Position - Ending (b)	$ 2,662,507	$ 2,512,108	$ 2,358,750	$ 2,649,256
Net Pension (Asset)Liability - Ending (a) - (b)	(105,842)	(148,621)	(38,945)	(441,992)
Plan Fiduciary Net Position as a Percentage of Total Pension Asset/Liability	104.14%	106.29%	101.68%	120.02%
Covered Payroll	461,163	389,255	406,209	355,466
Net Pension Asset/Liability as a Percentage of Covered Payroll	22.95%	38.18%	9.59%	124.34%

GASB 68, Paragraph 81 requires that the data in this schedule be data from the period corresponding with the periods covered as of the measurement dates of December 31, 2024 for fiscal year 2025, 2023 for fiscal year 2024, December 31, 2022 for fiscal year 2023, December 31, 2021 for fiscal year 2022, December 31, 2020 for fiscal year 2021, December 31, 2019 for fiscal year 2020, December 31, 2018 for fiscal year 2019, December 31, 2017 for fiscal year 2018, December 31, 2016 for the fiscal year 2017, and December 31, 2015 for the fiscal year 2016.

FY 2021 Plan Yr 2020	FY 2020 Plan Yr 2019	FY 2019 Plan Yr 2018	FY 2018 Plan Yr 2017	FY 2017 Plan Yr 2016	FY 2016 Plan Yr 2015
$ 37,965	$ 40,255	$ 45,194	$ 46,173	$ 48,206	$ 41,526
142,117	155,531	152,655	145,649	139,907	136,353
-	-	-	-	-	-
(13,755)	(197,218)	(43,818)	(3,976)	(28,501)	(30,493)
-	62	-	-	-	14,146
(251,189)	(141,237)	(76,659)	(90,472)	(56,571)	(23,589)
(84,862)	(142,607)	77,372	97,374	103,041	137,943
2,212,052	2,354,659	2,277,287	2,179,913	2,076,872	1,938,929
$ 2,127,190	$ 2,212,052	$ 2,354,659	$ 2,277,287	$ 2,179,913	$ 2,076,872
$ 22,307	$ 31,186	$ 38,446	$ 45,992	$ 47,649	$ 49,231
17,874	19,713	22,197	22,501	23,221	20,825
186,888	342,164	(68,883)	282,789	128,346	2,731
(251,189)	(141,237)	(76,659)	(90,472)	(56,571)	(23,589)
(1,209)	(1,933)	(1,331)	(1,465)	(1,449)	(1,663)
(47)	(58)	(70)	(72)	(78)	(81)
(25,376)	249,835	(86,300)	259,273	141,118	47,454
2,462,094	2,212,259	2,298,559	2,039,286	1,898,168	1,850,714
$ 2,436,718	$ 2,462,094	$ 2,212,259	$ 2,298,559	$ 2,039,286	$ 1,898,168
(309,528)	(250,042)	142,400	(21,272)	140,627	178,704
114.55%	111.30%	93.95%	100.93%	93.55%	91.40%
357,483	394,263	443,949	450,027	464,410	416,509
86.59%	63.42%	32.08%	4.73%	30.28%	42.91%

CITY OF PINELAND, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

	2025	2024	2023	2022
Actuarial Determined Contributions	$ 18,736	$ 19,184	$ 12,534	$ 13,811
Contributions in relation to the actuarially determined contribution	(18,736)	(19,184)	(12,534)	(13,811)
Contribution Deficiency (Excess)	-	-	-	-
Covered Payroll	460,047	461,163	389,255	406,209
Contributions as a Percentage of Covered Employer Payroll	4.07%	4.16%	3.22%	3.40%

The Schedule of Employer Contributions shows the city's required annual contributions from the actuarial valuation compared with the actual contributions remitted. This schedule is based on the city's respective fiscal year-end and should be built over the next 10-year period.

2021	2020	2019	2018	2017	2016
$ 14,239	$ 22,831	$ 31,186	$ 38,446	$ 45,993	$ 47,648
(14,239)	(22,831)	(31,186)	(38,446)	(45,993)	(47,648)
-	-	-	-	-	-
355,466	357,483	394,263	443,949	450,027	464,410
4.01%	6.39%	7.91%	8.66%	10.22%	10.26%

