

OFFICIAL NOTICE OF SALE, BID FORM
and
PRELIMINARY OFFICIAL STATEMENT

\$18,010,000*
TOWN OF FLOWER MOUND, TEXAS

(A municipal corporation and political subdivision in the State of Texas located in Denton and Tarrant Counties)

CERTIFICATES OF OBLIGATION
SERIES 2025

Bids Due
Wednesday, June 4, 2025
at
10:00 A.M., Central Time

**NOTICE OF SALE
AND
BIDDING INSTRUCTIONS**

ON

\$18,010,000*
TOWN OF FLOWER MOUND, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Bids Due Wednesday, June 4, 2025, at 10:00 AM, CDT

THE SALE

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The Town of Flower Mound, Texas (the "Town") is offering for sale its \$18,010,000* Certificates of Obligation, Series 2025 (the "Certificates"). Bidders may submit bids for the Certificates electronically as described below in "Electronic Bidding Procedures."

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The Town will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Bidders submitting an electronic bid shall not be required to submit Official Bid Forms prior to award.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Notice of Sale and Bidding Instructions, and shall be binding upon the bidder as if made by a signed, bid by facsimile to the Town. The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale and Bidding Instructions shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale and Bidding Instructions shall control. Further information about PARITY, including any fee charged, may be obtained from Ipreo's Municipal Client Services via telephone (212) 849-5021 or email munis@ipreo.com.

For purposes of the electronic bidding process, the time as maintained by i-Deal shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the Town, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidding Instructions and the Official Bid Form. The winning bidder shall submit a signed bid form if not previously submitted.

Bids by physical delivery shall not be allowed.

PLACE AND TIME OF BID OPENING . . . The bids for the Certificates will be publicly opened and read at the offices of Hilltop Securities Inc., Financial Advisor to the Town, at 10:00 AM, CDT, Tuesday, June 4, 2025.

AWARD OF THE CERTIFICATES . . . The Pricing Officer will take action to award the Certificates (or reject all bids) no later than 2:00 PM, CDT, on the date of the bid opening.

* Preliminary, subject to change. See "THE CERTIFICATES— Adjustment of Principal Amounts and/or Types of Bids."

THE CERTIFICATES

DESCRIPTION . . . The Certificates will be dated June 15, 2025. Interest will accrue from the date of the initial delivery (anticipated to be June 26, 2025) and will be paid on March 1 and September 1 of each year, commencing March 1, 2026, until maturity, or prior redemption. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Certificates will mature on March 1 in each year as follows:

MATURITY SCHEDULE*

| <u>Maturity Date</u> | <u>Principal Amount</u> |
|--------------------------|-----------------------------|
| 2026 | \$ 5,275,000 |
| 2027 | 410,000 |
| 2028 | 430,000 |
| 2029 | 455,000 |
| 2030 | 480,000 |
| 2031 | 500,000 |
| 2032 | 530,000 |
| 2033 | 555,000 |
| 2034 | 585,000 |
| 2035 | 615,000 |
| 2036 | 645,000 |
| 2037 | 680,000 |
| 2038 | 715,000 |
| 2039 | 750,000 |
| 2040 | 790,000 |
| 2041 | 830,000 |
| 2042 | 870,000 |
| 2043 | 915,000 |
| 2044 | 965,000 |
| 2045 | 1,015,000 |

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES . . . Bidders may provide that all of the Certificates be issued as serial Certificates or may provide that any two or more consecutive annual principal amounts be combined into one or more "Term Certificates".

The final Official Statement will incorporate the mandatory redemption provisions for the Certificates in the event the successful bidder elects to convert serial maturities into one or more Term Certificates.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on or after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

ADJUSTMENT OF PRINCIPAL AMOUNTS AND/OR TYPES OF BIDS . . . Prior to 5:00 PM, CDT on the business day before the bids are due, the Town may, in its sole discretion, adjust the principal amount set forth above (the "Maturity Schedule") and/or the type of bid required on the Certificates. Hilltop Securities Inc., as Financial Advisor to the Town, will give notice of any such adjustment by Bloomberg and PARITY. Should such adjustments be made, a revised Official Bid Form will be made available through i-Deal Prospectus and PARITY. For purposes of this paragraph, the term "Maturity Schedule" shall include any adjustments to the principal amounts shown above including the total par amount so made by the Town by posting to PARITY and a Bloomberg Wire. **Also see "CONDITIONS OF THE SALE" herein.**

After the Sale... After receipt of the Bids but prior to award, the Town reserves the right to adjust the aggregate principal amount and the principal amount of each maturity of the Certificates shown on the Maturity Schedule. The principal amount of any maturity of the Certificates shall only be adjusted in \$5,000 increments and shall not be increased or decreased by an amount that exceeds 15% of the preliminary principal amount of such maturity (rounded up to the next higher integral of \$5,000) without permission of the successful bidder. Such adjustment(s), if

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any, shall be made within 4 hours of the bid opening of the Certificates. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS. The dollar amount bid by the successful bidder will be adjusted to reflect changes in the aggregate principal amounts of the Certificates. Such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and the original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of Certificates from the selling compensation that would have been received based on the purchase price in the winning bid and initial reoffering prices. In the event of any adjustment of the maturity schedule for the Certificates as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Certificates and/or the maturity schedules for the Certificates made by the Town or its Financial Advisor shall be subsequent to the award of the Certificates to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – Basis for Award" herein and shall not affect such determination. The successful Bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

BOOK-ENTRY-ONLY SYSTEM . . . The Town intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be U.S. Bank Trust Company, National Association, Dallas, Texas. See "REGISTRATION, TRANSFER AND EXCHANGE - Paying Agent/Registrar" in the Preliminary Official Statement.

SOURCE OF PAYMENT . . . The Certificates are direct obligations of the Town, payable from a levy and collection of an annual ad valorem tax, on all taxable property located within the Town, within the limits prescribed by law, and are additionally secured by a limited pledge of the net surplus revenues derived from the operation of the Town's combined waterworks and sewer system (the "System").

Further details regarding the Certificates are set forth in the Preliminary Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . The Certificates will be sold in one block, on an "All or None" basis, and at a price of not less than 102.00% of their par value. The maximum coupon rate shall not exceed 5.00%. Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the. The highest rate bid may not exceed the lowest rate bid by more than 3.00% in rate. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Certificates of one maturity must bear one and the same rate. Each bidder shall state in the bid the total interest cost in dollars and the True Interest Cost as defined below.

BASIS FOR AWARD . . . Subject to the Town's right to reject any or all bids and to waive irregularities except for time of filing, the sale of the Certificates will be awarded to the bidder making a bid (the "Initial Purchaser" or "Purchaser") that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the Town. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Date of Delivery of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus any premium bid. In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, if any, set forth in the Official Bid Form will be considered as the official bid.

GOOD FAITH DEPOSIT . . . A Good Faith Deposit, payable to the "Town of Flower Mound, Texas", in the amount of \$360,200.00 is required. Such Good Faith Deposit shall be in the form of a bank cashier's check or certified check, which is to be retained uncashed by the Town pending the Initial Purchaser's compliance with the terms of its bid and this Notice of Sale and Bidding Instructions. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the Town prior to the opening of the bids, and shall be accompanied by instructions from the bank on which it is drawn which authorize its use as a Good Faith Deposit by the Initial Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Initial Purchaser will be returned to the Initial Purchaser upon payment for the Certificates.** No interest will be allowed on the Good Faith Deposit. **In the event the Initial Purchaser should fail or refuse to take up and pay for the Certificates in accordance with the bid, or if it is determined after the acceptance of its bid by the Town that the Initial Purchaser was found not to satisfy the requirements described below under the caption "Verifications of Statutory Representations and Covenants" and as a result the Texas Attorney General will not deliver its approving opinion of the Certificates, then said check shall be cashed and accepted by the Town as full and complete liquidated damages.** The checks accompanying bids other than the winning bid will be returned immediately after the bids are opened, and an award of the Certificates has been made.

ADDITIONAL CONDITIONS OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM

Obligation of the Town to receive information from winning bidder. Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the Town may not award the Certificates to the winning bidder unless the bidder (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the Town as prescribed by the Texas Ethics Commission ("TEC") or (ii) certifies in the Official Bid Form that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity. In the event that the bidder's bid for the Certificates is the best bid received, the Town, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid, and, unless exempt, will obligate the bidder to promptly file a completed Disclosure Form, as described below, in order to complete the award. The Town reserves the right to reject any bid that does not comply with the requirements prescribed herein.

Process for completing the Disclosure Form. Reference should be made to the Disclosure Form, the rules of the TEC with respect to the Disclosure Form (the "Disclosure Rules") and the Interested Party Disclosure Act. Instructional information regarding such matters are set forth at <https://www.ethics.state.tx.us/filinginfo/1295/>. For purposes of completing the Disclosure Form the Initial Purchaser will need the following information: (a) item 2 – name of governmental entity: Town of Flower Mound, Texas and (b) item 3 – the identification number assigned to this contract by the Town: Town of Flower Mound Certificates of Obligation, Series 2025, and a description of the services to be provided under the contract: Purchase of Certificates. Unless a business entity is exempt from filing the Disclosure Form, the Interested Party Disclosure Act and the Disclosure Rules require a business entity contracting with the Town to complete the form at the TEC Internet "portal" that may be accessed at the url set forth above, and then print, complete the unsworn declaration, sign and deliver the Disclosure Form by email to the Town (John Zagurski, Chief Financial Officer, john.zagurski@flowermound.gov), Financial Advisor (John Martin, john.martin@hilltopsecurities.com) and Bond Counsel (Robert Dransfield, robert.dransfield@nortonrosefulbright.com). Following the award of the Certificates, the Town will acknowledge receipt of the completed Disclosure Form through the TEC website, if necessary, as required by the law.

Preparations and for completion, and the significance of, the reported information. The Interested Party Disclosure Act provides that such disclosure is made "under oath and under penalty of perjury." **Consequently, a bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form.** Time will be of the essence in submitting the form to the Town, and, unless exempt, no award will be made by the Town of the Certificates until a completed Disclosure Form from the winning bidder is received. The Town reserves the right to reject any bid that is not accompanied by a completed Disclosure Form, as described herein. Neither the Town nor its consultants have the ability to verify whether a bidder is exempt or the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form or exemption status. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the Town that its bid is the conditional winning bid.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS... By submission of a bid for the Certificates, each bidder makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code (the "Government Code"), as heretofore amended. As used herein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. §230.405, and exists to make a profit. If the bidder's bid is accepted, then liability for breach of any such verification during the term of the contract for purchase and sale of the Certificates created thereby (the "Agreement") shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Notice of Sale, notwithstanding anything herein or therein to the contrary.

NOT A SANCTIONED COMPANY... Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153, Government Code, or Section 2270.0201, Government Code. The foregoing representation excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

NO BOYCOTT OF ISRAEL... Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

NO DISCRIMINATION AGAINST FIREARM ENTITIES ... Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a

firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

NO BOYCOTT OF ENERGY COMPANIES ... Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER AND BRINGDOWN VERIFICATION ... By submission of a bid for the Certificates, each bidder represents and verifies that it is aware of the Office of the Texas Attorney General's (the "Texas Attorney General") All Bond Counsel Letter, dated November 1, 2023, that is available on the website of the Texas Office of the Texas Attorney General using the following link: [Q1https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-01-2023.pdf](https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-01-2023.pdf)) and the Texas Attorney General's supplemental All Bond Counsel Letter, dated November 16, 2023, that is available on the website of the Texas Attorney General using the following link: [Q1https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-06-2023.pdf](https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-06-2023.pdf)). Each bidder represents and verifies that the bidder has (i) on file a standing letter ("Standing Letter") acceptable to the Texas Attorney General addressing the representations and verifications described under the heading "VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS," and (ii) will, upon request of the Town or Bond Counsel on behalf of the Town, provide the Town and Bond Counsel with a copy of its Standing Letter. Each bidder further represents and verifies that its Standing Letter remains in effect as of the date of the Agreement and that the Texas Attorney General has not notified the bidder that a determination has been made that the bidder boycotts energy companies or has a policy that discriminates against firearm entities or firearm trade associations under the laws of the State of Texas. Upon request of the Town or Bond Counsel on the Town's behalf, each bidder shall provide additional written certifications to the Town and Bond Counsel (which may be by email) to the effect that the Texas Attorney General may continue to rely on the Standing Letter and the statutory representations and covenants contained in the Agreement through the closing date (currently scheduled for June 26, 2025) (the "Bringdown Verification"). The Town reserves the right, and each bidder hereby expressly authorizes the Town, to provide such Bringdown Verification to the Texas Attorney General.

FURTHER STATE LAW COMPLIANCE: IN ADDITION TO THE FOREGOING, THE BIDDER HEREBY REPRESENTS, BY SUBMISSION OF A BID, NEITHER IT NOR ITS PARENT COMPANY, SUBSIDIARIES OR AFFILIATES HAS RECEIVED A PENDING, UNRESOLVED LETTER OR NOTIFICATION THAT IT IS INCLUDED ON ANY LIST OF FINANCIAL COMPANIES BOYCOTTING ENERGY COMPANIES. BY SUBMITTING A BID, BIDDER AGREES, THAT SHOULD IT BE THE WINNING BIDDER, BIDDER SHALL TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW. IF THE TEXAS ATTORNEY GENERAL REQUIRES ADDITIONAL DOCUMENTATION IN ORDER TO RELEASE ITS OPINION, IT IS THE BIDDER'S SOLE RESPONSIBILITY TO SATISFY ALL REQUESTS OF THE TEXAS ATTORNEY GENERAL. THE TOWN HAS NO DUTY OR RESPONSIBILITY TO ASSIST THE BIDDER IN SATISFYING THESE REQUIREMENTS. BY SUBMITTING A BID, THE BIDDER UNDERSTANDS AND AGREES THAT THE TOWN HAS THE SOLE DISCRETION TO KEEP THE BIDDER'S GOOD FAITH DEPOSIT IF THE BIDDER FAILS TO SATISFY THE OFFICE OF THE TEXAS ATTORNEY GENERAL AS TO THE REPRESENTATIONS DESCRIBED HEREIN.

By submitting a bid, each bidder agrees, should it be the winning bidder, to cooperate with the Town and take any action necessary to further verify and confirm compliance with state law.

IMPACT OF BIDDING SYNDICATE ON AWARD . . . For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Initial Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the Town is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Certificates, but neither the failure to print or type such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Certificates shall be paid by the Town.

DELIVERY OF CERTIFICATES . . . Initial Delivery will be accomplished by the issuance of one Initial Certificate (the "Initial Certificate"), either in typed or printed form, in the aggregate principal amount of \$18,010,000*, payable for each maturity of the Certificates to the Initial Purchaser or its designee, signed by the Mayor and Town Secretary, approved by the Attorney General of the State of Texas, and registered and signed manually or by facsimile by the Comptroller of Public Accounts of the State of Texas. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Certificate for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in

connection with DTC's Book-Entry-Only System. Delivery will be at the office of the Paying Agent/Registrar in Dallas, Texas. Payment for the Certificates must be made in immediately available funds for unconditional credit to the Town, or as otherwise directed by the Town. The Initial Purchaser will be given six business days' notice of the time fixed for delivery of the Certificates. It is anticipated that delivery of the Certificates can be made on or about June 26, 2025, and it is understood and agreed that the Initial Purchaser will accept delivery and make payment for the Certificates by 10:00 AM, CDT, on June 26, 2025. If for any reason the Town is unable to make delivery on or before July 26, 2025, the Town shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the Town and the Initial Purchaser shall be relieved of any further obligation. In no event shall the Town be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the Town's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Initial Purchaser to take up and pay for the Certificates is subject to the Initial Purchaser's receipt of (a) the legal opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel for the Town ("Bond Counsel") and (b) the Town's certification as to the Official Statement and no litigation, all as further described in the Official Statement. Bond Counsel may not deliver its approving opinion of the Certificates without the prior receipt of the approving opinion of the Texas Attorney General, as described on the cover of the Preliminary Official Statement under "LEGALITY".

In order to provide the Town and its consultants with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the Town (on or before the 10th day prior to delivery of the Certificates) with a breakdown of its "Underwriting Spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHMENT OF ISSUE PRICE (HOLD-THE-OFFERING PRICE RULE WILL APPLY IF COMPETITIVE SALE REQUIREMENTS ARE NOT SATISFIED) ...

(a) The winning bidder shall assist the Town in establishing the issue price of the Certificates and shall execute and deliver to the Town by Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the Town by the Town's municipal advisor identified herein and any notice or report to be provided to the Town may be provided to the Town's municipal advisor.

(b) The Town intends that the provisions of Treasury Regulation Section 1.148-1 (f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the "competitive sale requirements") because:

- (1) The Town shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) The Town may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) The Town anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

* Preliminary, subject to change.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the Town shall so advise the winning bidder. In such event, the Town intends to treat the initial offering price to the public as of the sale date of each maturity of the Certificates as the issue price of that maturity (the "hold-the-offering-price rule"). The Town shall promptly advise the winning bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the Town.

(d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the Town when the underwriters have sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The Town acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The Town further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering price rule as applicable to the Certificates.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail or other third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such retail or other third-party distribution agreement to comply with the hold-the-offering price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Certificates to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this section of the Notice of Sale:

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or

indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public),

(3) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Certificates are awarded by the Town to the winning bidder.

LEGAL OPINIONS. . . . The Certificates are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Certificates is subject to the receipt by the Initial Purchaser of an opinion of Bond Counsel, substantially in the form reproduced in APPENDIX C to the Official Statement, to the effect that the Certificates are valid and binding obligations of the Town and that the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

CERTIFICATION OF PRELIMINARY OFFICIAL STATEMENT . . . On the Date of Delivery, the Town will execute and deliver to the Initial Purchaser a certificate in the form set forth in the Preliminary Official Statement under "OTHER PERTINENT INFORMATION – Certification as to Official Statement."

CHANGE IN TAX EXEMPT STATUS . . . At any time before the Certificates are tendered for delivery, the Initial Purchaser may withdraw its bid if the interest received by private holders on obligations of the same type and character as the Certificates shall be declared to be includable in gross income under present federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of any federal income tax law enacted subsequent to the date of this Notice of Sale and Bidding Instructions.

GENERAL

FINANCIAL ADVISOR . . . Hilltop Securities Inc. is employed as Financial Advisor to the Town 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. Hilltop Securities Inc. has agreed, in its Financial Advisory contract, not to bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. Hilltop Securities Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Initial Purchaser represents that the sale of the Certificates in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Initial Purchaser will register the Certificates in accordance with the securities law of the states in which the Certificates are offered or sold. The Town agrees to cooperate with the Initial Purchaser, at the Initial Purchaser's written request and sole expense, in registering the Certificates or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the Town shall not be obligated to qualify as a foreign corporation or to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Certificates, but is merely notice of the sale of the Certificates. The offer to sell the Certificates is being made by means of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement. Prospective purchasers are urged to carefully examine the Preliminary Official Statement to determine the investment quality of the Certificates.

ISSUANCE OF ADDITIONAL DEBT . . . The Town anticipates the issuance of additional general obligation debt within the next 12 months.

RATINGS . . . The Certificates are rated "_____" by S&P Global Ratings, a division of S&P Global Inc. (see "OTHER PERTINENT INFORMATION -Rating" in the Official Statement).

THE PRELIMINARY OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15c2-12 . . . The Town has prepared, or caused to be prepared, the accompanying Preliminary Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12 (the "Rule"), deems such Preliminary Official Statement to be final as of its date within the meaning of the Rule for the purpose of review prior to bidding. To the best knowledge and belief of the Town, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates. Representations made and to be made by the Town concerning the absence of material misstatements and omissions in the Preliminary Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Preliminary Official Statement.

The Town will furnish to the Initial Purchaser, acting through a designated senior representative, in accordance with instructions received from the Initial Purchaser, within seven (7) business days from the sale date, copies of the final Official Statement in such quantity and in the formats as the Initial Purchaser shall request in order for the Initial Purchaser to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board; provided, however, that the cost of any Official Statements in excess of 100 shall be prepared and distributed at the cost of the Initial Purchaser. The Initial Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the Town assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Certificates.

CONTINUING DISCLOSURE AGREEMENT . . . The Town has agreed in the Ordinance to provide certain periodic information and notices of certain specified events in accordance with the Rule, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

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

ADDITIONAL COPIES OF NOTICE, BID FORM AND STATEMENT . . . A limited number of additional copies of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement, are available over and above the normal mailing, may be obtained at the offices of Hilltop Securities Inc., 717 North Harwood, Suite 3400, Dallas, Texas 75201, Financial Advisor to the Town.

On the date of the sale, the Pricing Officer will confirm his approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Certificates by the Initial Purchaser.

Dated: _____

Mayor
Town of Flower Mound, Texas

ATTEST:

Town Secretary

OFFICIAL BID FORM

Honorable Mayor and Town Council
Town of Flower Mound, Texas

June 4, 2025

Honorable Mayor and Members of The Town Council:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions, dated May 27, 2025 with respect to the \$18,010,000* TOWN OF FLOWER MOUND, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2025 (the "Certificates"), both of which constitute a part hereof.

For your legally issued Certificates, as described in said Notice of Sale and Bidding Instructions and Preliminary Official Statement, we will pay you par plus a net cash premium of \$_____, for Certificates maturing and bearing interest as follows:

MATURITY SCHEDULE*

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate(%)</u> |
|----------------------|-------------------------|-------------------------|
| 2026 | \$ 5,275,000 | |
| 2027 | 410,000 | |
| 2028 | 430,000 | |
| 2029 | 455,000 | |
| 2030 | 480,000 | |
| 2031 | 500,000 | |
| 2032 | 530,000 | |
| 2033 | 555,000 | |
| 2034 | 585,000 | |
| 2035 | 615,000 | |
| 2036 | 645,000 | |
| 2037 | 680,000 | |
| 2038 | 715,000 | |
| 2039 | 750,000 | |
| 2040 | 790,000 | |
| 2041 | 830,000 | |
| 2042 | 870,000 | |
| 2043 | 915,000 | |
| 2044 | 965,000 | |
| 2045 | 1,015,000 | |

Of the principal maturities set forth in the table above, term Certificates have been created as indicated in the following table (which may include multiple term Certificates, one term Certificates or no term Certificates if none is indicated). For those years which have been combined into a "Term Certificates", the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term Certificates maturity date shall mature in such year. The Term Certificates created are as follows:

| <u>Maturity Date</u> <u>August 15</u> | <u>Year of First</u> <u>Maturity</u> <u>Redemption</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> |
|--|--|-----------------------------------|--------------------------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

Our calculation (which is not a part of this bid) of the true interest cost from the above is:

TRUE INTEREST COST _____ %

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be canceled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

*Preliminary, subject to change. See "THE CERTIFICATES – Adjustment of Principal Amounts and/or Types of Bids".