CITY OF PINELAND, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

	FY 2025 Plan Yr 2024	FY 2024 Plan Yr 2023
TOTAL OPEB LIABILITY		
Service cost	$ 830	$ 584
Interest (on the Total OPEB Liability)	1,628	1,630
Changes of benefit terms	-	-
Difference between expected and actual experience	1,982	525
Changes in assumptions	(1,988)	1,775
Benefit payments, including refunds of employee contributions	(1,891)	(1,518)
Net Change in Total OPEB Liability	561	2,996
Total OPEB Liability - Beginning	43,722	40,726
Total OPEB Liability - Ending (a)	$ 44,283	$ 43,722
PLAN FIDUCIARY NET POSITION		
Contributions:		
Employer	1,891	1,518
Employee	-	-
Net investment income	-	-
Benefit payments, including refund of employee contributions	(1,891)	(1,518)
Administrative expense	-	-
Other	-	-
Net Change in Plan Fiduciary Net Position	-	-
Plan Fiduciary Net Position - Beginning	-	-
Plan Fiduciary Net Position - Ending (b)	$ -	$ -
Net OPEB (Asset) Liability - Ending (a) - (b)	44,283	43,722
Plan Fiduciary Net Position as a Percentage of Total OPEB Asset/Liability	0.00%	0.00%
Covered Payroll	461,163	389,255
Net OPEB Asset/Liability as a Percentage of Covered Payroll	9.60%	11.23%

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly*

NOTE: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2025, 2024, 2023, 2022, 2021, 2020, 2019 and 2018 are based on the August 31, 2024, 2023, 2022, 2021, 2020, 2019, 2018 and 2017 measurement dates, respectively.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2023 Plan Yr 2022	FY 2022 Plan Yr 2021	FY 2021 Plan Yr 2020	FY 2020 Plan Yr 2019	FY 2019 Plan Yr 2018	FY 2018 Plan Yr 2017
$ 1,747	$ 1,671	$ 1,358	$ 1,262	$ 1,643	$ 1,440
1,043	1,043	1,255	1,511	1,586	1,584
-	-	-	-	-	-
(227)	1,518	(1,780)	(4,673)	(7,011)	-
(16,972)	1,525	6,266	7,123	(2,756)	3,284
(1,300)	(1,244)	(250)	(513)	(400)	(405)
(15,709)	4,513	6,849	4,710	(6,938)	5,903
56,435	51,922	45,073	40,363	47,301	41,398
$ 40,726	$ 56,435	$ 51,922	$ 45,073	$ 40,363	$ 47,301
1,300	1,244	250	513	400	405
-	-	-	-	-	-
-	-	-	-	-	-
(1,300)	(1,244)	(250)	(513)	(400)	(405)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
40,726	56,435	51,922	45,073	40,363	47,301
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
406,209	355,466	357,483	394,263	443,949	450,027
10.03%	15.88%	14.52%	11.43%	9.09%	10.51%

CITY OF PINELAND, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

	2025	2024
Actuarial Determined Contributions	$ 2,346	$ 2,536
Contributions in relation to the actuarially determined contribution	(2,346)	(2,536)
Contribution Deficiency (Excess)	-	-
Covered Payroll	460,047	461,163
Contributions as a Percentage of Covered Employer Payroll	0.51%	0.55%

The Schedule of Employer Contributions shows the city's required annual contributions from the actuarial valuation compared with the actual contributions remitted. This schedule is based on the city's respective fiscal year-end and should be built over the next 10-year period.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2023	2022	2021	2020	2019	2018
$ 2,141	$ 1,584	$ 1,495	$ 915	$ 1,183	$ 1,598
(2,141)	(1,584)	(1,495)	(915)	(1,183)	(1,598)
-	-	-	-	-	-
389,255	406,209	355,466	357,483	394,263	443,949
0.55%	0.39%	0.42%	0.26%	0.30%	0.36%

CITY OF PINELAND, TEXAS
NOTES TO THE TMRS SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE A: NOTES TO THE PENSION SCHEDULES

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	N/A
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 rates 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.

NOTE B: NOTES TO THE OPEB SCHEDULES

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later. The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ended December 31, 2022.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount rate*	4.08%
Retirees' share of benefit-related	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

NOTE B: NOTES TO THE OPEB SCHEDULES (continued)

Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.
Other Information:	The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

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Other Schedules

CITY OF PINELAND, TEXAS
COMPARATIVE STATEMENT OF NET POSITION
ENTERPRISE FUND

	December 31,	
	2025	**2024**
ASSETS		
Cash and cash equivalents	2,379,707	2,585,528
Investments	1,154,446	1,102,902
Receivables:		
Utility accounts, net	144,931	138,244
Other current assets	18,695	8,213
Due from other funds	-	74,584
Total current assets	3,697,779	3,909,471
Net Pension asset	59,926	82,731
Property and equipment (net of accumulated depreciation)	4,345,934	2,580,210
Total assets	8,103,639	6,572,412
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - TMRS Pension	34,551	71,477
Deferred outflows - TMRS OPEB	3,876	3,296
Total deferred outflows	38,427	74,773
Total assets and deferred outflows	8,142,066	6,647,185
LIABILITIES		
Accounts payable	79,754	4,316
Accrued liabliities	14,236	6,394
Current portion of long-term debt	12,594	11,966
Total current liabilities	106,584	22,676
Customer meter deposits	122,856	108,564
Long-term debt	214,070	226,665
Net OPEB liability	25,072	24,338
Total liabilities	468,582	382,243
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - TMRS Pension	14,855	7,749
Deferred inflows - TMRS OPEB	5,011	4,992
Total deferred inflows	19,866	12,741
NET POSITION		
Contributed capital:		
Capital grants	3,017,013	2,997,013
Less depreciation on assets acquired by grants	(2,372,399)	(2,282,750)
Net contributed capital	644,614	714,263
Net investment in capital assets	3,701,320	1,865,947
Unrestricted	3,307,684	3,671,991
Total net position	7,653,618	6,252,201
Total liabilities, deferred inflows, and net position	8,142,066	6,647,185