A bank cashier's check or certified check in the amount of \$360,200.00, which represents our Good Faith Deposit has been made available to you prior to the opening of this bid, and is submitted in accordance with the terms as set forth in the Preliminary Official Statement and Notice of Sale and Bidding Instructions.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds to U.S. Bank Trust Company, National Association, not later than 10:00 AM, CDT, on June 26, 2025, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the Town, by close of business on or before the sixth business day prior to the delivery of the Certificates a certificate relating to the "issue price" of the Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the Town's Bond Counsel. The undersigned also agrees to provide the Town and its consultants, at least ten business days prior to the delivery of the Certificates, a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

All syndicate members listed on the bid form must either submit a Disclosure Form or certify they are exempt from filing the Disclosure Form. Additionally, all syndicate members listed on the bid form (i) must have on file a Standing Letter acceptable to the Texas Attorney General addressing the representations and verifications described under the heading " Verifications of Statutory Representations and Covenants," (ii) will, upon request of the Town or Bond Counsel on behalf of the Town, provide the Town and Bond Counsel with a copy of its Standing Letter, and (iii) will, upon request of the Town or Bond Counsel on the Town's behalf, provide a Bringdown Verification.

Through submittal of this executed Official Bid Form, the undersigned makes the representations and verifications provided in the Notice of Sale and Bidding Instructions under the heading " Verifications of Statutory Representations and Covenants" and "REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER AND BRINGDOWN VERIFICATION."

In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the Town may not award the Certificates to a bidder unless the winning bidder either: (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the Town as prescribed by the Texas Ethics Commission ("TEC"), or (ii) certifies below that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

Unless the bidder certifies that it is exempt from filing a Disclosure Form with the Town, upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed and sent by email to the Town's financial advisor at john.martin@hilltopsecurities.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the Town from providing final written award of the enclosed bid.

The Purchaser (mark one):

(i) Agrees to timely make a filing of a completed Disclosure Form with the Town ☐

or

(ii) Hereby certifies that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity ☐.

Respectfully submitted,

Syndicate Members:

Name of Underwriter or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the Town of Flower Mound, Texas, subject to and in accordance with the Notice of Sale and Bidding Instructions, this the _____ day of _____, 2025.

Mayor

**TOWN OF FLOWER MOUND, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2025**

(Form of Certificate if at least 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Certificates of Obligation, Series 2025 issued by the Town of Flower Mound, Texas ("Issuer") in the principal amount of \$_____ ("Certificates"), hereby certifies and represents, based on its records and information, as follows:

- (a) On the first day on which there was a binding contract in writing for the purchase of the Certificates by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Certificates with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Certificates, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Certificates used by the Purchaser in formulating its bid to purchase the Certificates.
- (b) The Purchaser had an equal opportunity to bid to purchase the Certificates and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).
- (c) The bid submitted by the Purchaser constituted a firm bid to purchase the Certificates.
- (d) The Purchaser has [___]/has not [___] purchased bond insurance for the Certificates. The bond insurance has been purchased from _____ (the "Insurer") for a fee of \$_____ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Certificates, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public) to participate in the initial sale of the Certificates to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

ISSUE PRICE CERTIFICATE

(Form of Certificate if less than 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Certificates of Obligation, Series 2025 issued by the Town of Flower Mound, Texas ("Issuer") in the principal amount of \$_____ ("Certificates"), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Certificates maturing in _____ ("Hold-the-Price Maturities"), the][The] first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Certificates having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Certificates that is attached to this Certificate as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Certificates ("Sale Date"), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto ("Initial Offering Price").

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Certificates to the Public at no higher price than the Initial Offering Price for such Maturity.

(d) The Purchaser has []/has not [] purchased bond insurance for the Certificates. The bond insurance has been purchased from _____ (the "Insurer") for a fee of \$_____ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Certificates, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public) to participate in the initial sale of the Certificates to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this [ISSUE DATE].

[NAME OF PURCHASER], as Purchaser

By: _____
Name: _____

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

PRELIMINARY OFFICIAL STATEMENT**Dated: May 27, 2025**

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

TOWN OF FLOWER MOUND, TEXAS**(A municipal corporation of the State of Texas located in Denton and Tarrant Counties)****\$18,010,000*****Certificates of Obligation, Series 2025****Dated Date: June 15, 2025****Due: As shown on Inside Cover****Interest to accrue from Delivery Date**

The Town of Flower Mound, Texas (the "Town" or "Issuer") Certificates of Obligation, Series 2025, (the "Certificates"), are being issued in accordance with the Constitution and laws of the State, particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and Chapter 1371, Texas Government Code, as amended, and an ordinance to be adopted by the Town Council of the Town on June 2, 2025 (the "Certificate Ordinance"). In the Certificate Ordinance, the Town Council will delegate pricing of the Certificates and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" related to the Certificates which will contain the final terms of the sale and will complete the sale of the Certificates. The Certificate Ordinance and the Pricing Certificate are jointly referred to herein as the "Ordinance". (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town within the limits prescribed by law and a limited pledge (not to exceed \$1,000) of the Net Revenues of the Town's combined waterworks and sewer system; such lien and pledge being junior and subordinate to the lien on and pledge of the Net Revenues securing the payment of "Prior Lien Bonds" (as defined in the Ordinance) now outstanding and hereafter issued by the Town. (See "THE CERTIFICATES—Tax Rate Limitation" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Certificates will accrue from the date of their initial delivery (the "Delivery Date") and will be payable on March 1 and September 1 of each year, commencing March 1, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully-registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates, within a stated maturity, will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by U.S. Bank Trust Company, National Association, Dallas, Texas, as paying agent/registrant, to the Securities Depository, which will in turn remit such principal and interest to its participating members, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for (i) constructing waterworks and sewer system improvements and extensions, including the acquisition of land, rights-of-way and equipment therefor, (ii) acquiring, designing, constructing, equipping and improving fire-fighting facilities, including the acquisition of land and rights-of-way therefor, and (iii) professional services rendered in connection therewith. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

The Town reserves the right, at its option, to redeem Certificates having stated maturities on or after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)

MATURITY SCHEDULE**(See Inside Cover Page)**

The Certificates are offered for delivery when, as and if received by the Initial Purchaser, subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, Dallas, Texas, Bond Counsel. It is expected that the Certificates will be available for delivery through DTC on or about June 26, 2025.

*Preliminary; subject to change

CERTIFICATES OF OBLIGATION, SERIES 2025
MATURITY SCHEDULE*
(Due March 1)

Base CUSIP Number: 343487⁽¹⁾

\$18,010,000* Certificates

| <u>Stated Maturity</u> | <u>Principal Amount *</u> | <u>Interest Rate (%)</u> | <u>Initial Yield (%)</u> | <u>CUSIP Suffix⁽¹⁾</u> |
|-----------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|--|
| 2026 | \$ 5,275,000 | | | |
| 2027 | 410,000 | | | |
| 2028 | 430,000 | | | |
| 2029 | 455,000 | | | |
| 2030 | 480,000 | | | |
| 2031 | 500,000 | | | |
| 2032 | 530,000 | | | |
| 2033 | 555,000 | | | |
| 2034 | 585,000 | | | |
| 2035 | 615,000 | | | |
| 2036 | 645,000 | | | |
| 2037 | 680,000 | | | |
| 2038 | 715,000 | | | |
| 2039 | 750,000 | | | |
| 2040 | 790,000 | | | |
| 2041 | 830,000 | | | |
| 2042 | 870,000 | | | |
| 2043 | 915,000 | | | |
| 2044 | 965,000 | | | |
| 2045 | 1,015,000 | | | |

(Interest to accrue from the Delivery Date)

⁽¹⁾ CUSIP numbers have been assigned to this issue and are included solely for the convenience of the purchasers of the Certificates. CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2025 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. Neither the Town, its Financial Advisor nor the Initial Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ The Town reserves the right, at its option, to redeem Certificates having stated maturities on or after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)

*Preliminary; subject to change

**TOWN OF FLOWER MOUND, TEXAS
2121 Cross Timbers Road
Flower Mound, Texas 75028
(972) 874-6000**

ELECTED OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> | <u>Occupation</u> |
|--------------------|-------------------------------|----------------------------|--------------------------------------|
| Cheryl Moore | Mayor | May, 2027 | Healthcare |
| Adam Schiestel | Deputy Mayor Pro Tem, Place 1 | May, 2028 | Software Engineer |
| Chris Drew | Councilmember, Place 2 | May, 2026 | Program Manager, Automotive Industry |
| Brian Taylor | Councilmember, Place 3 | May, 2028 | Vice President/Aircraft Modification |
| Janvier Werner | Councilmember ,Place 4 | May, 2027 | Software Engineer |
| Ann Martin | Mayor Pro Tem, Place 5 | May, 2026 | Retired |

ADMINISTRATION

| <u>Name</u> | <u>Position</u> | <u>Length of Service With the Town</u> | <u>Total Years of Service</u> |
|--------------------|-------------------------|---|--------------------------------------|
| James Childers | Town Manager | 3 years | 24 years |
| John Zagurski | Chief Financial Officer | 1 year | 13 years |
| Theresa Scott | Town Secretary | 18 years | 24 years |
| David Coulon | Police Chief | 1 year | 32 years |
| Paul Henley | Fire Chief | 4years | 24 years |
| Tommy Dalton | Assistant Town Manager | 22 years | 24 years |
| Tiffany Bruce | Assistant Town Manager | 20 years | 29 years |

CONSULTANTS AND ADVISORS

| | |
|------------------------------|---|
| Bond Counsel | Norton Rose Fulbright US LLP Dallas, Texas |
| Certified Public Accountants | Eide Bailly, L.L.P. Abilene, Texas |
| Financial Advisor | Hilltop Securities Inc. Dallas, Texas |

For Additional Information Please Contact:

Mr. John Zagurski
Chief Financial Officer
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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from the Town and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Town's undertaking to provide certain information on a continuing basis.

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

NONE OF THE TOWN, ITS FINANCIAL ADVISOR OR THE INITIAL PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM 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 Initial Purchaser has provided the following sentence for inclusion in this Official Statement. The Initial Purchaser has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Initial Purchaser does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Town to give any 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 as having been authorized by the Town.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Initial Purchaser 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.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, the Rule.

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The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data 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 page from this Official Statement or to otherwise use it without the entire Official Statement.

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|------------------------------------|---|
| The Issuer | The Town of Flower Mound, Texas (the “Town” or “Issuer”), is located in Denton and Tarrant Counties and is a Home Rule municipal corporation governed by a Mayor and a five-member council. The Mayor and five council members are elected by place number and at-large for three-year staggered terms. (See “APPENDIX B - General Information Regarding Town of Flower Mound and Denton and Tarrant Counties” herein.) |
| The Certificates | The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Subchapter C, Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, and an ordinance (the “Certificate Ordinance”) to be adopted by the Town Council on June 2, 2025. In the Certificate Ordinance, the Town will delegate pricing of the Certificates and certain other matters to a “Pricing Officer” who will approve a “Pricing Certificate” which will contain final pricing information for the Certificates and will complete the sale of the Certificates. (See “THE CERTIFICATES - Authority for Issuance” herein.) |
| Paying Agent/Registrar | The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas. |
| Security | The Certificates are direct obligations of the Town payable from the levy and collection of a direct and continuing annual ad valorem tax levied against all taxable property in the Town within the limits prescribed by law and a limited pledge (not to exceed \$1,000) of the Net Revenues derived from the operation of the Town’s combined waterworks and sewer system; such lien and pledge being junior and subordinate to the lien on and pledge of the Net Revenues securing the payment of “Prior Lien Bonds” (as defined in the Ordinance) now outstanding and hereafter issued by the Town. (See “THE CERTIFICATES – Security for Payment” and “THE CERTIFICATES – Tax Rate Limitation” herein.) |
| Redemption Provisions | The Certificates maturing on and after March 1, 2035, are subject to redemption at the option of the Issuer on March 1, 2034, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, as further described herein. (See “THE CERTIFICATES - Redemption Provisions” herein.) |
| Use of Proceeds | Proceeds from the sale of the Certificates will be used for paying all or a portion of the Town’s contractual obligations to be incurred in connection with ((i) constructing waterworks and sewer system improvements and extensions, including the acquisition of land, rights-of-way and equipment therefor, (ii) acquiring, designing, constructing, equipping and improving fire-fighting facilities, including the acquisition of land and rights-of-way therefor, and (iii) professional services rendered in connection therewith, including costs of issuance of the Certificates. (See “THE CERTIFICATES – Use of Certificate Proceeds” herein.) |
| Book-Entry-Only System | The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”), New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “Book-Entry-Only System” herein.) |
| Ratings | S&P Global Ratings, a division of S&P Global Inc. (“S&P”) has assigned its credit ratings of “_____” to the Certificates without regard to any credit enhancement. An explanation of the significance of any rating may be obtained from the rating agencies. (See “OTHER PERTINENT INFORMATION- Ratings” herein.) |
| Payment Record | The Town has never defaulted in the payment of its debt. |
| Issuance of Additional Debt | The Town anticipates the issuance of additional general obligation debt in the next year. |
| Delivery | When issued, anticipated on or about June 26, 2025. |
| Legality | Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. |

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the Town of Flower Mound, Texas (the "Town" or "Issuer"), of its \$18,010,000* Certificates of Obligation, Series 2025 (the "Certificates").

The Issuer is a political subdivision of the State of Texas (the "State") and operates under its home rule charter and the statutes and the Constitution of the State of Texas. The Certificates are being issued pursuant to the laws of the State of Texas including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Chapter 1371, Texas Government Code, as amended and an ordinance to be adopted by the Town Council of the Town on June 2, 2025 (the "Certificate Ordinance"). In the Certificate Ordinance, the Town Council of the Town will delegate pricing of the Certificates and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" which will establish certain terms with respect to the sale and issuance of the Certificates and will complete the sale of the Certificates (the Certificate Ordinance and the Pricing Certificate are jointly referred to herein as the "Ordinance") (See "THE CERTIFICATES – Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or the Financial Advisor.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement will be submitted to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Town's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES

General Description

The Certificates will be dated June 15, 2025. The Certificates are stated to mature on March 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from the Delivery Date on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Certificates will be payable on March 1 and September 1 of each year commencing March 1, 2026 until maturity or prior redemption. Principal is payable at the designated offices of the Paying Agent/Registrar, initially U.S. Bank Trust Company, National Association, Dallas, Texas. Interest on the Certificates is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar to the registered owner at the address as it appears on the Paying Agent/Registrar's books on the Record Date (as defined herein) or by such other method acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner.

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, as amended, and Chapter 1371, Texas Government Code, as amended and the Certificate Ordinance to be adopted by the Town Council. In the Certificate Ordinance, the Town Council of the Town will delegate authority to certain authorized officials of the Town to finalize the pricing of the Certificates.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town within the limits prescribed by law and a limited pledge (not to exceed \$1,000) of the Net Revenues of the Town's combined waterworks and sewer system; such lien and pledge being junior and subordinate to the lien on and pledge of the Net Revenues securing the payment of "Prior Lien Bonds" (as defined in the Ordinance) now outstanding and hereafter issued by the Town. (See "THE CERTIFICATES—Tax Rate Limitation" and "AD VALOREM PROPERTY TAXATION" herein).

Tax Rate Limitation

All taxable property within the Town is subject to the assessment, levy and collection by the Town of a direct and continuing annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the Town, and limits the Town's maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all Town purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

*Preliminary; subject to change.

Redemption Provisions

Optional Redemption: The Town reserves the right to redeem the Certificates maturing on and after March 1, 2035, on March 1, 2034, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Notice of Redemption: At least 30 days prior to the date fixed for any such redemption, the Issuer shall cause a written notice of such redemption to be deposited in the United States mail, first class postage prepaid, addressed to each registered owner of a Certificate to be redeemed at the address shown on the registration books of the Paying Agent/Registrar on the business day of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAIL TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof, which are to be so redeemed. If such notice of redemption is given and if due provisions for such payment is made, all as provided above, the Certificates or portions thereof shall be deemed to be redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar from the funds provided for such payment.

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

DTC Notices

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

Limitation on Transfer or Exchange of Certificates

The Paying Agent/Registrar is not required to transfer or exchange any Certificate during the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Certificates and ending with the opening of business on the next following such principal or interest payment date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for paying all or a portion of the Town's contractual obligations to be incurred in connection with (i) constructing waterworks and sewer system improvements and extensions, including the acquisition of land, rights-of-way and equipment therefor, (ii) acquiring, designing, constructing, equipping and improving fire-fighting facilities, including the acquisition of land and rights-of-way therefor, and (iii) professional services rendered in connection therewith, including costs of issuance of the Certificates.

Payment Record

The Town has never defaulted in repayment of its bonded indebtedness.

Legality

The Certificates are offered for delivery when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Dallas, Texas, ("Bond Counsel"). The legal opinion of Bond Counsel will accompany or will be printed on the Certificates. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Certificate Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payments, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the Town, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the Town, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and, (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State.

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

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the Town for purposes of taxation or applying any limitation on the Town's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the Town to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the Town: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Defaults and Remedies

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

On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the Town's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the Town for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the Town could be obtained, it could not be enforced by direct levy and execution against the Town's property. Further, the registered owners cannot themselves foreclose on property within the Town or sell property within the Town to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("Wasson II", and together with *Wasson I* "Wasson"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach.

In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the Certificates of the Town under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the Town is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the Town avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Amendments to the Ordinance

The Town may amend the Ordinance without the consent of or notice to any registered owners of the Certificates in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Town may, with the consent of the registered owners of a majority in aggregate principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all registered owners of Outstanding Certificates, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount, the redemption price, or the rate of interest, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by registered owners of such Certificates for consent to any such amendment, addition, or rescission under the Ordinance.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Certificates are expected to be applied as follows:

| <u>Sources of Funds</u> | <u>Amount</u> |
|-------------------------------|---------------|
| Par Amount of Certificates: | |
| Premium: | |
| Total Sources of Funds | |
| <u>Uses of Funds</u> | |
| Deposit to Project Fund: | |
| Deposit to Debt Service Fund: | |
| Costs of Issuance: | |
| Initial Purchaser's Discount: | |
| Total Uses of Funds | |

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

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

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the 15th day of the month next preceding such interest payment date. (See "Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date"), which shall be 15 days after the Special Record Date, shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed certificates will be delivered and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer will 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 and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner not more than three (3) business days after the receipt of the Certificate to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer will be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them

harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

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 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 Issuer and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, 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 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 United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. 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 a Standard & Poor's 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 the Certificates on DTC's records. The ownership interest of each actual purchaser of Certificates ("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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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).

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

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

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Certificates will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the 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 Direct or Indirect 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.

INVESTMENT POLICIES

Legal Investments

Available Town funds are invested as authorized by Texas law and in accordance with investment policies approved by the Town Council. Both State law and the Town's investment policies are subject to change. Under State law, the Town is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for Town deposits, or (ii) where (a) the funds are invested by the Town through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Town as required by law or (II) a depository institution that has its main office or a branch office

in the State that is selected by the Town; (b) the broker or the depository institution selected by the Town 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 Town; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Town appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party selected and approved by the Town and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Town, held in the Town's name and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the Town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Town may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The Town may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Town retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Town must do so by order, ordinance, or resolution. The Town is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

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

Under Texas law, Town investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Town shall submit an investment report detailing: (1) the investment position of the Town, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested

asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Town funds without express written authority from the Town Council.

Additional Provisions

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

Current Investments

On April 30, 2025, the Town's investable funds were invested in the following categories:

| Description | Percent | Book Value | Market Value |
|----------------------|---------|-----------------------|-----------------------|
| Investment Pools | 72.3 | \$ 186,560,131 | \$ 186,560,131 |
| Federal Agency | 7.7 | 19,950,015 | 19,956,000 |
| Treasury Obligations | 19.4 | 49,986,713 | 50,040,000 |
| Cash | 0.6 | 1,498,453 | 1,498,453 |
| Totals | 100.0 | \$ 257,995,312 | \$ 258,054,584 |

DEFINED BENEFIT PENSION PLAN

The Town participates as one of more than 936 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Title 8, Subtitle G (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

All eligible employees of the Town are required to participate in TMRS. For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, "Notes to the Basic Financial Statements from the Town's Annual Financial Report", Note 11, Page 68.

OTHER POST EMPLOYMENT BENEFITS

The Town provides health care benefits through a single-employer defined benefit healthcare plan for all regular full-time employees who retire after December 31, 2006 and meet minimum retirement age of 60 and have been employed by the Town for five years continuously prior to retirement or have twenty years or more of service at any age. For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, "Notes to the Basic Financial Statements from the Town's Annual Financial Report", Note 12, Page 76.

SUPPLEMENTAL DEATH BENEFITS FUND

In addition to its participation in the Texas Municipal Retirement System (TMRS) and a retiree health care plan, the Town also provides group-term life insurance to Town employees who are active members in TMRS, including or not including retirees. The Town Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. For more detailed

information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, "Notes to the Basic Financial Statements from the Town's Annual Financial Report", Note 12, Page 72.

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 ("Appraisal Review Board") responsible for appraising property for all taxing units within their boundaries. The appraisal of property within the Town is the responsibility of the Denton Central Appraisal District and the Tarrant Appraisal District (collectively, the "Appraisal District"). Except as 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 years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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 Town, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – Town 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.

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap 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. The Appraisal Cap took effect on January 1, 2024.

Local Option Homestead Exemptions

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

governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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.

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.

Temporary Exemption for Qualified Property Damaged by a Disaster

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

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.

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 ("Zone") within its boundaries. At the time of the creation of the Zone, a "base value" for the real property in the Zone is established and the difference between any increase in the assessed valuation of taxable real property in the Zone in excess of the base value is known as the "tax increment". During the existence of the Zone, 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 Zone and are not available for the payment of other obligations of such taxing units. (See "AD VALOREM PROPERTY TAXATION - Tax Abatement Policy and Economic Development Programs").

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. (See "AD VALOREM PROPERTY TAXATION - Tax Abatement Policy and Economic Development Programs").

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

Town and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Town, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the Town 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 one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 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 Town and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Town's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the Town 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 Town must join other taxing units that have claims for delinquent taxes against all or part of the same property.

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

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either

case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

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

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

"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).

"preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

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

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2024 foregone revenue amount divided by the current total value.

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

The Town'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 Town must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the Town to the Town 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.

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office.

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

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but

greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

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

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

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

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.

Town Application of Tax Code

The Town grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$150,000; the disabled are also granted an exemption of \$150,000.

The Town has granted an additional exemption of 15% of the market value of residence homesteads; minimum exemption of \$5,000.

The Town does not issue a tax on non-business personal property; and Denton County collects taxes for the Town.

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

The Town does not tax freeport property, and has opted out of the goods-in-transit exemption beginning in tax year 2013.