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND

	For the year ended December 31,	
	2025	**2024**
Operating revenues:		
Charges for services	1,326,524	1,714,485
Total operating revenues	1,326,524	1,714,485
Operating expenses:		
Personnel	552,996	509,073
Cost of services	260,111	207,315
Materials and supplies	171,048	160,134
Utilities	92,258	55,192
Maintenance and repairs	28,686	36,320
Contractual services	54,117	29,052
Other operating expenses	58,879	14,266
Depreciation	293,579	312,349
Total operating expenses	1,511,674	1,323,701
Operating income (loss)	(185,150)	390,784
Non-operating revenues (expenses):		
Grant proceeds - capital	1,637,720	199,281
Insurance proceeds	41,490	93,175
Gain on sale of capital assets	-	8,020
Interest income	146,487	162,087
Interest expense	(17,842)	(17,999)
Pension benefit (expense)	(76,637)	11,400
OPEB benefit (expense)	(691)	(412)
Total nonoperating revenues (expenses)	1,730,527	455,552
Income (loss) before transfers and	1,545,377	846,336
Less: Current year capital assets acquired by grants	(20,000)	-
Add: Depreciation on capital assets acquired by grants	89,649	87,648
Net income (loss) before transfers	1,615,026	933,984
Transfers (to) from other funds	(143,960)	(85,000)
Change in net position	1,471,066	848,984
Net position, beginning of year	5,537,938	4,688,954
Net contributed capital	644,614	714,263
Net position, end of year	7,653,618	6,252,201

See accompanying notes to the financial statements

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FEDERAL AWARDS SECTION

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Goff &Herrington, P.C.
Certified Public Accountants

A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council
City of Pineland, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pineland, Texas, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise City of Pineland, Texas' basic financial statements, and have issued our report thereon dated March 3, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Goff & Herrington, P.C.

GOFF & HERRINGTON
Certified Public Accountants

March 3, 2026

Goff&Herrington,P.C.
Certified Public Accountants

A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Members of the City Council
City of Pineland, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Pineland's (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.
Certified Public Accountants

March 3, 2026

CITY OF PINELAND, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Section I - Summary of Auditor's Results:

Financial Statements		
Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	___yes	__X_no
Significant Deficiencies identified that are not considered to be material weaknesses?	____yes	__X_no
Noncompliance material to financial statements noted?	____yes	__X_no
Federal Awards		
Internal control over major programs:		
Material weaknesses identified?	___yes	__X no
Significant Deficiencies identified that are not considered to be material weaknesses?	___yes	__X no
Type of auditor's report on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___yes	__X no
Identification of Major Programs		
Fed. Asst. Listing No. 14.228	Community Development Block Grants (CDBG)	
Dollar threshold used to distinguish between Type A and Type B programs	$1,000,000	
Auditee qualified as a low risk auditee?	___yes	__X no

Section II - Financial Statement Findings

None identified.

Section III - Federal Award Findings and Questioned Costs

None identified.

CITY OF PINELAND, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2025

There were no prior year findings.

CITY OF PINELAND, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2025

None Required.

CITY OF PINELAND, TEXAS
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBR 31, 2025

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through Texas Department of Agriculture:			
CDBG - Fire, Ambulance, and Service Truck (FAST)	14.228	CFA22-0056	3,945
CDBG - Community Development - 2021	14.228	CDV21-0199	3,290
Total Passed through Texas Department of Agriculture			7,235
Passed through Texas General Land Office:			
CDBG - Mitigation Program Infrastructure Projects	14.228	22-085-076-D340	1,617,720
CDBG - Mitigation Program Infrastructure Projects	14.228	24-065-052-E554	62,216
Total Passed through Texas General Land Office			1,679,936
Total Department of Housing and Urban Development			**1,687,171**
Total Expenditures of Federal Awards			**1,687,171**

CITY OF PINELAND, TEXAS
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2025. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Summary of Significant Accounting Policies:

The modified-accrual basis of accounting is used for the governmental funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (measurable and available) and expenditures in the accounting period in which the fund liability is incurred, except that principal and interest on general long-term debt are recognized when due. Federal grant funds are considered to be earned when all eligibility requirements have been met. Any excess of revenues or expenditures is recorded as unearned revenues or accounts receivable, respectively.

The disbursement of funds received under federal grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. In the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types or on the overall financial position of the City at December 31, 2025.

Indirect Cost Rate:

The City has elected not to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF PINELAND, TEXAS (SABINE COUNTY) • COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026A

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