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

The Town has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Tax Abatement Policy and Economic Development Programs

In an effort to encourage development, the Town has established an Economic Development Incentive Policy which outlines some of the opportunities that may be available to businesses. The Town's Economic Development Incentive Policy is reviewed and updated biennially and was most recently updated in December 2023, with the next update slated for October 2025. In order to be considered for an incentive, a project must provide positive benefit to the community by meeting certain criteria, such as positive job creation and expansion, additional property value enhancement, and/or substantial sales tax generation. Projects meeting eligibility requirements are considered on a case-by-case basis. If granted a tax abatement incentive, the percentage of abatement and the length of the term will vary based on the impact and scope of the project, as determined by the eligibility requirements which are met.

The Town currently has eleven active Chapter 380 agreements and five active combinations (Chapter 380 and tax abatement) agreements. Those agreements and their respective terms are outlined below.

Active Chapter 380 agreements:

- Icarus Investments III, Ltd. (Flower Mound Business Park) (executed February 2005) – consists of a developer incentive to be passed down to tenants. This agreement provides permit fee waivers, 75% reduction in impact fees, and 5-year, 50% rebate of real and business personal property taxes.
- RiverWalk750, LLC (Courtyard by Marriott Flower Mound) (executed October 2014) – provides permit and impact fee waivers, an 8-year, 100% hotel occupancy tax rebate, 7-year, 75% rebate of real and business personal property taxes, 7-year, 50% sales tax rebate, and \$1,000,000 in financial assistance from the Town's TIRZ #1 to construct the parking structure.

- Stryker Corporation (executed January 2016) – provides permit and impact fee waivers, 10-year, 100% sales tax rebate, 10-year, and 75% rebate of real and business personal property taxes.
- Lisanti Foodservice of Texas, Inc. (executed April 2016) – provides for 5-year, 50% rebate of ad valorem taxes, beginning on January 1 of the year following the date on which the agreement between the Town of Flower Mound and Huntington Industrial Partners-Texas, LLC expires (January 1, 2022).
- Duke Realty Limited Partnership (executed April 2018) – provides a grant equal to 75% of impact fees, permit fee waivers for the initial construction of the development, and 5-year, 50% real property rebate.
- FM 2499 Office Venture, LLC (executed May 2018 and amended June 2019) – provides for a grant equal to 100% of impact fees, permit fee waivers, 5-year, 50% real property grant, off-site infrastructure grant not to exceed \$100,000, and a maximum of 3-years, monthly debt service guarantee in an amount not to exceed \$1,194,375 within any fiscal year.
- Duke Realty Limited Partnership (LR #21) (executed March 2019) – provides a grant equal to 75% of impact fees, permit fee waivers for the initial construction of the development, and 5-year, 50% real property grant.
- Gerault Office Warehouse I, LP (executed June 2020) – provides a grant equal to 75% of impact fees, permit fee waivers, 5-year, 50% property tax rebate, and sidewalk construction at the time the traffic signal is installed at the intersection of Old Gerault Road and Gerault Road.
- Communications Test Design, Inc. (CTDI) (executed February 2021) – provides for permit fee waivers, 7-year, 75% tangible personal property grant, and 3 expansion grants each in an amount equal to \$25,000.
- Restaurant Ventures Unlimited, LLC (Tycoon) (executed April 2022) – provides for a new business grant equal to 100% of the Town's roadway impact fees, permit fee waivers, 60% sales tax rebate for the first 3 years, and 50% sales tax rebate for the following 4 years, and 5-year, 75% tangible personal property grant
- Sunset Boulevard Partners, LLC (executed May 2022) – provides 7-year, 50% real property grants and TPP grants for the hotel/office, each restaurant, and wedding chapel, 7-year, 75% hotel occupancy tax grants, 7-year, 50% sales tax grants for the hotel/office, each restaurant, and wedding chapel, 3 annual new business grants each in an amount equal to 75% of the impact fees paid to the Town, a 50% permit fee waiver for permit and related fees for initial construction of the development, and 7 annual cash grants each in the amount of \$714,285.71.

Active tax abatement agreements:

- Lakeside Parkway Distribution Center, LLC and MIWD Holding Company, LLC (executed October 2013 and amended December 2014) – provides for impact fee reduction to 25%, permit fee waivers, 10-year, 75% real and business personal property tax abatement, and a \$50,000 relocation grant.
- Thirty-One Gifts, LLC (executed May 2019) – provides a grant equal to 100% of impact fees, 50% permit fee reduction, 5-year, 50% real and business personal property tax abatement, and 5-year 50% sales and use tax grants.
- CNW II Flower Mound, LLC (previously Caddo Holdings, LLC) (executed September 2020) – provides for a grant equal to the greater of \$20,000 or 25% of the Town's impact fees, permit fee waivers, and 7-year, 75% taxable value of improvements abatement, with an abatement of 38% in year 8.
- Deus, LLC (Niagara Conservation) (executed June 2021) – provides permit fee waivers, an expansion grant equal to \$171,848.60, and 8-year, 75% taxable value of improvements abatement.
- Los Caminos FM Property Ltd. (executed August 7, 2023) – provides permit fee waivers, a new business grant equal to 100% of the Town impact fees (water, wastewater, public infrastructure, and roadway) paid by owner, 65% sales tax rebate for the first 3 years, and 50% sales tax rebate for the following 2 years, a tax abatement of 65% of the taxable value of the improvements for the first 3 years, and 50% abatement for the following 2 years.

The amount of one-time economic development grant payments, which includes grants equal to a portion of assessed impact fees, in fiscal year 2024-25 totals approximately \$40,036, to date. The Town budgeted \$163,700. The amount of future grants will depend on the rate of development and the value of improvements constructed.

The incentive payments provided in fiscal year 2024-25 are approximately \$181,661 to date, which includes all real and business personal property annual tax rebates, sales tax rebates, and hotel occupancy tax rebates. The Town budgeted approximately \$571,710 for fiscal year 2024-2025. The amount of future rebates will depend on the rate of development and the improvements constructed.

Tax Increment Reinvestment Zone No. 1

The Town established Tax Increment Reinvestment Zone #1 (TIRZ) in 2005, which reinvests a portion of taxes paid from that defined area, back into the same area. The TIRZ was created for a maximum term of 20 years and contains approximately 1,465 acres of land generally located along FM 2499, one-half mile south of FM 1171 and northward to FM 407.

The project plan for the TIRZ includes improvements to infrastructure, the addition of a Town Hall (completed in winter 2018), improvements to the Library facilities (completed in November 2020), and the construction of a new Senior Center (completed and opened in May 2015). The Town's tax increment base value for the TIRZ is \$228,290,889 and the captured appraised value for tax year 2024 was \$1,623,836,922 as of September 30, 2024. The audited ending fund balance for the fiscal year ending September 30, 2024, was \$24,387,655, an increase of \$3,744,304 from the prior fiscal year.

At the November 18, 2024, Town Council meeting, Council approved the TIRZ #1 Amended and Restated Project and Finance Plan which extends the term of TIRZ #1 for an additional five years (until 2030). The Town has agreed to contribute 80% of the tax increment collected by the Town, back into the zone fund, to be used for such projects, while Denton County has agreed to contribute a sliding scale percentage of increment collected within the zone. Denton County currently contributes 80% of their portion. Such tax revenues will not be available to pay debt service on the Certificates.

Tax Increment Reinvestment Zone No. 2

On November 6, 2023, the Town established Tax Increment Reinvestment Zone number 2 (TIRZ No. 2), which reinvests a portion of taxes paid from that defined area, back into the same area. TIRZ No. 2 was created for a maximum term of 30 years and will provide funds for public infrastructure to approximately 3,962 acres of land generally located at the intersection of FM 1171 (Cross Timbers Road) and US 377.

The project plan for TIRZ No. 2 includes improvements to infrastructure, parks, master plan trails, and public open space. The cost of the Public Improvements is estimated to be \$712,955,939. The Tax Increment Base is estimated to be \$9,135,805 and shall be confirmed by the Appraisal District. The Appraisal District shall confirm the Captured Appraised Value of the Zone each year. The estimated Captured Appraised Value upon expiration of the term of the Zone is \$7,211,277,826.

The stated term of the Zone shall commence on the creation of the Zone, and shall continue for thirty (30) years, with the last payment being due by January 31, 2054, unless otherwise terminated in accordance with the Creation Ordinance. The Town has agreed to contribute 80% of the tax increment collected by the Town, back into the zone fund, to be used for such projects. Denton County contributes 80% of the increment collected within the zone but specifies that the proceeds are to be utilized for infrastructure.

River Walk Public Improvement District No. 1

The Town established a public improvement district (the "District") in 2013, following its authorization by voters in a special election. The District was created for the purpose of funding improvements to The River Walk at Central Park, a 158-acre mixed-use development located north of FM 1171, east of FM 2499 and west of Morriss Road, which will become Flower Mound's central business district. The improvement projects in the District have been financed by revenue bonds, which will be repaid by assessments levied on property within the District. Revenue from such assessments will not be available for pay debt service on the Obligations.

In May 2014, the Town issued its \$16,000,000 Town of Flower Mound, Texas, Special Assessment Revenue Bonds, Series 2014 (River Walk Public Improvement District No. 1) to finance a portion of the costs of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm sewer collection system improvements for the benefit of the District. Payment of these bonds is secured by a pledge of and a lien upon the pledged revenues, consisting primarily of special assessments to be levied against the assessable parcels or lots within the District. The bonds are not subject to repayment from any funds of the Town other than the pledged revenues and the Town has no legal or moral obligation to the owners of the bonds other than to provide payment from the pledged revenues. This series was refunded in February 2021 with Town of Flower Mound, Texas, Special Assessment Revenue Refunding Bonds, Series 2021 (River Walk Public Improvement District No. 1) in the amount of \$14,635,000.

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the opinions of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (i) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinions (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (ii) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. Forms of Bond Counsel's opinions are reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Town made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the Town with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the Town with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of any "arbitrage profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel's opinions are not a guarantee of a result, but represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Town described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinions of Bond Counsel, and Bond Counsel's opinions are not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the Town may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, certain foreign corporations doing business in the United States, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT") and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Existing law may change to reduce or eliminate the benefit to certificate holders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Certificates

The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or

carry, or who have paid or incurred certain expenses allocable to, tax-exempt Certificates. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Certificate over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

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

LEGAL MATTERS

The delivery of the Certificates is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Certificates are valid and legally binding obligations of the Town payable from the proceeds of an annual ad valorem tax levied within the legal limit as to rate or amount and are additionally secured by a pledge of the surplus revenues derived from the operation of the Town's combined waterworks and sewer system, and based upon examination of such transcript of proceedings, the approving legal opinion of Norton Rose Fulbright US LLP, Bond Counsel to the Town ("Bond Counsel"), to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C. Bond Counsel represents the Financial Advisor and purchasers of municipal bonds from time to time in matters unrelated to the issuance of the Certificates, but Bond Counsel has been engaged by and only represents the Town in the issuance of the Certificates.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, the Notice of Sale or the Bid Form, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The Town intends to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Certificates from the proceeds of the Certificates.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the Town has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The Town is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates unless it amends or repeals the agreement as described below. Under the agreement, the Town will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB's Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org.

Annual Reports

The Town will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the Electronic Municipal Market Access System ("EMMA") at www.emma.msrb.org. The information to be updated includes all quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under Tables numbered 1, 2, 4, 5, 6, 8, 10, 11, 12, 14, 18 and 19 in Appendix A (the "Updated Tables"), and the information in Appendix D. The Town will update and provide the information in the Updated Tables within six months after the end of each fiscal year ending in and after 2025. If the Town does not provide

audited financial statements with such financial information and operating data, the Town will provide audited financial statements when and if available, within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Town may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified below or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The Town's current fiscal year end is September 30. Accordingly, it must provide the Updated Tables by the last day of March in each year and audited financial statements, or unaudited financial statement if audited financial statements are not yet available, must be provided by September 30 of each year, unless the Town changes its fiscal year. If the Town changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

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

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

Availability of Information

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

Limitations and Amendments

The Town has agreed to update information and to provide notices of specified events only as described above. The Town 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 Town 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 Town 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 or beneficial owners of Certificates may seek a writ of mandamus to compel the Town to comply with its agreement.

The Town may amend its continuing disclosure agreements 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 Town, but only if (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary

offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the ordinance that authorizes such an amendment) of the outstanding Certificates subject to the proposed amendment, as the case may be, consent to such amendment or (b) a person that is unaffiliated with the Town (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates subject to the proposed amendment. The Town may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provision 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 Town amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreements 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 information and data provided.

Compliance with Prior Agreements

During the last five years, the Town has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER PERTINENT INFORMATION

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, as amended in reliance upon various exemptions contained therein, nor have the Certificates been qualified under the securities acts of any jurisdiction. The Town 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.

Litigation

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

Ratings

S&P Global Ratings, a division of S&P Global Inc. ("S&P") has assigned its credit ratings of "____" to the Certificates without regard to credit enhancement. An explanation of the significance of any rating may be obtained from S&P. A rating by S&P reflects only the view of such company at the time the rating is given, and the Issuer makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time, or that they will not be revised downward or withdrawn entirely by S&P, if, in the judgment of either or both of them, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

Hilltop Securities, Inc. is employed as a Financial Advisor to the Town in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Town to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

Initial Purchaser

After requesting competitive bids for the Certificates, the Town accepted the bid of _____ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page ii of this Official Statement at a price of _____, which produces compensation to the Initial Purchaser of \$ _____. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the Town to the Initial Purchaser. The initial yields shown on page ii of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The Town has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

Certification as to Official Statement

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

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the Town, that are not purely historical, are forward-looking statements, including statements regarding the Town'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 Town on the date hereof, and the Town assumes no obligation to update any such forward-looking statements. The Town'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 Town. 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.

CONCLUDING STATEMENT

The financial data and other information contained in this Official Statement have been obtained from the Town's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinance. 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.

This Official Statement will be approved by the Pricing Officer for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

TOWN OF FLOWER MOUND, TEXAS

Pricing Officer

FINANCIAL INFORMATION OF THE TOWN

ASSESSED VALUATION

TABLE 1

| | | |
|---|-------------------------|--------------------------|
| 2024 Actual Market Value of Taxable Property | | \$22,118,198,779 |
| Less Exemptions: | | |
| Homestead | \$ 2,703,302,823 | |
| 65 Years and Over | 797,401,323 | |
| Disabled/Deceased Veterans | 176,157,818 | |
| Productivity Loss | 331,656,929 | |
| House Bill 366 | 239,088 | |
| Freeport Exemption | 474,994,424 | |
| Exempt Property | 535,643,056 | |
| Pollution Control | 180,549 | |
| Member Armed Services Surviving Spouse | 1,127,106 | |
| Deferred Special Use Value Loss - Agriculture | - | |
| Absolute/Abatement | 103,591,860 | |
| Personal Property | 647,073 | |
| First Responder Surviving Spouse | 1,673,794 | |
| Total Exemptions | <u>\$ 5,126,615,843</u> | |
| 2024 Net Taxable Assessed Valuation | | <u>\$ 16,991,582,936</u> |

Source: The Town.

GENERAL OBLIGATION BONDED DEBT

TABLE 2

| | | |
|--|-----------------------|-------------------|
| General Obligation Debt Principal Outstanding (as of April 30, 2025): | | |
| Outstanding Debt | \$ 124,755,000 | |
| Certificates of Obligation, Series 2025 (the "Certificates") | <u>18,010,000</u> | * |
| Total Gross General Obligation Debt Outstanding: | \$ 142,765,000 | |
| Less: Self-Supporting General Obligation Debt (See Table 7) | <u>\$ 108,965,000</u> | |
| Total Net General Obligation Debt Outstanding: | <u>\$ 33,800,000</u> | |
| Ratio of Net General Obligation Debt to 2024 Net Assessed Valuation | | 0.20% |
| 2024 Net Assessed Valuation | | \$ 16,991,582,936 |
| Population: 2000-50,702 ; 2010-64,669; 2020-75,956; Current Estimate - | 80,707 | * |
| Per Capita 2024 Net Assessed Valuation - | \$210,534 | |
| Per Capita Gross General Obligation Debt - | \$1,769 | |
| Per Capita Net General Obligation Debt - | \$419 | |

Source: The Town Development Services.

* Preliminary, subject to change.

OTHER OBLIGATIONS**TABLE 3**

(As of March 31, 2025)

For detailed information concerning leases, see Appendix D "Notes to the Basic Financial Statements from the Town's Annual Financial Report", Note 13.

Source: The Town.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**TABLE 4**

| Fisc Year 30-Sep | Current Total Debt Service | The Certificates | | | Combined Debt Service | Less: Self- Supporting Debt ^(a) | Net General Obligation Debt Service |
|---------------------|-------------------------------|----------------------|---------------------|----------------------|--------------------------|--|---|
| | | Principal | Interest | Total | | | |
| 2025 | \$ 22,607,927 | | | | \$ 22,607,927 | \$ (13,079,830) | \$ 9,528,097 |
| 2026 | 18,308,559 | \$ 5,275,000 | \$ 931,215 | \$ 6,206,215 | 24,514,775 | (14,033,968) | 10,480,806 |
| 2027 | 14,124,275 | 410,000 | 626,500 | 1,036,500 | 15,160,775 | (11,268,006) | 3,892,769 |
| 2028 | 12,768,206 | 430,000 | 605,500 | 1,035,500 | 13,803,706 | (10,641,438) | 3,162,269 |
| 2029 | 12,251,453 | 455,000 | 583,375 | 1,038,375 | 13,289,828 | (10,254,975) | 3,034,853 |
| 2030 | 12,069,294 | 480,000 | 560,000 | 1,040,000 | 13,109,294 | (10,258,994) | 2,850,300 |
| 2031 | 11,197,694 | 500,000 | 535,500 | 1,035,500 | 12,233,194 | (9,779,675) | 2,453,519 |
| 2032 | 10,976,325 | 530,000 | 509,750 | 1,039,750 | 12,016,075 | (9,567,338) | 2,448,738 |
| 2033 | 10,529,813 | 555,000 | 482,625 | 1,037,625 | 11,567,438 | (9,108,525) | 2,458,913 |
| 2034 | 9,696,175 | 585,000 | 454,125 | 1,039,125 | 10,735,300 | (8,489,800) | 2,245,500 |
| 2035 | 8,671,250 | 615,000 | 424,125 | 1,039,125 | 9,710,375 | (7,494,025) | 2,216,350 |
| 2036 | 8,152,375 | 645,000 | 392,625 | 1,037,625 | 9,190,000 | (6,973,400) | 2,216,600 |
| 2037 | 7,261,050 | 680,000 | 359,500 | 1,039,500 | 8,300,550 | (6,364,325) | 1,936,225 |
| 2038 | 5,617,425 | 715,000 | 324,625 | 1,039,625 | 6,657,050 | (5,726,525) | 930,525 |
| 2039 | 4,879,500 | 750,000 | 288,000 | 1,038,000 | 5,917,500 | (5,440,075) | 477,425 |
| 2040 | 2,920,000 | 790,000 | 249,500 | 1,039,500 | 3,959,500 | (3,929,800) | 29,700 |
| 2041 | 2,366,650 | 830,000 | 209,000 | 1,039,000 | 3,405,650 | (3,376,950) | 28,700 |
| 2042 | 1,742,900 | 870,000 | 166,500 | 1,036,500 | 2,779,400 | (2,751,700) | 27,700 |
| 2043 | 1,118,500 | 915,000 | 121,875 | 1,036,875 | 2,155,375 | (2,128,675) | 26,700 |
| 2044 | 561,000 | 965,000 | 74,875 | 1,039,875 | 1,600,875 | (1,570,275) | 30,600 |
| 2045 | | 1,015,000 | 25,375 | 1,040,375 | 1,040,375 | (1,040,375) | |
| | <u>\$ 177,820,371</u> | <u>\$ 18,010,000</u> | <u>\$ 7,924,590</u> | <u>\$ 25,934,590</u> | <u>\$ 203,754,961</u> | <u>\$ (153,278,673)</u> | <u>\$ 50,476,288</u> |

Note: General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems and revenue sources. It is the Town's current policy to pay such self-supporting debt from the respective revenue sources; provided, however, that this policy is subject to change in the future. In the event the Town changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the Town will be required to levy an ad valorem tax to pay such debt service.

^(a) See "COMPUTATION OF SELF SUPPORTING DEBT BY SOURCE - TABLE 7".

Source: The Town.

Excluding Self-Supporting Debt

| | | |
|---|----|----------------|
| 2024 Net Assessed Valuation | \$ | 16,991,582,936 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 2026) ^(a) | \$ | 10,480,806 |
| Indicated Maximum Interest and Sinking Fund Tax Rate at 99% Collections | \$ | 0.062305 |

^(a) Includes general obligation self-supporting debt. Includes the Certificates. (See "TABLE 7 - COMPUTATION OF SELF-SUPPORTING DEBT BY SOURCE").

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

Including Self-Supporting Debt

| | | |
|---|----|----------------|
| 2024 Net Assessed Valuation | \$ | 16,991,582,936 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 2026) ^(a) | \$ | 24,514,775 |
| Indicated Maximum Interest and Sinking Fund Tax Rate at 99% Collections | \$ | 0.145733 |

^(a) Excludes general obligation self-supporting debt. Includes the Certificates. (See "TABLE 7 - COMPUTATION OF SELF-SUPPORTING DEBT BY SOURCE").

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

Source: The Town.

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CLASSIFICATION OF ASSESSED VALUATION
TABLE 6

| Category | 2024 | % of Total | 2023 | % of Total | 2022 | % of Total | 2021 | % of Total | 2020 | % of Total |
|---|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|
| Single-Family Residential | \$16,138,074,861 | 72.96% | \$ 16,290,575,386 | 73.24% | \$ 13,335,630,829 | 71.22% | \$ 10,731,126,020 | 69.28% | \$ 9,890,952,467 | 68.18% |
| Multi-Family Residential | 742,810,092 | 3.36% | 672,515,653 | 3.02% | 624,976,112 | 3.34% | 512,343,233 | 3.31% | 472,105,672 | 3.25% |
| Vacant Lots/Tracts | 186,768,369 | 0.84% | 193,508,571 | 0.87% | 190,116,213 | 1.02% | 145,603,903 | 0.94% | 152,872,877 | 1.05% |
| Acreage (Land Only) | 338,048,615 | 1.53% | 404,299,694 | 1.82% | 304,452,230 | 1.63% | 249,113,256 | 1.61% | 266,982,848 | 1.84% |
| Farm & Ranch Improvements | 247,409,149 | 1.12% | 216,347,209 | 0.97% | 166,250,424 | 0.89% | 132,877,408 | 0.86% | 115,313,499 | 0.79% |
| Commercial and Industrial | 2,461,056,742 | 11.13% | 2,478,382,601 | 11.14% | 2,247,619,261 | 12.00% | 2,050,319,231 | 13.24% | 2,021,504,353 | 13.93% |
| Real, Oil, Gas & Other Mineral Reserves | 197,470 | 0.00% | 1,593,795 | 0.01% | 1,042,865 | 0.01% | 1,177,940 | 0.01% | 1,438,665 | 0.01% |
| Real, Inventory & Special Inventory | 33,855,949 | 0.15% | 89,130,755 | 0.40% | 67,186,960 | 0.36% | 72,341,413 | 0.47% | 106,376,075 | 0.73% |
| Real & Tangible Personal, Utilities | 259,760,070 | 1.17% | 267,955,949 | 1.20% | 127,887,541 | 0.68% | 123,142,855 | 0.79% | 117,619,168 | 0.81% |
| Totally Exempt Property | 540,383,764 | 2.44% | 508,646,317 | 2.29% | 432,110,410 | 2.31% | 406,497,247 | 2.62% | 340,975,454 | 2.35% |
| Tangible Personal, Business | 1,167,499,913 | 5.28% | 1,118,155,170 | 5.03% | 1,225,624,037 | 6.55% | 1,063,336,164 | 6.86% | 1,019,699,505 | 7.03% |
| Tangible Personal, Other | <u>2,333,785</u> | <u>0.01%</u> | <u>1,778,432</u> | <u>0.01%</u> | <u>1,812,592</u> | <u>0.01%</u> | <u>1,899,051</u> | <u>0.01%</u> | <u>1,805,567</u> | <u>0.01%</u> |
| Total Appraised Value | \$ 22,118,198,779 | 100.00% | \$ 22,242,889,532 | 100.00% | \$ 18,724,709,474 | 100.00% | \$ 15,489,777,721 | 100.00% | \$ 14,507,646,150 | 100.00% |
| <u>Less Exemptions/Value Loss:</u> | | | | | | | | | | |
| Homestead | \$2,703,302,823 | | \$ 3,905,226,735 | | \$ 2,226,212,846 | | \$ 524,044,813 | | \$ 247,911,162 | |
| 65 Years and Over | 797,401,323 | | 700,429,493 | | 468,394,323 | | 432,355,021 | | 407,987,829 | |
| Disabled/Deceased Veterans | 176,157,818 | | 142,395,156 | | 95,189,170 | | 80,079,688 | | 64,065,765 | |
| Productivity Loss | 331,656,929 | | 387,749,724 | | 294,712,913 | | 239,636,657 | | 257,375,451 | |
| House Bill 366 | 239,088 | | 245,004 | | 324,291 | | 77,597 | | 16,494 | |
| Freeport Exemption | 474,994,424 | | 518,818,499 | | 430,578,159 | | 278,773,051 | | 287,226,260 | |
| Exempt Property | 535,643,056 | | 508,301,752 | | 431,662,222 | | 406,341,080 | | 341,146,723 | |
| Pollution Control | 180,549 | | 175,738 | | 286,308 | | 286,308 | | 225,693 | |
| Member Armed Services Surviving Spouse | 1,127,106 | | 1,042,362 | | 947,602 | | 426,456 | | 404,885 | |
| Deferred Special Use Value Loss - Ag | - | | 10,743,368 | | 4,197,927 | | 4,457,154 | | 4,456,637 | |
| Absolute | 103,591,860 | | 89,999,652 | | 90,803,893 | | 107,495,561 | | 174,093,151 | |
| Personal Property | 647,073 | | 719,888 | | 483,635 | | 397,584 | | 200,968 | |
| First Responder Surviving Spouse | <u>1,673,794</u> | | <u>1,521,631</u> | | <u>1,383,300</u> | | <u>931,182</u> | | <u>239,617</u> | |
| Total Exemptions | \$ 5,126,615,843 | | \$ 6,267,369,002 | | \$ 4,045,176,589 | | \$ 2,075,302,152 | | \$ 1,785,350,635 | |
| Net Taxable Valuation | \$ <u>16,991,582,936</u> | | \$ <u>15,975,520,530</u> | | \$ <u>14,679,532,885</u> | | \$ <u>13,414,475,569</u> | | \$ <u>12,722,295,515</u> | |

Source: The Town.

Note: Assessed Valuations shown here are Certified Valuations and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

COMPUTATION OF SELF-SUPPORTING DEBT BY SOURCE**TABLE 7**

(Following issuance of the Obligations.)

Note: General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems and revenue sources. It is the Town's current policy to pay such self-supporting debt from the respective revenue sources; provided, however, that this policy is subject to change in the future. In the event the Town changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the Town will be required to levy an ad valorem tax to pay such debt service.

Certificates of Obligation, Series 2012

| | | |
|-------------------------------------|----|-----------|
| Gross Balance Outstanding | \$ | 2,875,000 |
| % of Self Supporting Utility System | | 100.00% |
| Balance Supported by Utility System | \$ | 2,875,000 |

Certificates of Obligation, Series 2014

| | | |
|-------------------------------------|----|-----------|
| Gross Balance Outstanding | \$ | 7,975,000 |
| % of Self Supporting Utility System | | 96.93% |
| Balance Supported by Utility System | \$ | 7,730,000 |

General Obligation Refunding Bonds, Series 2014A

| | | |
|-------------------------------------|----|---------|
| Gross Balance Outstanding | \$ | 985,000 |
| % of Self Supporting Utility System | | 11.17% |
| Balance Supported by Utility System | \$ | 110,000 |

Certificates of Obligation, Series 2015

| | | |
|--|----|-----------|
| Gross Balance Outstanding | \$ | 1,260,000 |
| % of Self Supporting Community Development Corporation ("CDC") | | 100.00% |
| Balance Supported by Community Development Corporation ("CDC") | \$ | 1,260,000 |

Certificates of Obligation, Series 2015A

| | | |
|-------------------------------------|----|-----------|
| Gross Balance Outstanding | \$ | 1,935,000 |
| % of Self Supporting Utility System | | 82.69% |
| Balance Supported by Utility System | \$ | 1,260,000 |

General Obligation Refunding Bonds, Series 2016

| | | |
|-------------------------------------|----|-----------|
| Gross Balance Outstanding | \$ | 4,415,000 |
| % of Self Supporting Utility System | | 51.28% |
| Balance Supported by Utility System | \$ | 2,310,000 |

Certificates of Obligation, Series 2016

| | | |
|-------------------------------------|----|-----------|
| Gross Balance Outstanding | \$ | 7,985,000 |
| % of Self Supporting Utility System | | 68.50% |
| Balance Supported by Utility System | \$ | 5,470,000 |

Certificates of Obligation, Series 2017

| | | |
|--|----|-----------|
| Gross Balance Outstanding | \$ | 2,335,000 |
| % of Self Supporting from Tax Increment Reinvestment Zone ("TIRZ") | | 100.00% |
| Balance Supported by Tax Increment Reinvestment Zone ("TIRZ") | \$ | 2,335,000 |

Certificates of Obligation, Series 2017A

| | | |
|-------------------------------------|----|------------|
| Gross Balance Outstanding | \$ | 15,165,000 |
| % of Self Supporting Utility System | | 38.87% |
| Balance Supported by Utility System | \$ | 5,895,000 |

Certificates of Obligation, Series 2018

| | | |
|--|----|-----------|
| Gross Balance Outstanding | \$ | 2,650,000 |
| % of Self Supporting from Tax Increment Reinvestment Zone ("TIRZ") | | 100.00% |
| Balance Supported by Tax Increment Reinvestment Zone ("TIRZ") | \$ | 2,650,000 |

COMPUTATION OF UTILITY SYSTEM SELF-SUPPORTING DEBT**TABLE 8***(Includes the Obligations and excludes the Refunded Obligations.)*

| | |
|--|----------------------|
| Net System Revenues Available, Fiscal Year End September 30, 2024 | \$ 20,593,031 |
| Debt Service on Utility System Revenue Bonds: | - |
| Balance Available for Other Purposes | <u>\$ 20,593,031</u> |
| Maximum Annual Debt Service for Self-Supporting Utility System Debt (2025) | \$ 11,128,293 |

Source: The Town.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**TABLE 9**

| Fiscal Year Ending 9/30 | Outstanding Debt | The Certificates | Total | Bonds Unpaid at End of Year | Percent of Principal Retired (%) |
|------------------------------------|-----------------------------|-----------------------------|-----------------------|--|---|
| 2025 | \$ 2,630,000 | | \$ 2,630,000 | \$ 140,135,000 | 1.84% |
| 2026 | 13,505,000 | \$ 5,275,000 | 18,780,000 | 121,355,000 | 15.00% |
| 2027 | 9,860,000 | 410,000 | 10,270,000 | 111,085,000 | 22.19% |
| 2028 | 8,895,000 | 430,000 | 9,325,000 | 101,760,000 | 28.72% |
| 2029 | 8,750,000 | 455,000 | 9,205,000 | 92,555,000 | 35.17% |
| 2030 | 8,940,000 | 480,000 | 9,420,000 | 83,135,000 | 41.77% |
| 2031 | 8,440,000 | 500,000 | 8,940,000 | 74,195,000 | 48.03% |
| 2032 | 8,590,000 | 530,000 | 9,120,000 | 65,075,000 | 54.42% |
| 2033 | 8,510,000 | 555,000 | 9,065,000 | 56,010,000 | 60.77% |
| 2034 | 8,030,000 | 585,000 | 8,615,000 | 47,395,000 | 66.80% |
| 2035 | 7,325,000 | 615,000 | 7,940,000 | 39,455,000 | 72.36% |
| 2036 | 7,105,000 | 645,000 | 7,750,000 | 31,705,000 | 77.79% |
| 2037 | 6,490,000 | 680,000 | 7,170,000 | 24,535,000 | 82.81% |
| 2038 | 5,065,000 | 715,000 | 5,780,000 | 18,755,000 | 86.86% |
| 2039 | 4,495,000 | 750,000 | 5,245,000 | 13,510,000 | 90.54% |
| 2040 | 2,660,000 | 790,000 | 3,450,000 | 10,060,000 | 92.95% |
| 2041 | 2,195,000 | 830,000 | 3,025,000 | 7,035,000 | 95.07% |
| 2042 | 1,645,000 | 870,000 | 2,515,000 | 4,520,000 | 96.83% |
| 2043 | 1,075,000 | 915,000 | 1,990,000 | 2,530,000 | 98.23% |
| 2044 | 550,000 | 965,000 | 1,515,000 | 1,015,000 | 99.29% |
| 2045 | | 1,015,000 | 1,015,000 | | 100.00% |
| | <u>\$ 124,755,000</u> | <u>\$ 18,010,000</u> | <u>\$ 142,765,000</u> | | |

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2021-2025

TABLE 10

| Fiscal Year Ending | Net Taxable Assessed Valuation | Change From Preceding Year | |
|-----------------------|--------------------------------------|-------------------------------|---------|
| | | Amount (\$) | Percent |
| 9/30/2021 | \$ 12,722,295,515 | \$ 830,292,933 | 6.98% |
| 9/30/2022 | 13,414,475,569 | 692,180,054 | 5.44% |
| 9/30/2023 | 14,679,532,885 | 1,265,057,316 | 9.43% |
| 9/30/2024 | 15,975,520,530 | 1,295,987,645 | 8.83% |
| 9/30/2025 | 16,991,582,936 | 1,016,062,406 | 6.36% |

Sources: The Town. Denton Central Appraisal District and Tarrant Appraisal District.

PRINCIPAL TAXPAYERS 2024

TABLE 11

| Name | Type of Business | Assessed Valuation | Valuation |
|---|---|-----------------------|--------------|
| Elan Flower Mound Phase II Venture LLC | Apartments with Retail/Lakeside | \$ 103,333,964 | 0.61% |
| Avalon Lakeside LP | Apartments | 97,400,000 | 0.57% |
| CPF PC Riverwalk LLC | Apartments | 70,835,000 | 0.42% |
| Duke Realty LP | Real Estate | 70,085,375 | 0.41% |
| WMCi Dallas I LLC | Apartments/The River Walk at Central Park | 70,000,000 | 0.41% |
| Flower Mound Hospital Partners LLC | Hospital | 64,000,000 | 0.38% |
| LIT HW1 LP/LIT LP | Commercial Property | 62,585,900 | 0.37% |
| IPT Dallas Distribution Portfolio | Real Estate | 61,695,105 | 0.36% |
| WOP 301 Flower Mound LLC | Apartments | 60,754,900 | 0.36% |
| LIT HW1 LP/LIT LP | Commercial Property | 53,621,242 | 0.32% |
| | | <u>\$ 714,311,486</u> | <u>4.21%</u> |
| Information based on a 2024 Net Taxable Assessed Valuation of | | \$ 16,991,582,936 | |

Source: Denton County and Tarrant Appraisal Districts.

PROPERTY TAX RATES AND COLLECTIONS
TABLE 12

| Tax Year | Net Taxable Valuation | Tax Rate | Tax Levy | % Collections | | Year Ended |
|----------|-----------------------|----------|---------------|-----------------------------|--------|------------|
| | | | | Current | Total | |
| 2020 | \$ 12,722,295,515 | 0.4365 | \$ 52,111,627 | 100.01% | 99.93% | 9/30/2021 |
| 2021 | 13,414,475,569 | 0.4365 | 54,512,333 | 99.83% | 99.91% | 9/30/2022 |
| 2022 | 14,679,532,885 | 0.4050 | 53,168,451 | 99.74% | 99.74% | 9/30/2023 |
| 2023 | 15,975,520,530 | 0.4050 | 58,333,039 | 99.73% | 99.20% | 9/30/2024 |
| 2024 | 16,991,582,936 | 0.3873 | 60,940,142 | (in process of collections) | | 9/30/2025 |

Source: The Town.

TAX RATE DISTRIBUTION
TABLE 13

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|--------------|-----------|-----------|-----------|-----------|-----------|
| General Fund | \$ 0.3239 | \$ 0.3483 | \$ 0.3609 | \$ 0.3506 | \$ 0.3478 |
| I & S Fund | 0.0634 | 0.0390 | 0.0441 | 0.0544 | 0.0887 |
| TOTAL | \$ 0.3873 | \$ 0.3873 | \$ 0.4050 | \$ 0.4050 | \$ 0.4365 |

Source: The Town.

MUNICIPAL SALES TAX
TABLE 14

In November 2007, voters approved four separate one-fourth of one percent dedicated sales taxes as follows: for park and recreation improvements; street maintenance; a Crime Control and Prevention District; and a Fire Control, Prevention and Emergency Medical Services District. The increased sales tax rate began April 1, 2008. The total local sales and use tax rate for the Town is 2.0%. Such tax collections are not pledged to payment on the Obligations. Collections and enforcements are effected though 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 Town monthly.

| Fiscal Year Ended 30-Sep | Total Collected | % of Ad Valorem Levy | Equivalent of Ad Valorem Tax Rate |
|--------------------------|--------------------------|-----------------------------|-----------------------------------|
| 2021 | 14,469,038 | 26.5% | 0.106 |
| 2022 | 17,505,884 | 32.9% | 0.115 |
| 2023 | 18,752,087 | 32.1% | 0.133 |
| 2024 | 18,975,883 | 32.5% | 0.130 |
| 2025 | 9,879,373 ⁽¹⁾ | (in process of collections) | |

⁽¹⁾ Unaudited; through May 30, 2025, excluding dedicated sales tax.

Source: The Town.

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 15

| <u>Taxing Body</u> | <u>As of</u> | <u>Amount</u> | <u>% Overlapping</u> | <u>Amount Overlapping</u> |
|---------------------------------------|-----------------|---------------------------------|--------------------------|-------------------------------|
| Argyle ISD | 4/30/2025 | \$ 459,812,391 | 18.56% | \$ 85,341,180 |
| Denton County | 4/30/2025 | 671,155,000 | 9.22% | 61,880,491 |
| Denton ISD | 4/30/2025 | 2,104,582,488 | 0.13% | 2,735,957 |
| Grapevine-Colleyville ISD | 4/30/2025 | 328,425,659 | 0.01% | 32,843 |
| Lewisville ISD | 4/30/2025 | 1,411,915,000 | 26.39% | 372,604,369 |
| Northwest ISD | 4/30/2025 | 2,205,085,000 | 0.27% | 5,953,730 |
| Tarrant County | 4/30/2025 | 345,130,000 | 0.19% | 655,747 |
| Tarrant County College District | 4/30/2025 | 569,915,000 | 0.19% | 1,082,839 |
| Tarrant County Hospital District | 4/30/2025 | 438,230,000 | 0.19% | 832,637 |
| Total Gross Overlapping Debt | | \$ 8,534,250,538 | | \$ 531,119,791 |
| Town of Flower Mound | with this issue | \$ 33,800,000 ⁽¹⁾⁽²⁾ | 100.00% | 33,800,000 |
| Total Net Direct and Overlapping Debt | | | | \$ 564,919,791 |

| | |
|---|------------|
| Ratio of Net Direct and Overlapping Debt to 2024 Assessed Valuation | 3.32% |
| Ratio of Net Direct and Overlapping Debt to 2024 Actual Value | 2.55% |
| Per Capita Net Direct and Overlapping Debt | \$6,999.64 |

⁽¹⁾ The Town of Flower Mound's total bonded debt is \$142,765,000 which includes tax supported debt funded by the revenues of the (i) Utility System (ii) Town's Community Development Corporation and (iii) Tax Increment Reinvestment Zone. See Table 7 for such self-supported debt. The Town may change this policy at any time.

The above figures show Net General Obligation Debt for the Town of Flower Mound

The Issuer's Gross General Obligation Debt is \$ 142,765,000 ⁽¹⁾⁽²⁾

Calculations on the basis of Gross General Obligation Debt would change the above figures as follows:

| | |
|---|----------------|
| Total Direct and Overlapping Debt | \$ 673,884,791 |
| Ratio of Direct and Overlapping Debt to 2024 Assessed Valuation | 3.97% |
| Ratio of Direct and Overlapping Debt to 2024 Actual Value | 3.05% |
| Per Capita Direct and Overlapping Debt | \$ 8,349.77 |

⁽²⁾ Includes the Obligations. (See "GENERAL OBLIGATION BONDED DEBT" herein.)

Source: Town and Municipal Advisory Council of Texas.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES
TABLE 16

| <u>Governmental Entity</u> | 2024 <u>Valuation</u> | 2024 <u>Tax Rate</u> |
|-----------------------------------|----------------------------------|---------------------------------|
| Lewisville ISD | \$ 54,617,013,319 | \$ 1.1180 |
| Argyle ISD | 5,683,230,487 | 1.2870 |
| Denton ISD | 32,656,484,957 | 1.1570 |
| Northwest ISD | 35,154,549,337 | 1.1180 |
| Denton County | 192,688,469,909 | 0.1880 |
| Grapevine-Colleyville ISD | 21,095,312,153 | 0.9230 |
| Tarrant County Hospital Dist. | 289,640,276,553 | 0.1830 |
| Tarrant County College Dist. | 317,260,797,092 | 0.1120 |
| Tarrant County | 289,157,254,040 | 0.1570 |

Source: Municipal Advisory Council of Texas.

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF
DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES**
TABLE 17

| <u>Taxing Body</u> | <u>Date</u> <u>Authorized</u> | <u>Amount</u> <u>Authorized</u> | <u>Issued</u> <u>To Date</u> | <u>Unissued</u> |
|------------------------------|--|--|---|------------------------|
| Argyle ISD | 5/3/2025 | \$ 423,170,000 | \$ - | \$ 423,170,000 |
| | 5/4/2024 | 3,500,000 | - | 3,500,000 |
| Northwest ISD | 5/6/2023 | 1,995,500,000 | 800,000,000 | 1,195,500,000 |
| Denton County | 11/8/2022 | 650,000,000 | 213,309,375 | 436,690,625 |
| | 5/15/2004 | 206,870,000 | 204,870,000 | 2,000,000 |
| Tarrant County | 11/2/2021 | 400,000,000 | 225,000,000 | 175,000,000 |
| | 5/13/2006 | 433,120,000 | 418,120,000 | 15,000,000 |
| | 8/8/1998 | 94,300,000 | 78,700,000 | 15,600,000 |
| Tarrant County College Dist | 11/5/2019 | 825,000,000 | 700,000,000 | 125,000,000 |
| Tarrant County Hospital Dist | 11/6/2018 | 800,000,000 | 450,000,000 | 350,000,000 |

Source: Municipal Advisory Council of Texas.

CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES

TABLE 18

| | Fiscal Year Ending September 30 | | | | |
|--|---------------------------------|----------------|----------------|----------------|----------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Revenues: | | | | | |
| Program Revenues: | | | | | |
| Charges for Services | \$ 12,781,909 | \$ 13,295,744 | \$ 12,107,013 | \$ 10,731,281 | \$ 8,886,067 |
| Operating Grants & Contributions | 2,984,114 | 1,239,871 | 3,601,013 | 2,313,000 | 2,239,746 |
| Capital Grants & Contributions | 6,611,604 | 10,647,484 | 8,643,597 | 12,039,573 | 8,183,369 |
| General Revenue | | | | | |
| Property Tax | 63,095,966 | 60,960,971 | 55,478,487 | 56,852,372 | 54,639,637 |
| Sales Tax | 37,844,425 | 37,369,199 | 34,929,500 | 28,861,624 | 25,360,411 |
| Occupancy Tax | 734,306 | 573,356 | 419,080 | 302,908 | 251,204 |
| Other Taxes | 7,356,987 | 7,706,605 | 7,376,337 | 5,843,467 | 5,905,293 |
| Unrestricted Investment Earnings | 8,868,651 | 6,373,438 | 940,523 | 114,893 | 1,417,681 |
| Miscellaneous | 1,338,842 | 841,192 | 600,368 | 1,011,374 | 787,908 |
| Total Revenues | \$ 141,616,804 | \$ 139,007,860 | \$ 124,095,918 | \$ 118,070,492 | \$ 107,671,316 |
| Expenses: | | | | | |
| Town Manager's Office | \$ 4,561,125 | \$ 3,388,706 | \$ 3,680,978 | \$ 4,298,875 | \$ 3,454,566 |
| Legislative Services | 591,258 | 667,367 | 513,592 | 535,517 | 506,395 |
| Development Services | 2,902,741 | 2,511,730 | 2,192,825 | 2,218,168 | 2,187,528 |
| Parks & Recreational Services | 18,270,624 | 16,575,189 | 18,144,574 | 15,329,914 | 7,053,088 |
| Library Services ⁽¹⁾ | 2,522,204 | 2,322,283 | 2,049,541 | 1,997,725 | 1,943,000 |
| Police Services | 25,973,268 | 24,667,709 | 21,880,685 | 19,575,430 | 17,946,700 |
| Financial Services | 6,552,397 | 5,098,691 | 4,728,707 | 3,181,737 | 4,392,826 |
| Administrative Services | 9,072,858 | 7,655,684 | 7,055,671 | 6,278,393 | 6,508,843 |
| Fire & Emergency Services | 29,796,129 | 28,810,186 | 23,173,628 | 23,087,386 | 20,719,163 |
| Communications | 1,012,662 | 1,022,276 | 753,285 | 749,660 | 784,176 |
| Public Works | 19,604,948 | 15,174,383 | 10,213,207 | 15,315,949 | 24,568,733 |
| Environmental Services | 1,751,125 | 1,511,256 | 1,543,131 | 1,491,166 | 1,509,345 |
| Interest on Long Term Debt | 1,226,657 | 1,489,993 | 1,741,793 | 2,015,265 | 2,332,467 |
| Total Expenses | \$ 123,837,996 | \$ 110,895,453 | \$ 97,671,617 | \$ 96,075,185 | \$ 93,906,830 |
| Increase (Decrease) in Net Assets Before Transfers | \$ 17,778,808 | \$ 28,112,407 | \$ 26,424,301 | \$ 21,995,307 | \$ 13,764,486 |
| Transfers | 2,327,040 | 2,816,837 | 2,802,185 | 2,602,600 | 1,888,815 |
| Increase (Decrease) in Net Assets | \$ 20,105,848 | \$ 30,929,244 | \$ 29,226,486 | \$ 24,597,907 | \$ 15,653,301 |
| Net Assets at Beginning of Year | \$ 447,999,708 | \$ 417,070,464 | \$ 387,843,978 | \$ 363,246,071 | \$ 347,592,770 |
| Prior Period Adjustment | - | - | - | - | - |
| Net Assets at End of Year | \$ 468,105,556 | \$ 447,999,708 | \$ 417,070,464 | \$ 387,843,978 | \$ 363,246,071 |

Source: The Town's Financial Statements.

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES
AND ANALYSIS OF CHANGES IN FUND BALANCES**

TABLE 19

| | Fiscal Year Ending September 30 | | | | |
|---|--|----------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Fund Balance - Beginning of Year | \$ 41,933,829 | \$ 34,983,172 | \$ 27,857,003 | \$ 22,764,655 | \$ 21,471,030 |
| Revenues: | | | | | |
| Taxes | \$ 75,059,662 | \$ 72,830,205 | \$ 66,669,062 | \$ 59,776,061 | \$ 57,394,847 |
| Licenses, Permits and Fees | 2,135,426 | 2,401,404 | 3,238,852 | 2,825,866 | 2,694,880 |
| Intergovernmental | 3,942,801 | 4,146,350 | 1,747,483 | 1,196,666 | 1,127,880 |
| Charges for services | 5,412,819 | 4,950,966 | 4,613,906 | 4,030,222 | 3,234,904 |
| Fines and Forfeits | 1,207,485 | 1,169,923 | 1,139,842 | 1,014,069 | 736,476 |
| Investment Earnings | 2,676,579 | 2,079,698 | 271,883 | 36,653 | 363,901 |
| Memorials and Contributions | 2,450 | - | - | - | 24,000 |
| Other Revenues | 1,052,481 | 828,762 | 562,155 | 1,012,379 | 733,768 |
| Total Revenues | \$ 91,489,703 | \$ 88,407,308 | \$ 78,243,183 | \$ 69,891,916 | \$ 66,310,656 |
| Expenditures: | | | | | |
| Current | | | | | |
| Town Manager's Office | \$ 12,069,488 | \$ 3,261,563 | \$ 3,733,802 | \$ 4,249,212 | \$ 3,431,410 |
| Legislative Services | 594,514 | 628,400 | 513,223 | 535,784 | 496,250 |
| Development Services | 2,924,862 | 2,390,820 | 2,212,896 | 2,162,182 | 2,075,770 |
| Parks & Recreational Services | 11,162,524 | 10,826,328 | 9,229,602 | 7,843,632 | 7,116,775 |
| Library Services (1) | 2,434,141 | 2,133,400 | 2,079,638 | 1,960,418 | 1,771,235 |
| Police Services | 23,765,122 | 19,284,211 | 17,842,652 | 15,998,254 | 14,616,514 |
| Financial Services | 4,862,234 | 4,052,862 | 3,598,928 | 3,673,030 | 3,686,956 |
| Administrative Services | 9,940,529 | 7,761,807 | 7,144,902 | 6,197,054 | 6,396,212 |
| Fire and Emergency Services | 25,191,038 | 23,866,877 | 17,947,527 | 16,826,829 | 15,812,837 |
| Communications | 915,671 | 830,070 | 697,477 | 659,462 | 677,246 |
| Public Works | 7,666,155 | 6,104,002 | 5,713,683 | 5,427,928 | 4,856,957 |
| Environmental Services | 1,762,870 | 1,459,091 | 1,562,986 | 1,443,788 | 1,482,847 |
| Total Expenditures | \$ 103,289,148 | \$ 82,599,431 | \$ 72,277,316 | \$ 66,977,573 | \$ 62,421,009 |
| Excess (Deficit) of Revenues Over Expenditures | \$ (11,799,445) | \$ 5,807,877 | \$ 5,965,867 | \$ 2,914,343 | \$ 3,889,647 |
| Other Financing Sources (Uses) | | | | | |
| Subscription Financing | \$ 1,372,169 | \$ 179,728 | \$ - | \$ - | \$ - |
| Operating transfer in | 3,729,522 | 3,091,837 | 3,077,185 | 2,865,960 | 2,608,842 |
| Operating transfer out | (604,544) | (2,128,785) | (1,916,883) | (687,955) | (5,204,864) |
| Total Other Financing Sources | \$ 4,497,147 | \$ 1,142,780 | \$ 1,160,302 | \$ 2,178,005 | \$ (2,596,022) |
| Net Change in Fund Balances | \$ (7,302,298) | \$ 6,950,657 | \$ 7,126,169 | \$ 5,092,348 | \$ 1,293,625 |
| Fund Balance - End of Year | <u>\$ 34,631,531</u> | <u>\$ 41,933,829</u> | <u>\$ 34,983,172</u> | <u>\$ 27,857,003</u> | <u>\$ 22,764,655</u> |

Source: The Town's Financial Statements.

The Town purchases treated water from the City of Dallas, Texas ("Dallas") and from the Upper Trinity Regional Water District (the "District"). The Town began receiving additional treated water from the District in 1997 which expires when the bonds issued by the District for the system have been paid in full, whichever is later. Under the current terms of the contracts with these entities, the Town can receive up to 30 million gallons of water per day (MGD) from the District and 11 MGD from Dallas. The Town is currently paying \$539,435 per million gallons of peak daily demand and a rate of \$1.56 per thousand gallons for actual water usage from the District and \$356,975 per million gallons of peak daily demand and a rate of \$.5663 per thousand gallons for actual water usage from Dallas. The Town made \$21,156,456 in expenditures to the District and \$4,374,477 to Dallas during Fiscal Year 23-24.

Water from Dallas is supplied to the Town via a 30" transmission line, which terminates at the Pintail Pump Station. The Pintail Station includes a 3 million gallons (MG) 2 MG, and 1 MG Ground Storage Tank (GST), providing a total storage capacity of 6 MG. Pumping capability for the station includes three, 5,000 gpm pumps and one, 3,000 gpm pump, resulting in a firm capacity rating of 13,000 gpm.

Water from the District is supplied to the Stonehill Pump Station via a 48-inch transmission pipeline. The Stonehill Pump Station is a joint use site shared by the District and Flower Mound. The District's portion of the site includes 7 MG of ground storage. The Town's portion of the site includes one 10 MG GST tank. The Flower Mound GST is supplied from the a 30-inch transmission line connected to the District's 48-inch transmission line. The Town's pump station incorporates five 7,000 gpm pumps, resulting in a firm capacity rating of 28,000 gpm. The joint use site is configured to provide emergency connectivity between the District and Flower Mound.

The District also provides water to the Town at the Western Pump Station, located near US HWY 377, to serve the western portion of the Town's distribution system. The 30 MGD subscription amount from the District is divided between the Stonehill and Western stations, as needed. The Western Pump Station includes one, 5 MGD GST and three 6,000 gpm pumps, resulting in a firm capacity rating of 12,000 gpm.

In addition to the 21 MG of ground storage capacity located at the three pumping stations, the Town also maintains three elevated storage tanks (EST). The Waketon, Bruton, and Freeman EST facilities have a capacity of 1 MG, 2 MG and 2.5 MG gallons, respectively, providing the Town with maximum water storage capacity of 26.5 MG.

The Town maintains 487 miles of water lines, 4,603 fire hydrants, 12,340 water valves, and 26,465 water connections.

HISTORICAL WATER CONSUMPTION (GALLONS)

TABLE 21

| Fiscal Year Ending 9/30 | Total Usage | Average Daily Usage | Peak Day Usage | Actual Peak Day | Total Water & Sewer Revenues Received |
|----------------------------------|----------------|---------------------------|----------------------|-----------------------|--|
| 2020 | 4,523,696,675 | 12,393,690 | 30,750,000 | 08/13/20 | 44,149,258 |
| 2021 | 4,349,260,475 | 11,915,782 | 27,158,000 | 08/11/21 | 46,052,555 |
| 2022 | 5,259,997,856 | 14,410,953 | 34,728,000 | 07/18/22 | 53,657,056 |
| 2023 | 5,327,701,344 | 14,596,442 | 31,884,000 | 07/30/23 | 57,485,155 |
| 2024 | 4,864,125,603 | 13,326,372 | 32,303,000 | 08/17/24 | 56,727,219 |

Source: The Town.

PRINCIPAL WATER CUSTOMERS (BASED ON GALLONS CONSUMED)
TABLE 22

| Customer | Type of Industry | Water Usage | % of Total Water Usage | Water Revenue |
|---|-------------------------|--------------------|-------------------------------|----------------------|
| Town of Flower Mound | Municipality | 106,870,931 | 2.20% | \$ 614,642 |
| LISD | School District | 76,324,850 | 1.57% | 807,083 |
| The Park at Flower Mound | Apartments | 23,487,010 | 0.48% | 216,088 |
| LIT Industrial Limited Partnership/HW1 LP | Commercial Warehouse | 23,046,500 | 0.47% | 203,654 |
| Avalon Lakeside LP | Apartments | 22,441,080 | 0.46% | 198,795 |
| Texas Health Presbyterian Hospital | Hospital | 19,866,410 | 0.41% | 172,852 |
| HOA Wellington of FM | Home Owners Association | 19,638,765 | 0.40% | 200,440 |
| CWS Apartments | Apartments | 18,665,900 | 0.38% | 180,797 |
| CPF PC Riverwalk LLC | Apartments | 15,413,920 | 0.32% | 132,285 |
| Eastgroup Properties | Commercial Warehouse | 14,565,345 | 0.30% | 138,943 |
| Total | | 340,320,711 | 6.99% | \$ 2,865,579 |
| TOTAL GALLONS BILLED | 4,864,125,603 | | | |

Source: The Town.

WATER RATES**TABLE 23***(Effective October 1, 2024)*

| Meter Size | Minimum Bill (Includes 2,000 Gallons) |
|--------------|--|
| 3/4" or 5/8" | \$ 44.31 |
| 1" | 72.93 |
| 1 1/2" | 120.57 |
| 2" | 177.79 |
| 3" | 330.33 |
| 4" | 501.92 |
| 6" | 950.09 |

For customers located outside the Town limits, the minimum charge is double the minimum rate for premises located within the Town limits.

(Volume rates effective October 1, 2024)

| | | |
|-----------------------|--------|----------------------|
| 2,000-10,000 gallons | \$5.04 | per thousand gallons |
| 10,001-15,000 gallons | \$6.82 | per thousand gallons |
| 15,001-50,000 gallons | \$7.76 | per thousand gallons |
| 50,000+ gallons | \$8.71 | per thousand gallons |
| Town Meters | \$2.62 | per thousand gallons |
| Fire Hydrants | \$8.70 | per thousand gallons |

WATER IMPACT FEES:

| Chart A | Platted Prior to 10/17/94 | Platted 10/17/94 - 12/18/00 | Platted 12/18/00 - 04/19/04* | Platted 4/19/04 - 2/1/10* |
|-------------|---------------------------------|-----------------------------------|------------------------------------|---------------------------------|
| Meter Size | Res./Non-Res. | Res./Non-Res. | Residential | Residential |
| 5/8" x 3/4" | \$ 492.80 | \$ 674 | \$ 1,212 | \$ 2,342 |
| 1" | 877.18 | 1,685 | 3,030 | 5,856 |
| 1 1/2" | 1,971.20 | 3,370 | 6,060 | 11,700 |
| 2" | 3,503.81 | 5,392 | 9,696 | 18,739 |
| 3" | 7,884.80 | 11,795 | 19,392 | 37,478 |
| 4" | 14,015.23 | 20,220 | 30,300 | 58,560 |
| 6" | 31,539.20 | 42,125 | 60,600 | 117,120 |
| 8" | 56,070.78 | 60,660 | 96,960 | 187,392 |
| 10" | 87,609.98 | 97,730 | 139,380 | 269,376 |

| Chart B | Platted After 2/1/10* | Platted After 9/8/15* | Platted After 3/01/21 |
|----------------|--------------------------|--------------------------|--------------------------|
| Meter Size | Residential | Residential | Residential |
| 5/8" x 3/4" PD | \$ 3,896 | \$ 4,098 | \$ 3,741 |
| 3/4" PD | 5,844 | 6,147 | 5,612 |
| 1" PD | 9,740 | 10,245 | 9,353 |
| 1 1/2" PD | 19,480 | 20,490 | 18,705 |
| 2" PD | 31,168 | 32,784 | 29,928 |
| 2" Compound | 31,168 | 32,784 | 29,928 |
| 2" Turbine | 38,960 | 40,980 | 59,856 |
| 3" Compound | 62,336 | 65,568 | 65,468 |
| 3" Turbine | 93,504 | 98,352 | 130,935 |
| 4" Compound | 97,400 | 102,450 | 112,230 |
| 4" Turbine | 163,632 | 172,116 | 243,165 |
| 6" Compound | 194,800 | 204,900 | 252,518 |
| 6" Turbine | 358,432 | 377,016 | 523,740 |
| 8" Compound | 311,680 | 327,840 | 336,690 |
| 8" Turbine | 623,360 | 655,680 | 897,840 |
| 10" Turbine | 974,000 | 1,024,500 | 1,309,350 |

* Commercial Project - rate is reduce to 50% applicable fees.

Source: The Town.

WASTEWATER SYSTEM**TABLE 24**

Sanitary sewer service within Flower Mound is provided by one of two agencies. The eastern third of Flower Mound is provided sewer service through a Town owned and operated collection and treatment system that includes 20 lift stations, and an 8.7 million gallon a day wastewater treatment plant. The Flower Mound treatment plant utilizes an aerobic wastewater treatment process, followed by filtration, and ultra-violet disinfection to produce a superior effluent quality. Sewer services for an area located in western Flower Mound near US HWY 377 and Texas FM 1171 is provided by the Trinity River Authority (TRA), Denton Creek system. Flower Mound contractually reserved 30,000 gallons per day in the existing TRA wastewater treatment facility to serve the area. The lift stations collect and transport sewage to the treatment plant through 330 miles of sewer mains, 5,048 manholes and 23,100 sanitary sewer connections as part of the sanitary sewer system.

The Town became a member of the Denton Creek Wastewater Treatment System in February 2000, in which the Town will pay an annual amount to the Trinity River Authority of Texas (TRA) for the Town's portion of operation and debt service of the treatment plant to serve the western part of Flower Mound. The 2006 and 2008 contracts between TRA, the Town, and the Towns of Argyle and Northlake provided for the funding, design, right-of-way purchases, and construction of the Denton Creek Wastewater Transportation System (System). The pipelines and facilities described in the design of the system have been constructed and are providing service to the three towns. Sanitary sewer is conveyed from the three towns through the system to the TRA Denton Creek wastewater treatment plant located in Roanoke, Texas.

Source: The Town.

WASTEWATER USAGE (GALLONS)**TABLE 25**

| Fiscal Year Ending 9/30 | Total Usage | Average Daily Usage |
|-------------------------------|----------------|---------------------------|
| 2020 | 1,955,347,134 | 5,357,115 |
| 2021 | 2,053,358,690 | 5,625,640 |
| 2022 | 2,203,076,834 | 6,035,827 |
| 2023 | 2,334,829,312 | 6,396,793 |
| 2024 | 2,154,223,633 | 5,901,983 |

Source: The Town.

SEWER RATES

TABLE 26

(Effective October 1, 2024)

All size meters:

| | | | |
|--------------------------------------|----|-------|-------------------|
| First 2,000 gallons | \$ | 25.10 | (Minimum) |
| Over 2,000 gallons - Residential | | 5.10 | per 1,000 gallons |
| Over 2,000 gallons - Non-Residential | | 5.62 | per 1,000 gallons |

Residential: Monthly bill based on average consumption during months of December, January and February. If no average has been determined, the customer will be charged based on the rates above, not to exceed \$55.70 per month, until average water usage is determined.

Commercial: Monthly bill based on actual metered water use. No maximum.

SEWER IMPACT FEES:

| Meter Size | Platted | Platted | Platted 12/19/2000 - 1/31/2010* | | | Platted |
|-------------|---------------|---------------|---------------------------------|--------------|--------------|----------------|
| | Prior to | 10/17/94 - | Lakeside Business | Denton Creek | Long Prairie | After 2/1/2010 |
| | 10/17/94 | 10/17/94 - | District | District | District | See Chart B |
| | Res./Non-Res. | Res./Non-Res. | Residential | Residential | Residential | |
| 5/8" x 3/4" | \$ 1,413 | \$ 1,396 | \$ 978 | \$ 1,254 | \$ 4,204 | |
| 1" | 2,515 | 3,490 | 2,445 | 3,135 | 10,510 | |
| 1 1/2" | 5,652 | 6,980 | 4,890 | 6,270 | 21,020 | |
| 2" | 10,047 | 11,168 | 7,824 | 10,033 | 33,632 | |
| 3" | 22,608 | 24,430 | 15,648 | 20,066 | 67,264 | |
| 4" | 40,186 | 41,880 | 24,450 | 31,352 | 105,100 | |
| 6" | 90,433 | 87,250 | 48,900 | 62,705 | 210,200 | |
| 8" | 160,772 | 125,640 | 78,240 | 100,328 | 336,320 | |
| 10" | 251,205 | 202,420 | 112,470 | 144,221 | 483,460 | |

| Meter Size | Platted on or after 02/01/10* | | | | Platted |
|----------------|-------------------------------|-------------------|-----------------------|------------------------|----------------|
| | Long Prairie District | Lakeside District | Denton Creek District | Prairie Vista District | After 9/4/2015 |
| | Residential | Residential | Residential | Residential | See Chart C |
| 5/8" x 3/4" PD | \$ 4,783 | \$ 1,723 | \$ 511 | \$ 894 | |
| 3/4" PD | 7,175 | 2,585 | 767 | 1,341 | |
| 1" PD | 11,958 | 4,308 | 1,278 | 2,235 | |
| 1 1/2" PD | 23,915 | 8,615 | 2,555 | 4,470 | |
| 2" PD | 38,264 | 13,784 | 4,088 | 7,152 | |
| 2" Compound | 38,264 | 13,784 | 4,088 | 7,152 | |
| 2" Turbine | 47,830 | 17,230 | 5,110 | 8,940 | |
| 3" Compound | 76,528 | 27,568 | 8,176 | 14,304 | |
| 3" Turbine | 114,792 | 41,352 | 12,264 | 21,456 | |
| 4" Compound | 119,575 | 43,075 | 12,775 | 22,350 | |
| 4" Turbine | 200,886 | 72,366 | 21,462 | 37,548 | |
| 6" Compound | 239,150 | 86,150 | 25,550 | 44,700 | |
| 6" Turbine | 440,036 | 158,516 | 47,012 | 82,248 | |
| 8" Compound | 382,640 | 137,840 | 40,880 | 71,520 | |
| 8" Turbine | 765,280 | 275,680 | 81,760 | 143,040 | |
| 10" Turbine | 1,195,750 | 430,750 | 127,750 | 223,500 | |

| Meter Size | Platted on or after 09/08/2015* | | | | Platted |
|----------------|---------------------------------|-------------------|-----------------------|------------------------|------------------|
| | Long Prairie District | Lakeside District | Denton Creek District | Prairie Vista District | After 03/01/2021 |
| | Residential | Residential | Residential | Residential | See Chart D |
| 5/8" x 3/4" PD | \$ 2,436 | \$ 2,733 | \$ 715 | \$ 934 | |
| 3/4" PD | 3,654 | 4,100 | 1,073 | 1,401 | |
| 1" PD | 6,090 | 6,833 | 1,788 | 2,335 | |
| 1 1/2" PD | 12,180 | 13,665 | 3,575 | 4,670 | |
| 2" PD | 19,488 | 21,864 | 5,720 | 7,472 | |
| 2" Compound | 19,488 | 21,864 | 5,720 | 7,472 | |
| 2" Turbine | 24,360 | 27,330 | 7,150 | 9,340 | |
| 3" Compound | 38,976 | 43,728 | 11,440 | 14,944 | |
| 3" Turbine | 58,464 | 65,592 | 17,160 | 22,416 | |
| 4" Compound | 60,900 | 68,325 | 17,875 | 23,350 | |
| 4" Turbine | 102,312 | 114,786 | 30,030 | 39,228 | |
| 6" Compound | 121,800 | 136,650 | 35,750 | 46,700 | |
| 6" Turbine | 224,112 | 251,436 | 65,780 | 85,928 | |
| 8" Compound | 194,880 | 218,640 | 57,200 | 74,720 | |
| 8" Turbine | 389,760 | 437,280 | 114,400 | 149,440 | |
| 10" Turbine | 609,000 | 683,250 | 178,750 | 233,500 | |

*Commercial Project - rate is reduced to 50% of applicable fees.

| Chart D Meter Size | Platted on or after 03/01/2021 | | | |
|-----------------------|--------------------------------|----------------------|--------------------------|---------------------------|
| | Long Prairie District | Lakeside District | Denton Creek District | Prairie Vista District |
| | Residential | Residential | Residential | Residential |
| 5/8" x 3/4" PD | | | | |
| 3/4" PD | \$ 2,290 | \$ 1,942 | \$ 467 | \$ 365 |
| 1" PD | 3,435 | 2,913 | 701 | 548 |
| 1 1/2" PD | 5,725 | 4,855 | 1,168 | 913 |
| 2" PD | 11,450 | 9,710 | 2,335 | 1,825 |
| 2" Compound | 18,320 | 15,536 | 3,736 | 2,920 |
| 2" Turbine | 18,320 | 15,536 | 3,736 | 2,920 |
| 3" Compound | 36,640 | 31,072 | 7,472 | 5,840 |
| 3" Turbine | 40,075 | 33,985 | 8,173 | 6,388 |
| 4" Compound | 80,150 | 67,970 | 16,345 | 12,775 |
| 4" Turbine | 68,700 | 58,260 | 14,010 | 10,950 |
| 6" Compound | 148,850 | 126,230 | 30,355 | 23,725 |
| 6" Turbine | 154,575 | 131,085 | 31,523 | 24,638 |
| 8" Compound | 320,600 | 271,880 | 65,380 | 51,100 |
| 8" Turbine | 206,100 | 174,780 | 42,030 | 32,850 |
| 10" Turbine | 549,600 | 466,080 | 112,080 | 87,600 |
| | 801,500 | 679,700 | 163,450 | 127,750 |

STORM WATER UTILITY FEES (Effective October 1, 2021)**Residential**

| | |
|-----------|--------|
| < 1 Acre | \$6.00 |
| 1-5 Acres | \$5.20 |
| > 5 Acres | \$4.40 |

Residential- w/ Detention credit

| | |
|-----------|--------|
| < 1 Acre | \$5.00 |
| 1-5 Acres | \$4.30 |
| > 5 Acres | \$3.60 |

Non-residential

| | |
|-----------------------|---------|
| 1-25,000 sq ft. | \$45.20 |
| 25,000-50,000 sq. ft. | \$61.60 |
| > 50,000 sq. ft. | \$78.00 |

Non-residential- w/ Detention credit

| | |
|-----------------------|---------|
| 1-25,000 sq ft. | \$37.50 |
| 25,000-50,000 sq. ft. | \$51.10 |
| > 50,000 sq. ft. | \$64.80 |

Source: The Town.

CONDENSED UTILITY SYSTEM OPERATING STATEMENTS
TABLE 27

| | Fiscal Year Ended September 30, | | | | | | | | | | |
|--------------------------------|---------------------------------|-------------------|-------------|-------------------|-------------|-------------------|-------------|-------------------|-------------|-------------------|---|
| <u>Revenues</u> | <u>2024</u> | | <u>2023</u> | | <u>2022</u> | | <u>2021</u> | | <u>2020</u> | | |
| Charges for Services | \$ | 57,032,925 | \$ | 57,815,286 | \$ | 54,048,407 | \$ | 46,434,226 | \$ | 44,522,120 | |
| Penalties, Fines and Forfeits | | 447,392 | | 435,157 | | 407,636 | | 334,890 | | 342,001 | |
| Interest Income | | 3,912,336 | | 2,959,963 | | 464,855 | | 37,199 | | 635,963 | |
| Other | | 301,136 | | 263,964 | | 387,673 | | 392,570 | | 378,378 | |
| Total Revenues | | <u>61,693,789</u> | | <u>61,474,370</u> | | <u>55,308,571</u> | | <u>47,198,885</u> | | <u>45,878,462</u> | |
| <u>Expenses</u> | | | | | | | | | | | |
| Administration | | 7,999,651 | | 6,695,868 | | 6,217,507 | | 6,067,590 | | 5,662,449 | |
| Maintenance and Operations | | <u>33,101,107</u> | | <u>30,516,120</u> | | <u>31,289,877</u> | | <u>28,812,306</u> | | <u>28,136,699</u> | |
| Total Expenses | | <u>41,100,758</u> | | <u>37,211,988</u> | | <u>37,507,384</u> | | <u>34,879,896</u> | | <u>33,799,148</u> | |
| Net Available for Debt Service | \$ | <u>20,593,031</u> | \$ | <u>24,262,382</u> | \$ | <u>17,801,187</u> | \$ | <u>12,318,989</u> | \$ | <u>12,079,314</u> | |
| Debt Service on Revenue Bonds | \$ | <u>-</u> | \$ | <u>-</u> | \$ | <u>-</u> | \$ | <u>-</u> | \$ | <u>-</u> | |
| Debt Service Coverage | | n/a | x | n/a | x | n/a | x | n/a | x | n/a | x |
| Water Customers | | 26,465 | | 26,367 | | 26,222 | | 25,896 | | 25,391 | |
| Sewer Customers | | 23,100 | | 23,017 | | 22,901 | | 22,651 | | 22,246 | |

Source: The Town's Financial Statements.

UTILITY SYSTEM REVENUE BOND SERVICE REQUIREMENTS
TABLE 28

The Town currently has no utility system revenue bonds outstanding. The Town has self supported certificates of obligation which are payable from utility system revenues (see TABLE 7).

Source: The Town.

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APPENDIX B

**GENERAL INFORMATION REGARDING THE TOWN OF FLOWER MOUND AND DENTON COUNTY, TEXAS AND
INFORMATION REGARDING THE TOWN OF FLOWER MOUND'S WATER CONTRACTS WITH THE CITY OF DALLAS AND THE
UPPER TRINITY REGIONAL WATER DISTRICT**

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**INFORMATION REGARDING THE TOWN OF FLOWER MOUND
AND DENTON COUNTY, TEXAS
AND
INFORMATION REGARDING THE TOWN OF FLOWER MOUND'S WATER CONTRACTS WITH
THE CITY OF DALLAS AND THE UPPER TRINITY REGIONAL WATER DISTRICT**

GENERAL

The Town of Flower Mound, Texas is located primarily in southern Denton County, with a portion in Tarrant County, approximately 28 miles northwest of downtown Dallas and 8 miles south of Denton. The Town's corporate boundary is comprised of approximately 45 square miles. The Town's 2020 Census population was 75,956, and the 2025 estimated population is 80,707.

Currently the development in the Town consists of planned communities that are comprised of residential housing with adjacent retail and commercial components. Estate zoned lots also comprise a significant portion of the residential development. Also, the Town has been enhanced by its infrastructure development. Services are provided by three utility companies, a cable franchise, a superior water supply and two internationally renowned airports. The Town is a rapidly growing area with an average age of 41.2 years and an average household income of \$199,302.

The Town is primarily a suburban residential area with industry and manufacturing becoming increasingly important to the local economy.



POPULATION TRENDS

| Year | Town of Flower Mound | Denton County |
|---------------|----------------------|---------------|
| 2025 Estimate | 80,707 | 1,037,646 |
| 2020 Census | 75,956 | 903,422 |
| 2010 Census | 64,669 | 662,614 |
| 2000 Census | 50,702 | 432,976 |
| 1990 Census | 15,527 | 273,525 |

Source: United States Census Bureau and the Town.
* Preliminary, subject to change.

LEADING EMPLOYERS

| <u>Employer</u> | 2024 | | |
|---|------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total Town Employment</u> |
| Communication Test Design, Inc. (CTDI) | 1,400 | 1 | 2.86% |
| MI Windows & Doors | 710 | 2 | 1.45% |
| Texas Health Presbyterian Hospital Flower Mound | 700 | 3 | 1.43% |
| Stryker Communications | 480 | 4 | 0.98% |
| Likewise | 400 | 5 | 0.82% |
| Best Buy Distribution & Service Center | 250 | 6 | 0.51% |
| HD Supply | 200 | 7 | 0.41% |
| Home Depot | 200 | 8 | 0.41% |
| Ivie & Associates | 190 | 9 | 0.39% |
| BOHM Technologies | 175 | 10 | 0.36% |
| Lewisville Independent School District | - | - | - |
| Town of Flower Mound | - | - | - |
| KeHE (formerly Nature's Best) | - | - | - |
| Totals | 4,705 | | 9.62% |

Source: Town Economic Development Division

Note: Listing includes only private sector employers for 2024.

GROWTH INDICES

| <u>Fiscal Year</u> | <u>Commercial Construction</u> | <u>Residential Construction</u> | <u>Utility Connections</u> | |
|--------------------|--------------------------------|---------------------------------|----------------------------|--------------|
| | <u>Number of Permits</u> | <u>Number of Permits</u> | <u>Water</u> | <u>Sewer</u> |
| 2020 | 59 | 423 | 25,391 | 22,246 |
| 2021 | 12 | 458 | 25,896 | 22,651 |
| 2022 | 32 | 396 | 26,222 | 22,901 |
| 2023 | 13 | 117 | 26,367 | 23,017 |
| 2024 | 19 | 84 | 26,465 | 23,100 |

Source: The Town's Financial Statements.

**Town of Flower Mound, Texas
Waterworks and Wastewater Systems
Upper Trinity Regional Water District**

Selected Information Related to the Town of Flower Mound's Treated Water Providers

The Town's contract with Dallas was originally entered into on January 21, 1987 (the "Dallas Contract"), is for a term of thirty years and expired in 2017. A new agreement was executed on January 11, 2017 for 30 years and will expire in 2047. Set forth below is a summary of selected provisions of the Dallas Contract related to Section 7.0 - Rates and Payments:

7.1 Setting of Charges by Dallas Ordinance. Rates charged Customer, including demand charges established herein, shall be established by ordinance of Dallas. The capital costs contributed by the Customer for delivery facilities shall be excluded from the rate base.

7.2 Rate Setting Method: Notice of Change. Customer understands that Dallas City Council has the right by ordinance to revise the rates charged, as needed, to cover all reasonable, actual and expected costs. Any change of rates shall be pursuant to principles set forth in the Memorandum of Agreement. Dallas shall give Customer a minimum of six (6) months written notice of intent to change rates. Dallas will furnish Customer a draft copy of the Cost of Service Study for Proposed Rates thirty (30) days prior to Dallas submitting a rate increase request to its City Council.

7.3 Customer Protest. Customer agrees to give Dallas a minimum of thirty (30) days' notice of intent to protest rates or any other condition of service, before the TCEQ or any other state agency.

7.4 Monthly Invoice. Each month during the term of this Contract, Dallas agrees to deliver to Customer a statement of charges setting forth the amount of Treated Water delivered to Customer through the Delivery Points for the period covered by the statement, the Volume charge for the month, and any past due amount carried over from prior invoices (including accrued interest) ("the Monthly Statement"). Payment is due upon receipt of the Monthly Statement. Customer agrees to pay promptly. The Demand charge shall be billed on the Monthly Statement.

7.5 Late Payment. Customer agrees that a payment is deemed late if received by Dallas more than 30 days after the date of the Monthly Statement. Late payments shall accrue interest at a 4.25% interest rate or as provided in Section 2-1.1 of Dallas City Code, as amended, or as authorized by Ch. 2251, Subchapter B of the Texas Government Code, as amended, whichever applies. If any money due and owing by Customer to Dallas is placed with an attorney for collection, Customer agrees to pay Dallas, in addition to all other payments provided for this Contract, including interest, Dallas' collection expenses, including court costs and reasonable attorney's fees.

7.6 Malfunctioning Meter; Estimated Payments. In the event a meter(s) is discovered to be malfunctioning, the amount of Treated Water that has passed through the meter will be estimated for each day the meter was not functioning correctly. The last correctly measured monthly consumption will be used as a basis for computing the amount of Treated Water delivered to the Customer during the time the meter was not functioning correctly or other method mutually agreed between Dallas and customer in writing by the Director and Customer.

7.7 Disputed Charges. Dallas and Customer agree that any disputed charges on the Monthly Statement shall be protested in accordance with Tex. Govt. Code Section 2251.042, as amended. Customer agrees that in the event it disputes any portion of the charges on the Monthly Statement, Customer will timely pay any undisputed amount in accordance with Section 7.4.

The Town's contract with the District was entered into on May 7, 1992 (the "District Contract") and does not expire while bonds issued by the system, as described in the District Contract, remain outstanding. The current final maturity date of outstanding bonds issued by the District Contract for the system is 2045. The Town's District Contract is a "take or pay" contract whereby the Town is obligated to make payments to the District to cover the Town's share of the District's operational expenses and debt service requirements, regardless of whether the District is able to deliver water to the Town.

Set forth below is a summary of selected provisions of the District Contract related to Fiscal Provisions in Article 5 - Fiscal Provisions:

Section 5.05. Minimum Payments. It is agreed that if, during any Annual Payment Period, the estimated and/or actual metered volume of treated water provided by the System to Flower Mound is, for any reason whatsoever, less than any minimum amount prescribed by this Contract and the District, Flower Mound shall pay its Annual Payment according to such minimum amount. However, if Flower Mound's estimated and/or actual metered amount of water is equal to or in excess of such minimum amount, its Annual Payment shall be calculated on the basis of estimated and actual volumes and Demands. All contracts with Additional Participating Members shall also provide for equitable minimum amounts. Such minimums shall be fixed in amounts at least sufficient, as determined by the District, to assure an initial annual payment by such Additional Participating Member for not less than the amount of its estimated use of treated water during the first year of service under such contract.

Section 5.07. Other Revenues. During each Annual Payment Period, all revenue derived from sales of System water, other than sales of treated water to Participating Members, shall be credited to and be used for paying part of the Annual Requirement in the manner determined by the District, with the result that such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Participating Member. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment . All Administrative Payments made by Contract Members shall be used to help Pay Administrative and Planning Expenses of the District and not for costs related to the Project or System.

Section 5.09. Delinquent Bills. The District shall, to the extent permitted by law, suspend the delivery of water from the System to any Member which remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume delivery of water while such Member is so delinquent. It is further provided and agreed that if any Member should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Member's minimum amount specified in Exhibit B, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Members and the District shall redetermine such percentage on that basis in such event so that the non-delinquent Members collectively shall be required to pay all of the Annual Requirement. However, the District shall pursue all legal remedies against any such delinquent Member to enforce and protect the rights of the District, the other Members, and the holders of the Bonds. The delinquent Member shall not be relieved of the liability to the District for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the holders of the Bonds so as to insure that all of the Annual Requirement will be paid by the non-delinquent Members during each Annual Payment Period regardless of the delinquency of a particular Member. If any amount due and owing the District by any Member is placed with an attorney for collection, such Member shall pay to the District all attorney's fees, in addition to all other payments provided for herein, including interest.

Copies of the complete Dallas Contract and District Contract are available upon request from the Town of Flower Mound Financial Services Department at 972-874-6000.

Table 1 displays the District's debt service requirements as reported in the Texas Municipal Report ("TMR") as of the last revision date of April 21, 2025. The TMR also discloses the District continued to make use of its Variable-Rate Direct Purchase Note program with PNC Bank, NA (PNC) through early December 2023. The Variable-Rate Direct Purchase program, like the Variable Rate Commercial Paper program, enabled the District to drawdown the funds when necessary to pay for capital improvement expenditures and to rollover the principal portions of the liability until the District saw fit to retire the principal balance. The Agreement has a limit of \$75,000,000, and was set to expire on November 2025. In early December, the District terminated The Agreement with PNC and transferred the outstanding balance to Wells Fargo Variable Rate Revolving Credit Facility program.

On December 7, 2023 the District entered into a Master Agreement with Wells Fargo, NA Bank establishing a Variable-Rate Revolving Credit Facility (VRRF). The VRRF allows the District to drawdown funds when necessary up to a set limit of \$100,000,000. In accordance with the terms of the Agreement, the District had recorded the amount outstanding as of year-end as a long-term liability in the Statement of Net Position. The outstanding balance would be due by the Agreement on the stated expiration date of December 2026. The outstanding principal balance as of September 30, 2024 for the VRRF is \$40,231,000.

Table 1
Upper Trinity Regional Water District - Debt Service Requirements

| Fiscal Year Ended 9/30 | Outstanding Parity | | Total | % of Principal Retired (1) | | | |
|---------------------------------|---------------------------|-------------|------------------------------|----------------------------------|----|-------------|---------|
| | Debt Service Requirements | | Outstanding | | | | |
| | Principal | Interest | Debt Service Requirements | | | | |
| 2025 | \$ | 17,950,000 | \$ | 11,973,058 | \$ | 29,923,058 | |
| 2026 | | 16,145,000 | | 11,502,286 | | 27,647,286 | |
| 2027 | | 14,355,000 | | 10,870,209 | | 25,225,209 | |
| 2028 | | 13,780,000 | | 10,308,334 | | 24,088,334 | |
| 2029 | | 13,960,000 | | 10,136,499 | | 24,096,499 | 4.33% |
| 2030 | | 11,750,000 | | 9,597,122 | | 21,347,122 | |
| 2031 | | 10,760,000 | | 9,169,175 | | 19,929,175 | |
| 2032 | | 11,170,000 | | 8,754,198 | | 19,924,198 | |
| 2033 | | 11,045,000 | | 8,322,676 | | 19,367,676 | |
| 2034 | | 11,485,000 | | 7,888,928 | | 19,373,928 | 41.06% |
| 2035 | | 10,440,000 | | 7,434,490 | | 17,874,490 | |
| 2036 | | 10,850,000 | | 7,035,676 | | 17,885,676 | |
| 2037 | | 11,285,000 | | 6,613,494 | | 17,898,494 | |
| 2038 | | 10,860,000 | | 6,183,345 | | 17,043,345 | |
| 2039 | | 11,285,000 | | 5,775,771 | | 17,060,771 | 58.03% |
| 2040 | | 10,920,000 | | 5,360,436 | | 16,280,436 | |
| 2041 | | 11,310,000 | | 4,952,459 | | 16,262,459 | |
| 2042 | | 11,745,000 | | 4,520,430 | | 16,265,430 | |
| 2043 | | 11,610,000 | | 4,070,679 | | 15,680,679 | |
| 2044 | | 11,625,000 | | 3,630,515 | | 15,255,515 | 75.77% |
| 2045 | | 10,850,000 | | 3,185,154 | | 14,035,154 | |
| 2046 | | 8,485,000 | | 2,774,983 | | 11,259,983 | |
| 2047 | | 8,825,000 | | 2,446,355 | | 11,271,355 | |
| 2048 | | 8,675,000 | | 2,104,105 | | 10,779,105 | |
| 2049 | | 9,015,000 | | 1,765,477 | | 10,780,477 | 89.99% |
| 2050 | | 8,370,000 | | 1,409,239 | | 9,779,239 | |
| 2051 | | 7,780,000 | | 1,064,275 | | 8,844,275 | |
| 2052 | | 6,630,000 | | 733,537 | | 7,363,537 | |
| 2053 | | 5,610,000 | | 432,643 | | 6,042,643 | |
| 2054 | | 3,905,000 | | 170,843 | | 4,075,845 | |
| | \$ | 322,475,000 | \$ | 170,186,391 | \$ | 492,661,393 | 100.00% |

Source: Texas Municipal Reports, Upper Trinity Regional Water District, Regional Treated Water Supply System as of last revision date April 21, 2025.

Table 2 displays the District's total outstanding debt service requirements, as disclosed in Table 1 above, proportionally allocated to each member and customer based on subscribed capacities.

Table 2
Proportional Debt of Members and Customers of the District

| | Subscribed Capacities | Proportional Percent | Current Debt (1) |
|------------------------------------|----------------------------------|---------------------------------|-----------------------------|
| Argyle WSC | 2.00 | 2.02% | \$ 9,951,760 |
| City of Aubrey | 0.10 | 0.10% | 492,661 |
| City of Celina | 10.00 | 10.09% | 49,709,535 |
| City of Corinth | 7.50 | 7.57% | 37,294,467 |
| Cross Timbers WSC | 2.50 | 2.52% | 12,415,067 |
| DCFWSO #7 | 4.30 | 4.34% | 21,381,504 |
| DCFWSO #8A | 1.87 | 1.89% | 9,311,300 |
| DCFWSO #11A | 3.30 | 3.33% | 16,405,624 |
| Elm Ridge (Formerly DCFWSO #10) | 1.12 | 1.13% | 5,567,074 |
| Double Oak | | | |
| Town of Flower Mound | 30.00 | 30.26% | 149,079,338 |
| City of Highland Village | 3.00 | 3.03% | 14,927,640 |
| City of Justin | 2.05 | 2.07% | 10,198,091 |
| City of Krum | 0.40 | 0.40% | 1,970,646 |
| Lake Cities MUA | 4.00 | 4.03% | 19,854,254 |
| Lewisville (Acquired DCFWSO #1A) | 4.00 | 4.03% | 19,854,254 |
| Mustang SUD | 11.50 | 11.60% | 57,148,722 |
| Town of Northlake | 8.50 | 8.57% | 42,221,081 |
| Providence Village (DCFWSO #9) | 2.40 | 2.42% | 11,922,406 |
| City of Sanger | 0.60 | 0.60% | 2,955,968 |
| <i>Total Members and Customers</i> | 99.14 | 100.00% | \$ 492,661,393 |

Source: Annual Comprehensive Financial Report Upper Trinity Regional Water District as of 9/30/2024.

APPENDIX C

FORMS OF OPINIONS OF BOND COUNSEL

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[closing date]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the “Town of Flower Mound, Texas, Certificates of Obligation, Series 2025,” dated June 15, 2025, in the principal amount of \$_____ (the “Certificates”), we have examined into their issuance by the Town of Flower Mound, Texas (the “Town”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Town, the disclosure of any financial or statistical information or data pertaining to the Town and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on March 1 in each of the years specified in a pricing certificate executed pursuant to an ordinance adopted by the Town Council of the Town authorizing the issuance of the Certificates (jointly, the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the Town (which we found to be in due form and properly executed); (ii) certifications of officers of the Town relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the Town and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the Town and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the Town, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the Town, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the Town’s combined waterworks and sewer system in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the Town with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

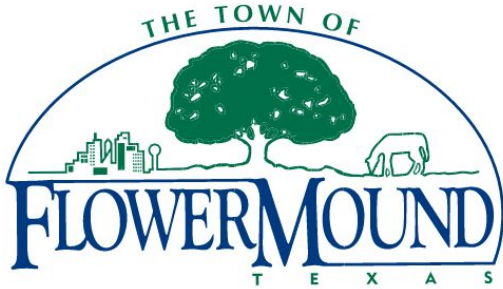
OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

EXCERPTS FROM THE TOWN OF FLOWER MOUND AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2024



Town of Flower Mound, Texas

Annual Comprehensive Financial Report

For the fiscal year ended September 30, 2024

Town Manager
James Childers

Chief Financial Officer
John Zagurski

Prepared By:

John Zagurski
Chief Financial Officer

Mary Huning, CPA
Director of Accounting Services

Julie Taylor, CPA
Director of Treasury Operations

Yue Jiang
Accountant

Sharon Roberts
Accounting Supervisor

Meg Jakubik
Director of Budget Services

Jeremy Brudwick
Grants and Budget Analyst

Carolyn Brewer
Senior Accounting Technician

Tina Adkins
Accounting Technician

Rosemarie Hill
Accounting Technician

Judy Watson
Payroll Technician



**TOWN OF FLOWER MOUND, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

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March 13, 2025

To the Honorable Mayor, Members of the Town Council, and Citizens of the Town of Flower Mound, Texas:

With great pleasure, we present a copy of the Annual Comprehensive Financial Report (ACFR) of the Town of Flower Mound for the fiscal year ended September 30, 2024. Management assumes full responsibility for the completeness and reliability of the information in this report, based upon a comprehensive internal control framework established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the end results of the operation of the various funds of the Town. All disclosures necessary to enable the reader to understand the Town's financial activities have been included.

Article III, Section 3.13 of the Town Charter requires that an annual independent audit be performed "of the books and accounts of each department of the Town." The Town has complied with this requirement, and the opinion of the auditing firm Eide Bailly LLP, Certified Public Accountants, is included in this report.

Management's discussion and analysis (MD&A) follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

General Information – The Town of Flower Mound, Texas

The Town of Flower Mound, incorporated in 1961, is located primarily in southern Denton County, approximately 28 miles northwest of downtown Dallas, 25 miles northeast of Fort Worth, 12 miles south of Denton, and three miles north of Dallas-Fort Worth International Airport (DFW Airport). A small area located at the southern boundary also falls in Tarrant County. The Town's corporate boundary encompasses approximately 46 square miles and serves a population of 80,883. Flower Mound is a master-planned community emphasizing SMARTGrowth development, intended to preserve community character.

The majority of Flower Mound is served by the Lewisville Independent School District (LISD), with the Argyle, Denton, Grapevine-Colleyville, and Northwest Independent School Districts also providing educational services for smaller areas of the Town. LISD encompasses over 127 square miles and serves over 50,000 students in 13 North Texas communities. There are 21 LISD schools in Flower Mound: 2 high schools, 2 9th grade campuses, five middle schools, and 12

elementary schools. Most of these campuses are rated 'Exemplary' or 'Recognized' by the State of Texas.

The Town of Flower Mound Home Rule Charter was adopted on November 3, 1981, by a vote of the citizens. The Town operates under a council-manager form of government. As authorized by its Charter, it provides a full range of services, including Police Services, Fire and Emergency Services, Development Services, Parks and Recreation Services, Library Services, Environmental Services, Administrative Services, Legislative Services, Financial Services, and Public Works.

The Town Charter requires that the Town Manager submit a proposed budget to the Town Council by August 1 each year for the fiscal year beginning October 1. Before August 1, the Town Manager and Town department heads prepare expenditure estimates for the remainder of the current year and the upcoming fiscal year. These totals are compared to estimates of revenue for the same referenced period. Adjustments are made to expenditure estimates, as necessary, to ensure that the proposed budget balances total expected revenues. A new budget must be adopted by September 30, or the amounts appropriated for the current fiscal year will be adopted for the ensuing year on a month-to-month basis until a final budget is formally adopted. Following the adoption of a budget, the Town Manager and Town department heads monitor expenditures and revenues throughout the fiscal year to ensure that the integrity of the budget will be maintained. Monthly revenue and expenditure reports are produced by the Town's automated budgetary accounting system and reflect monthly and year-to-date totals for each source of revenue and expenditure.

Local Economy

More than 1,400 businesses call Flower Mound home and provide a balanced mix of retailers, restaurants, offices, and manufacturing/distribution facilities. Flower Mound's unemployment rate as of September 2024 was 3.4 percent, compared to a 4.1 percent rate for Texas and 4.1 percent nationally for the same month. Economic conditions in Flower Mound have been greatly influenced by its proximity to two major airports: Dallas/Fort Worth International Airport, located three miles south of the Town, and Alliance Airport, located five miles to the southwest. DFW International Airport serves an average of 200,000 customers per day and is known as the economic engine of the North Central Texas region. The airport produces over \$37 billion in economic impact across north Texas annually, with over 600,000 direct and indirect full-time jobs.

Transportation

Flower Mound has two major arterials: FM 1171 (Cross Timbers Road) and FM 2499 (Long Prairie Road). FM 1171 runs east to west through Flower Mound, connecting Interstate-35E to Interstate-35W. I-35 is a NAFTA-recognized highway that routes transportation and freight between Mexico and Canada through the U.S. The major north-south thoroughfare in the Town is FM 2499. Both roadways provide quick access to several major highways, providing excellent transportation access to the Dallas/Fort Worth Metroplex.

The Texas Department of Transportation (TxDOT) started work in 2018 on the next phase of the DFW Connector Project, which includes direct connections between FM 2499 and I 635, SH 114 and SH 121, and a new I 635 interchange. The new I 635/SH 121 interchange is a part of the Texas Clear Lanes Initiative provided by Governor Abbott and the Texas Legislature to reduce gridlock in some of the state's most congested areas. This project completion has significantly decreased traffic congestion in this area. State Highway 1171 will be extended west over the next

few years with a new overpass at Interstate 35W. The state will also begin designing and working on access roads from State Highway 1171 to State Highway 407, opening large acreage tracks for development along the Interstate-35W corridor.

Medical-Related Development

Flower Mound has benefitted from a healthy and steady medical and healthcare sector that offers many widely needed services to the town and Denton County. Texas Health Presbyterian Hospital Flower Mound (THR-FM) opened in 2010 in the central mixed-use development—the River Walk at Central Park. In December 2015, the hospital completed the construction of a 19,000-sq-ft—expansion, which included four new operating rooms and 28 prep and recovery beds. A 3,275 sq. ft. Women’s Imaging Center expansion opened in November 2014, which provides some of the most technologically advanced 3-D breast cancer screening options available in North Texas and



is a major driver of women’s healthcare technology within the State. In April 2017, Healthgrades awarded the honor of Top Hospitals for Patient Experience to the facility. In 2019, additional surgical observation training rooms were constructed, and a 150-space parking lot was completed. Most recently, a 14,250 sq. ft. interior expansion to the observation unit occurred to increase the Emergency Dept. waiting room size; additional renovations have been done to the kitchen and dining rooms, which allow the award-winning

employer to continue to provide outstanding care to the community. In addition to the facility’s structure, THR-FM is also home to (4) Da Vinci Robotic Surgical Systems. These systems make THR-FM one of the top hospitals in the region for required surgeries.

In 2020, **ClearSky Rehabilitation Hospital of Flower Mound** opened an inpatient rehabilitation hospital in the 56,345 square-foot building at 3100 Peters Colony Rd. Their opening created approximately 100 new, local healthcare-related jobs. The hospital provides post-acute rehabilitative care to individuals with disabling illnesses or injuries. Furthermore, the hospital comprises 29 private inpatient beds, a specially equipped gym, and a heated aquatic swimming pool. Specialized patient programs include stroke, neurological, and orthopedic rehabilitation, in addition to long-term recovery following critical care and chronic illness management, such as Parkinson’s



disease and multiple sclerosis. In 2021, they earned The Joint Commission’s Gold Seal of Approval for Accreditation, reflecting the hospital’s commitment to safe, quality patient care. To earn the accreditation, the hospital underwent a rigorous, unannounced review by The Joint Commission, in addition to on-site observations and interviews.

Commercial Development

Great care was taken to develop the southeastern portion of Flower Mound into a thriving commercial business district, taking advantage of the 3-mile proximity to DFW International Airport and significant infrastructure. The Town of Flower Mound invested \$25 million in public improvements in the Lakeside Business District, including water and sewer extensions and new road construction. The “District” ended 2024 with an occupancy rate of approximately 94.6%, consistent with quarters past.

The Lakeside Business District has 10 business centers within its boundaries: Cornerstone, Corporate Ridge, Flower Mound Business Park, Lakeside Commerce Center, Lakeside DFW, Lakeside International, Lakeside Ranch Business Park, Lakeside Trade Center, Parkview Commerce Center, and Southgate at Flower Mound. Several notable developers, including Crow Holdings, Prologis Realty, EastGroup Properties, Exeter Property Group, Hillwood, Huntington Industrial, and others, have already invested in Flower Mound.

More than 100 businesses currently operate in the district, and the past year has seen some significant developments and new additions worth note, including:

Communications Test Design Inc. (CTDI), a telecom industry firm, continues to be the Town’s largest employer. The company provides engineering, repair, and logistics services for the communications industry.



CTDI has been a longtime corporate resident of Flower Mound, with many employees living in and around the Town. CTDI keeps choosing Flower Mound to benefit from a well-maintained business park and central location. This allows the company to draw employees from a large area and easily access DFW International Airport, as it often brings in its various clients. The largest private employer in Flower Mound, CTDI, has grown from 600 employees to over 1,300. The telecom industry firm continues to grow within Flower Mound.



The **Lakeside International Office Center** development contains two office buildings, a four-story-120,000 sq. ft. building and two story-18,500 sq. ft. building. Both buildings are served by surface and structured parking. The site includes a trail system that connects patrons to the nearby Shops at Lakeside. Corporate leases within the Lakeside International Office Center include CrowdFunding Real Estate, Medigent Health Services Healthcare, and The Qt Technology Company, CD Consultants Construction.



The **Lakeside Crossing** development came online in 2021, with tenants such as Outlaw FitCamp by Jesse James, Honeybird Sandwiches and Donuts, The UPS Store, Texas Health Family Care, and Smoothie King. In 2022, the Town granted approval for a fine-dining cocktail restaurant named Tycoon, which opened in the spring of 2023. The Town Council approved rezoning to pave the way for Cachet Salons and Spa and Marty B's Coffee Shop. These two entities will significantly add to the mixed-use development and the overall area.

In addition to the south end of Town, Flower Mound has designated approximately 1,500 acres in the west end of Town for mixed-use residential and commercial development. The Denton Creek District is located along I-35W, U.S. 377, and FM 1171. The Denton Creek District emphasizes high-quality, regional commercial and industrial development and mixed office, retail, and residential uses. The main property in the district is the Furst Ranch, which gained its Zoning approval from the Council in 2022. This will allow an almost \$6 billion development to move forward on the four corners of 377 and 1171. Infrastructure improvements are expected to begin in the first quarter of 2025.

Progress continues to be made on the Canyon Falls development to the far west side of Flower Mound. Canyon Falls is a 1,242-acre master-planned community in the Denton Creek District in Flower Mound, Northlake, and Argyle. Approximately 626 acres of the development are in Flower Mound. Tentative plans for the project include different village types based on the natural features prominent in that area. Commercial and retail space will be available toward the west and northwest of the property near Interstate -35W. Denton Creek Blvd, northwest of Canyon Falls, out to IH-35W, is in the design phase, while the bridge over Denton Creek is currently under construction. This will be met by a new exit ramp, and access roads off IH-35, and another 230+ acres will be opened for commercial development, giving Flower Mound its first Interstate-accessible land. This project has been approved for zoning referral to the Town Council and will be on the Town Council's agenda for zoning approval at their January 6, 2025, meeting. The Town staff is deeply involved with several large retailers for this site.

The Town also approved a Tax Increment Reinvestment Zone (TIRZ 2) for its western development. This will help to build the infrastructure necessary for the growth and development projected to come to the 377/1171/IH-35W corridor.

Commercial Permit Activity

In 2024, 149 certificates of occupancy were issued. Notable permits throughout the year included Enchanted Events, Donatos Pizza, and Cerulean Blue.

The River Walk at Central Park – Central Business District. The River Walk at Central Park is a 158-acre mixed-use development that integrates commercial, office, retail, restaurant, medical, and residential uses in various building types. Easily accessible from any part of the DFW Metroplex, The River Walk at Central Park is anchored by Texas Health Presbyterian Hospital Flower Mound and located along the Town's major north/south development corridor.



The River Walk offers walkable shopping, dining, art, entertainment, and more along a majestic flowing river. A restaurant row features unique and varied dining options, all with a shared patio on the waterfront. In 2014, highly-requested restaurants La Madeleine and Luna Grill were added to the nearby River Walk Market. Residential offerings in the development have continued to be completed over the past year and have experienced significant demand. Pre-leasing has been quick and

received stellar reviews, to the point that the residential acreage is almost complete.

Amenities completed within The River Walk at Central Park include sidewalks and pedestrian bridges, lighted waterfalls, a 100-foot water wall, shade structures, public art, a stone and iron clock tower, a pavilion, and more. The chapel and event center are open and operational as of January 2021.

The Town's first hotel, a **Courtyard by Marriott**, has now been operational for over five years and has become a community staple. Located at the north end of the River Walk development, the five-story, 146-room, upscale hotel features more than 6,000-sq. ft. in meeting and conference space, an upscale restaurant and bar, outdoor fire pits, balconies overlooking the river and amphitheater, and many high-end finishes to ensure a luxurious experience for guests. A public parking structure sits alongside the hotel, offering guests and visitors immediate access to the River Walk's future amenities.



A second hotel, **Home2Suites**, operates within the River Walk development. The almost 70,000 sq. ft. hotel includes 100 rooms, a small dining area, an exercise room, a pool, a small meeting area, and a small retail space from which a separate retailer may operate.

The Town recently purchased 3+ acres to build a Cultural Arts Center in conjunction with Denton County on the north end of the River Walk. This center is expected to begin design in the first quarter of 2025. It will add significant value to the overall River Walk and add a destination amenity

that will draw people in for a night of entertainment throughout the year. **Lakeside DFW.** Success of the \$multi-billion, 150-acre, mixed-use development continues while construction moves to Lakeside Village. This past year brought continued activity with the construction of the residential tower of Lakeside Village, which will be the beginning of a \$1 billion addition to the development. This tower is projected to open as early as the first quarter 2025. On top of that, almost 30 retailers and restaurants now operate at The Shops at Lakeside (in Lakeside DFW), which offers a wide variety of dining, entertainment, and shopping options, creating a modern and vibrant area.



SpaVela, in 2020 has brought much activity to Lakeside DFW. The 16-story condominium tower includes 48 residences, four ground-level villas, and two bungalows on the pool and amenity terrace. Each residence ranges in size from 1,400 square feet to over 6,200 square feet. Private elevators provide residents with direct elevator access to their homes. Building amenities include a wine room, yoga room, club room, private dining room, private cinema, a full-service spa, guest suites, gym, steam rooms, golf simulator, and a pool terrace. Residents of

the Lakeside Tower also have access to 24-hour concierge, valet, and private parking garages enclosed within the main parking garage. The Tower is fully occupied.

Completing Lakeside DFW will pave the way for the developer Realty Capital to embark upon another endeavor, Lakeside Village. The developer broke ground on the project in 2020, commencing construction of the extensive infrastructure needed to support the project. **Lakeside Village** is located immediately south of the existing Lakeside DFW. The approximately 40-acre mixed-use development on the north shore of Grapevine Lake will bring new residences of every kind, office, hotel, retail, and restaurant uses, as well as an amphitheater, community greens, and trails. This environment will be unique to the Metroplex, attracting patrons from beyond our borders. For example, the proposed six restaurant sites will be located on elevated terrain on the southernmost tip of the property, offering breathtaking views of Grapevine Lake. Lakeside Village will offer several amenities to its residents and visitors, but with an estimated build-out value of over \$1 billion, the economic impact is far-reaching. All of this relied on an economic development grant negotiated in 2022 between Realty Capital and the Town.

Retail Development

With moderate population growth, a median household income of \$159,636, several residential developments under construction or planned for the future, and a median home price of \$605,000. Flower Mound is also an ideal location for business. Almost 400 retailers and restaurants have already called it home, with many more on the horizon.

Tax Increment Reinvestment Zone (TIRZ #1)

TIRZ #1 encompasses approximately 1,465 acres along FM 2499, one-half mile south of FM 1171 and north of FM 407. The estimated revenue of the zone over its 20-year life is conservatively \$78,600,000, representing an anticipated \$55,020,000 from the Town and \$23,580,000 from Denton County.

Town Awards/Accolades

- No. 7 Safest City in the U.S.
- No. 1 Best Place to Live in the Southwest by Livability
- No. 1 Best Place to Live in Texas by Rocket
- No. 4 Most Livable Small City in the US by Smart Asset
- No. 1 Safest Place in Texas by GoodHire
- No. 1 Best Place to Live in Denton County by Niche
- No. 4 Best Suburb to Buy a House in the DFW Area by Niche
- No. 10 Best Suburb to Raise a Family in Texas by Niche
- And many more at www.flower-mound.com/awards

Employee Compensation

The salary pay ranges in the Town's pay plans shall be reviewed annually to maintain all pay ranges at the 65th percentile of the market. In the FY 2023-2024 budget, the Town Council approved a market adjustment for general government employees, a market increase for public safety employees in step pay plans that varies by position, and a three percent merit increase for all Town employees meeting performance standards.

Long-term Financial Planning

The Town develops a multi-year financial forecast as part of the budgeting process. Over the past few years, the Town has seen steady residential and commercial growth, which has allowed for balanced budgets that meet the needs of citizens while maintaining a high level of reserves. In November 2007, voters approved four, one-fourth-of-one-percent, dedicated sales tax votes for park and recreation improvements, street maintenance, a Crime Control and Prevention District (CCPD), and a Fire Control, Prevention, and Emergency Medical Services District. The resulting increased sales tax rate was enacted on April 1, 2008. These dedicated sales tax funds have provided the Town with the needed resources to create two new police beats, build and staff two new fire stations, exceptionally maintain the Town's streets, and improve and expand the Town's park system. The Town Charter requires a General Fund unreserved fund balance of at least 10%. In addition, the Financial Policies of the Town require a balance of at least 20%. Between FY 2018-2019 and FY 2023-2024, the balance has ranged from a low of 33.09% to a high of 47.15%. The decrease in General Fund Ending Fund Balance for FY 2023-2024 was due to the purchase of 22 acres on the west side of Flower Mound. The balance at the end of FY 2024-2025 is projected to be 34.61%.

Tax Rates

All taxable property within the Town is subject to the assessment, levy, and collection of a continuing, direct ad valorem tax sufficient to fund operation and maintenance costs in the Town's General Fund as approved by the Town Council and provide payment of principal and interest on outstanding general obligation bonds.

The allocation of property tax levy by purpose (maintenance and operation vs. debt service) for Fiscal Year 2023-2024 and the preceding three years is reflected in the following table (amounts per \$100 of assessed value):

| <u>Purpose</u> | <u>2023-2024</u> | <u>2022-2023</u> | <u>2021-2022</u> | <u>2020-2021</u> |
|-------------------------|------------------|------------------|------------------|------------------|
| Maintenance & Operation | \$.3483 | \$.3609 | \$.3506 | \$.3478 |
| Debt Service | <u>.0390</u> | <u>.0441</u> | <u>.0544</u> | <u>.0887</u> |
| Total Tax Rate | <u>\$.3873</u> | <u>\$.4050</u> | <u>\$.4050</u> | <u>\$.4365</u> |

Tax Appraisal/Collection Responsibilities

Under Texas law enacted in 1979 and subsequent revisions to the Texas Property Tax Code, the appraised value of taxable property in Flower Mound is established by the Denton Central Appraisal District and the Tarrant Appraisal District. The Town of Flower Mound and other taxing jurisdictions provide a pro-rata share of the budgeted expenditures incurred by the Denton Central Appraisal District and the Tarrant Appraisal District each year. In Fiscal Year 2023-2024, the Town's payment for appraisal services was \$391,861 to Denton Central Appraisal District and \$10,629 to Tarrant Appraisal District. The Town contracted with the Denton County Tax Office for the collection of ad valorem taxes for the year beginning October 1, 2023, and ending September 30, 2024. The Town paid \$32,815 for these services.

Independent Audit

Article III, Section 3.13 of the Town Charter requires that an annual independent audit be performed of "the books and accounts of each department of the Town". The Town has complied with this requirement, and the independent auditor's report has been included in this report.

Budgetary Control

Budgetary control is established and maintained after the budget is adopted by preparing monthly revenue and expenditure statements, which provide monthly and year-to-date amounts and percentages of budgeted appropriations expended by fund, department, and division.

Budget transfers can be processed between line items in a division and between divisions in a department in the same fund. A transfer cannot change the total budget for a department. Amendments can be made to transfer funds, changing the total budget. Section 9.14 of the Town Charter provides the Town Council the authority to amend the budget and reads:

During the fiscal year, the Town Council shall have the power to transfer funds allocated by the budget from one department to another department and to re-estimate revenues and expenditures. If the Town Council determines it is in the best interest of the Town to apply for and accept a private, county, state, or federal grant of funds for a particular purpose, the Council's action in accepting the award of said grant and any corresponding expenditures shall constitute a budget appropriation in the amount of said grant funds.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Flower Mound, Texas, for its annual comprehensive financial report for the fiscal year ending September 30,

2023. The Town of Flower Mound, Texas, has received a Certificate of Achievement for the last thirty-six consecutive years. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine eligibility for another certificate.

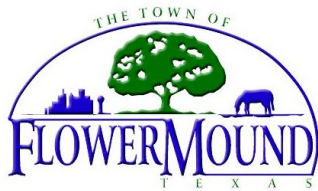
Acknowledgments

The preparation of the Annual Comprehensive Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Financial Services Department. The administrative and finance staff also wish to commend and thank the Mayor and Town Council for their leadership and support in our combined efforts to provide a comprehensive program of municipal operations and services while remaining within a framework of sound financial planning, responsible fiscal control, and progressive financial reporting.

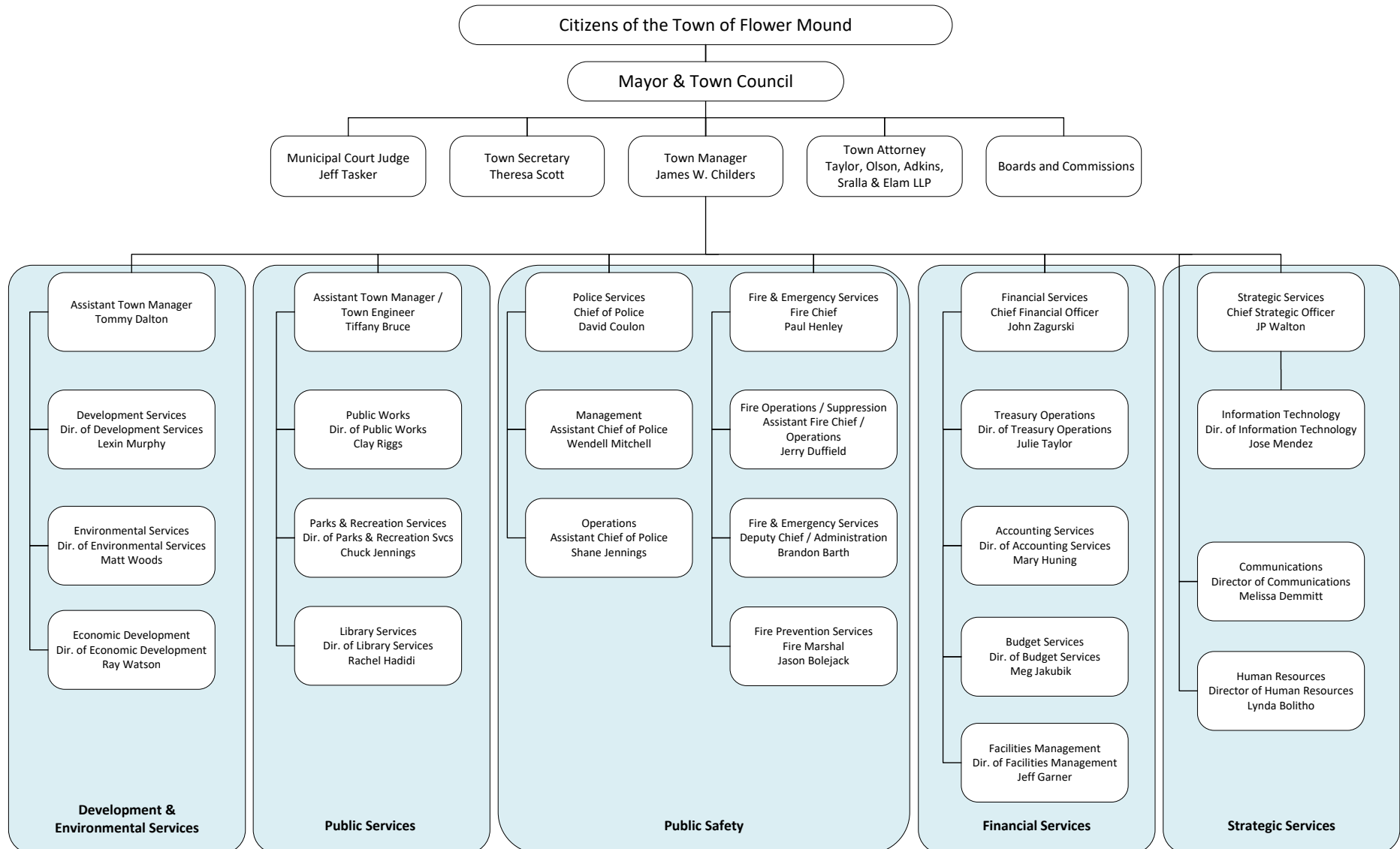
Respectfully submitted,

A handwritten signature in blue ink, appearing to read "John Zagurski", with a stylized flourish at the end.

John Zagurski
Chief Financial Officer



Town of Flower Mound Organizational Chart (As of May 6, 2024)



Communications: Customer Relations

Parks and Recreation Services: Community Activity Center, Senior Center

Police Services: Animal Services, School Crossing, Criminal Investigations, Patrol, Communications Center, Support Services

Public Works: Engineering Services, CIP Engineering

Development Services: Planning Services, Building Inspections

**Town of Flower Mound
PRINCIPAL OFFICIALS
September 30, 2024**

| <u>TOWN OFFICIAL</u> | <u>ELECTIVE POSITION</u> | <u>TERM EXPIRES</u> |
|-----------------------------|---|--------------------------------|
| Cheryl Moore | Mayor | 2027 |
| Adam Schiestel | Deputy Mayor Pro Tem Council Member, Place 1 | 2025 |
| Chris Drew | Council Member, Place 2 | 2026 |
| Brian Taylor | Council Member, Place 3 | 2025 |
| Janvier Werner | Council Member, Place 4 | 2027 |
| Ann Martin | Mayor Pro Tem Council Member, Place 5 | 2026 |

| <u>ADMINISTRATIVE STAFF</u> | <u>ADDRESS</u> | <u>POSITION</u> |
|--|-------------------------|--------------------------------------|
| James Childers | 2121 Cross Timbers Road | Town Manager |
| Tommy Dalton | 2121 Cross Timbers Road | Assistant Town Manager |
| Tiffany Bruce | 2121 Cross Timbers Road | Assistant Town Manager/Town Engineer |
| John Zagurski | 2121 Cross Timbers Road | Chief Financial Officer |
| Theresa Scott | 2121 Cross Timbers Road | Town Secretary |
| David Coulon | 2121 Cross Timbers Road | Chief of Police |
| Paul Henley | 2121 Cross Timbers Road | Fire Chief |

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Flower Mound
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

Christopher P. Morill

Executive Director/CEO





Independent Auditor's Report

To the Mayor and
Members of Town Council
Town of Flower Mound, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Flower Mound, Texas (the Town) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Flower Mound, Texas, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, 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 Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town'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, Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund, TMRS Schedule of Changes in Net Pension Liability and Related Ratios, TMRS Schedule of Contributions, TMRS SDBF Schedule of Changes in Total OPEB Liability and Related Ratios, Retiree Insurance Schedule of Changes in Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements and 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 13, 2025 on our consideration of the Town'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 Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
March 13, 2025

**Town of Flower Mound, Texas
Management's Discussion and Analysis
September 30, 2024**

The management of the Town of Flower Mound offers readers of the financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Flower Mound exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$687,677,560. Of this amount, \$73,386,357 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$27,009,442. The majority of this increase is attributable to development in both governmental funds and business-type activities.
- As of September 30, 2024, the Town of Flower Mound's governmental funds reported combined ending fund balances of \$132,778,642, an increase of \$56,132 in comparison with the prior year. 25.20% of this total amount, \$33,465,024, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$33,465,024, or 32.40% of total general fund expenditures.
- The Town of Flower Mound's bonded debt decreased by \$6,335,000 during the current fiscal year. The key factors in this decrease were a net of debt payments in the amount of \$13,415,000, refunding of outstanding debt in the amount of \$5,575,000 and the issuance of \$7,320,000 in certificates of obligation and \$5,335,000 in general obligation refunding bonds.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the Town's assets, liabilities, and deferred inflows/outflows 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 Town is improving or deteriorating. However, other non-financial factors should also be considered.

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2024

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in governmental funds.

In the Statement of Net Position and the Statement of Activities, the Town is divided between two kinds of activities:

- **Governmental activities.** Most of the Town's basic services are reported here, including the police, fire, library services, community development, public services, information services, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities.** The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and drainage utilities are reported here.

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. Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by state law or bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the Town of Flower Mound can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. The majority of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a detailed reconciliation to facilitate this comparison between governmental funds and governmental activities.

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2024

The Town of Flower Mound maintains twenty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other twenty-six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The Town charges customers for the services it provides, whether to outside customers or to other units within the Town. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. The Town's enterprise fund (a component of proprietary funds) is identical to the business-type activities reported in the government-wide statements but provides more detail and additional information, such as cash flows. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the Town's other programs and activities, such as the Town's self-insurance fund and vehicle, equipment, and technology replacement fund. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The Town of Flower Mound maintains an enterprise fund to account for water, sewer and drainage services provided to the Town's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The Town's intent is that the costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private enterprise.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town's only fiduciary fund is the Public Improvement District debt service custodial fund.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the general fund revenue and expenditures budget and actual information, as well as, the funding progress and contributions of TMRS and the Town's other post-retirement benefits (OPEB).

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2024

Government-wide Financial Analysis

The Town's combined net position is \$687,677,560 as of September 30, 2024. Analyzing the net position and net expenses of governmental and business-type activities separately, business-type activities' net position is \$219,572,004. This analysis focuses on the net position and changes in general revenues and significant expenses of the Town's governmental and business-type activities.

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the Town's net position:

| | Governmental activities | | Business-type activities | | Total | |
|-----------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Current and other assets | \$ 163,837,280 | \$ 164,304,836 | \$ 98,341,002 | \$ 98,386,970 | \$ 262,178,282 | \$ 262,691,806 |
| Capital assets | 385,912,768 | 371,116,934 | 238,104,310 | 227,032,167 | 624,017,078 | 598,149,101 |
| Total assets | 549,750,048 | 535,421,770 | 336,445,312 | 325,419,137 | 886,195,360 | 860,840,907 |
| Deferred outflows of resources | 11,906,632 | 16,281,628 | 1,461,909 | 2,069,855 | 13,368,541 | 18,351,483 |
| Long-term liabilities outstanding | 79,770,963 | 90,521,753 | 108,503,537 | 109,449,828 | 188,274,500 | 199,971,581 |
| Other liabilities | 11,289,042 | 12,748,938 | 9,419,867 | 5,370,754 | 20,708,909 | 18,119,692 |
| Total liabilities | 91,060,005 | 103,270,691 | 117,923,404 | 114,820,582 | 208,983,409 | 218,091,273 |
| Deferred Inflows of resources | 2,491,119 | 432,999 | 411,813 | - | 2,902,932 | 432,999 |
| Net investment in capital assets | 342,979,690 | 321,761,029 | 166,460,940 | 155,694,087 | 509,440,630 | 477,455,116 |
| Restricted | 79,153,252 | 69,602,155 | 25,697,321 | 30,191,619 | 104,850,573 | 99,793,774 |
| Unrestricted | 45,972,614 | 56,636,524 | 27,413,743 | 26,782,704 | 73,386,357 | 83,419,228 |
| Total net position | \$ 468,105,556 | \$ 447,999,708 | \$ 219,572,004 | \$ 212,668,410 | \$ 687,677,560 | \$ 660,668,118 |

Governmental activities. The following table provides a summary of the Town's operations for the year ended September 30, 2024. Governmental activities increased the Town's net position by \$20,105,848, accounting for 74.44% of the total increase in net position. The majority of governmental activities increase in net position is due to development activity in the Town and controlling expenses.

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2024

Business-type activities. Business-type activities increased the Town's net position by \$6,903,594, accounting for 25.56% of the total increase in net position. Business-type activities net position increased due to a utility rate increase and development activity in the Town.

| | Governmental activities | | Business-type activities | | Total | |
|--|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 12,781,909 | \$ 13,295,744 | \$ 59,239,851 | \$ 59,995,515 | \$ 72,021,760 | \$ 73,291,259 |
| Operating grants and contributions | 2,984,114 | 1,239,871 | - | - | 2,984,114 | 1,239,871 |
| Capital grants and contributions | 6,611,604 | 10,647,484 | 1,973,035 | 4,114,012 | 8,584,639 | 14,761,496 |
| General revenues: | | | | | | |
| Property taxes | 63,095,966 | 60,960,971 | - | - | 63,095,966 | 60,960,971 |
| Sales taxes | 37,844,425 | 37,369,199 | - | - | 37,844,425 | 37,369,199 |
| Occupancy taxes | 734,306 | 573,356 | - | - | 734,306 | 573,356 |
| Other taxes | 7,356,987 | 7,706,605 | - | - | 7,356,987 | 7,706,605 |
| Unrestricted investment earnings | 8,868,651 | 6,373,438 | 3,931,834 | 2,973,332 | 12,800,485 | 9,346,770 |
| Miscellaneous | 1,338,842 | 841,192 | 302,290 | 264,877 | 1,641,132 | 1,106,069 |
| Total revenues | 141,616,804 | 139,007,860 | 65,447,010 | 67,347,736 | 207,063,814 | 206,355,596 |
| Expenses: | | | | | | |
| Town manager's office | 4,561,125 | 3,388,706 | - | - | 4,561,125 | 3,388,706 |
| Legislative services | 591,258 | 667,367 | - | - | 591,258 | 667,367 |
| Development services | 2,902,741 | 2,511,730 | - | - | 2,902,741 | 2,511,730 |
| Parks and recreation services | 18,270,624 | 16,575,189 | - | - | 18,270,624 | 16,575,189 |
| Library services | 2,522,204 | 2,322,283 | - | - | 2,522,204 | 2,322,283 |
| Police services | 25,973,268 | 24,667,709 | - | - | 25,973,268 | 24,667,709 |
| Financial services | 6,552,397 | 5,098,691 | - | - | 6,552,397 | 5,098,691 |
| Administrative services | 9,072,858 | 7,655,684 | - | - | 9,072,858 | 7,655,684 |
| Fire and emergency services | 29,796,129 | 28,810,186 | - | - | 29,796,129 | 28,810,186 |
| Communications | 1,012,662 | 1,022,276 | - | - | 1,012,662 | 1,022,276 |
| Public works | 19,604,948 | 15,174,383 | - | - | 19,604,948 | 15,174,383 |
| Environmental services | 1,751,125 | 1,511,256 | - | - | 1,751,125 | 1,511,256 |
| Interest on long-term debt | 1,226,657 | 1,489,993 | - | - | 1,226,657 | 1,489,993 |
| Utilities | - | - | 56,216,376 | 51,443,477 | 56,216,376 | 51,443,477 |
| Total expenses | 123,837,996 | 110,895,453 | 56,216,376 | 51,443,477 | 180,054,372 | 162,338,930 |
| Increase (decrease) in net position before transfers | 17,778,808 | 28,112,407 | 9,230,634 | 15,904,259 | 27,009,442 | 44,016,666 |
| Transfers | 2,327,040 | 2,816,837 | (2,327,040) | (2,816,837) | - | - |
| Increase (decrease) in net position | 20,105,848 | 30,929,244 | 6,903,594 | 13,087,422 | 27,009,442 | 44,016,666 |
| Net position - 10/01 | 447,999,708 | 417,070,464 | 212,668,410 | 199,580,988 | 660,668,118 | 616,651,452 |
| Net position - 09/30 | \$ 468,105,556 | \$ 447,999,708 | \$ 219,572,004 | \$ 212,668,410 | \$ 687,677,560 | \$ 660,668,118 |

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$132,778,642, an increase of \$56,132 in comparison with the prior year. Approximately \$33,465,024 or 25.20% of the total amount constitutes unassigned fund balance, which is available for spending at the Town's discretion. Committed fund balance totals \$15,448,541 or 11.63%, meaning that the Town by formal action has determined what this amount will be spent on.

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2024

Fund balance of \$82,698,570 or 62.28% is restricted to indicate that it is not available for new spending. The Town also has prepaid items and inventory of \$1,166,507 or 0.88% which are classified as non-spendable fund balance.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$34,631,531, while total fund balance was \$33,465,024. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32.40% of total general fund expenditures, while total fund balance represents 33.53% of that same amount.

The fund balance of the Town's general fund decreased by \$7,302,298 during the current fiscal year.

Key factors are as follows:

- Property tax revenue increase from the previous year of \$1,905,096.
- Sales tax revenue increase from the previous year of \$223,769.
- Expenditures increased by \$7,547,128 due to the purchase of land.

Property tax revenue is higher due to increased assessed values and development activity. Sales tax revenue is higher than the previous year due to continued recovery from the impact of the pandemic for restaurants and retail establishments.

The debt service fund has a total fund balance of \$211,195, a decrease of \$579,168. This decrease is due to tax rate calculations and how the debt portion of the TIRZ is handled in the calculation.

The fund balance of the Town's capital projects fund decrease by \$2,387,478 during the current fiscal year due to capital project activity.

Other governmental funds have a total fund balance of \$73,976,895, an increase of \$10,325,076. The TIRZ Fund, Street Maintenance Fund, and the Parks 4B Fund increased due to less capital project activity and increased tax collections. The Crime District Fund and Fire District Fund increased due to increased tax collections.

Proprietary funds. The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position in the Enterprise Fund totaled \$218,893,151 at the end of the fiscal year 2024, an increase of \$6,671,297 or 3.14%. Included in net position is \$166,460,940 net investment in capital assets and \$25,697,321 restricted for capital projects. The remaining net position balance of \$26,734,890 consists of unrestricted net position. In the current fiscal year, total operating revenues are \$59,542,141 while operating expenses are \$55,742,620. Revenue decreased under the prior year due to additional rainfall during the spring and summer. Expenses increased due to the purchase of wholesale water and capital project activity.

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2024

General Fund Budgetary Highlights

During fiscal year 2023-2024, the Town Council of the Town of Flower Mound amended the budget for the General Fund two times. The original expenditure budget was amended to increase the budget by \$15,767,840. Expenditures were increase by \$2,694,947 to re-appropriate funds budgeted in prior years for outstanding purchase orders at September 30, 2023.

Market adjustments for employees were not originally included in the FY 2023-2024 budget. The Human Resources department worked with a consultant to calculate up to date market rates. Due to many cities not making changes until later in the fall, the decision was made to consider a market increase for eligible employees in December. In order to fund the market adjustments, expenditures increased by \$1,270,245 in the General Fund. Expenditures will increased by \$2,394,000 to account for a transfer to the Health Insurance/Flex Account Fund to the fund the costs associated with a few unusually high claimants.

A recent self-audit was conducted of the number of users and stations related to the ICS CAD, Mobile Data Computers, and Records Management in Police, Fire, Animal Services, and Municipal Court. It was discovered that the Town is using more licenses across these departments than originally purchased. A budgetary amendment was done to cover the cost of these additional licenses, so that current operations and service levels can continue. In the General Fund, \$61,200 is needed for the Police Department, \$28,858 for the Fire Department, and \$6,147 for Municipal Court, for a total of \$96,205.

In the Facilities Management Division of the General Fund, expenditures increased by \$844,900 to account for projects that were budgeted but not completed in the last fiscal year. Due to time constraints and supply chain issues, seven projects that were budgeted in FY 22-23 were unable to be completed during the fiscal year: Fire Station #1 crew renovations for \$150,000, Fire Station #2 HVAC replacement for \$130,900, Fire Station #3 HVAC replacement for \$132,000, Fire Station #3 diesel tank for generator for \$7,000, Animal Adoption Center walk-in freezer for \$50,000, Animal Adoption Center HVAC upgrade for \$370,500, and Animal Adoption Center access control doors for \$4,500.

The Fire Department has a 2017 Pierce Wildland Pumper (vehicle 63000-05) that needs to be replaced. The vehicle was mistakenly left off the FY 23-24 VEF replacement list. The unit is being replaced with a Pierce Custom Enforcer Aerial Quint for Fire Suppression. The amendment includes \$9,750 in the General Fund for the mobile router and radios.

Budgetary review at the end of the fiscal year required several adjustments between departments to offset overages. Savings were identified in the Town Manager's Office and Parks and Recreation to transfer to departmental budgets that were over. The Fire Department's budget was increased by \$880,000 to account for the expenses incurred for emergency deployments, which were reimbursed by the State. Non-Departmental Services was increased by \$7,547,128 to account for the purchase of the 22.2-acre tract of land authorized by the Town Council on May 6, 2024.

For fiscal year 2023-2024, actual expenditures on a budgetary basis were \$101,380,034 compared to the original budget of \$88,140,703. This was a negative \$13,239,331 variance.

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2024

Actual revenue on a budgetary basis was \$91,489,703 compared to the original budget of \$88,915,405. This was a positive variance of \$2,574,298. This is primarily due to an increase in investment earnings.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounted to \$624,017,078 (net of accumulated depreciation and amortization). This investment in capital assets includes land, building, park facilities, roads, bridges and water and sewer lines.

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

| Description | Amount |
|---|----------------------|
| US 377 & FM 1171 Water Line Loop & Relocation | \$ 5,646,269 |
| Vehicles | 5,369,080 |
| Oak Street Ph IV Lift Station & Force Main | 4,238,485 |
| Riverwalk at Central Park | 3,467,591 |
| Lower Timber Interceptor Rehab | 1,411,583 |
| Royal Oaks Water Line Replacement Ph1 | 1,269,135 |
| Morriss Road Water Line Phase III | 1,214,366 |
| Timber Creek Water Line Ph I | 1,069,502 |
| Spring Meadow Lane Sewer Line Replacement | 626,294 |
| Joint Fire Training Facility | 596,641 |
| Canyon Falls Park | 572,941 |
| Timber Creek Water Line Replacement Ph 2 | 521,479 |
| Technology Improvements | 411,130 |
| Lakeside Parkway Capacity Imp | 393,717 |
| Sidewalk Links | 388,123 |
| Water/Wastewater System Security Implementation | 362,929 |
| Waketon Road | 344,998 |
| Denton Creek Boulevard Bridge | 331,121 |
| Lakeside Water Reuse Pump Station | 315,433 |
| Hillside Wastewater Rehab | 296,763 |
| Glen Chester Lift Station Rehab | 283,491 |
| ADA Transition Plan & Implementation | 244,257 |
| Retaining Wall at the Mound | 221,204 |
| Signal Rehab- FM 2499 @ Firewheel Drive | 206,912 |
| Garden Ridge @ Forest Vista | 204,454 |
| Rippy Road Water Line Improvements | 200,000 |
| FM 1171 @ Canyon Falls Blvd | 189,400 |
| Traffic Detection Rehabilitation | 188,021 |
| Lakeside Water Reuse Water Line | 182,103 |
| Wastewater Treatment Plant Effluent Filter Rehabilitation | 174,835 |
| Stonehill Pump Station Motor Replacement | 166,000 |
| FM 2499 @ FM 3040 Intersection | 162,764 |
| Utility Asset Management & Utility Replacement | 150,754 |
| Water System Leak Detection & Repair | 148,369 |
| Scenic Drive Water Line | 147,000 |
| | <u>\$ 31,717,147</u> |

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2024

Capital Assets at Year-end
(Net of Depreciation/Amortization)

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 45,132,925 | \$ 37,585,797 | \$ 4,419,755 | \$ 4,419,755 | \$ 49,552,680 | \$ 42,005,552 |
| Construction in progress | 45,825,059 | 49,216,623 | 26,136,362 | 9,726,155 | 71,961,421 | 58,942,778 |
| Buildings | 78,538,413 | 81,911,668 | 27,427,652 | 28,600,552 | 105,966,065 | 110,512,220 |
| Distribution system | - | - | 178,466,256 | 182,527,194 | 178,466,256 | 182,527,194 |
| Equipment | 19,394,331 | 13,475,523 | 1,647,571 | 1,715,179 | 21,041,902 | 15,190,702 |
| Improvements | 30,324,810 | 26,577,575 | - | - | 30,324,810 | 26,577,575 |
| Streets and bridges | 165,331,540 | 161,847,374 | - | - | 165,331,540 | 161,847,374 |
| Subscription right-of-use assets | 1,365,690 | 502,374 | 6,714 | 43,332 | 1,372,404 | 545,706 |
| Totals | <u>\$ 385,912,768</u> | <u>\$ 371,116,934</u> | <u>\$ 238,104,310</u> | <u>\$ 227,032,167</u> | <u>\$ 624,017,078</u> | <u>\$ 598,149,101</u> |

Additional information on the Town's capital assets can be found in Note 5 of this report.

Long-term debt. At the end of the current fiscal year, the Town had total bonds outstanding of \$136,735,000 in tax supported debt.

Outstanding Debt, at Year-end

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| General obligation bonds | \$ 10,670,000 | \$ 11,845,000 | \$ 13,640,000 | \$ 12,390,000 | \$ 24,310,000 | \$ 24,235,000 |
| Certificates of obligation | 30,200,000 | 35,735,000 | 82,225,000 | 83,100,000 | 112,425,000 | 118,835,000 |
| Totals | <u>\$ 40,870,000</u> | <u>\$ 47,580,000</u> | <u>\$ 95,865,000</u> | <u>\$ 95,490,000</u> | <u>\$ 136,735,000</u> | <u>\$ 143,070,000</u> |

The Town of Flower Mound's bonded debt decreased by \$6,335,000 during the current fiscal year. The key factors in this decrease were a net of debt payments in the amount of \$13,415,000, refunding of outstanding debt in the amount of \$5,575,000 and the issuance of \$7,320,000 in certificates of obligation and \$5,335,000 in general obligation refunding bonds.

- On June 20, 2024, the Town issued \$7,320,000 in Certificates of Obligation Series, 2024, which will pay for the contractual obligations incurred for constructing street, waterworks and sewer system improvements and extensions, including the acquisition of land and rights-of-way therefor and professional services rendered in connection therewith.
- The Town Council authorized an ordinance on June 20, 2024, to issue \$5,335,000 in General Obligation Refunding Bonds Series, 2024, to refund a portion of the Town's outstanding debt in order to reduce the overall debt service requirements of the Town and to pay the costs of issuance. This series refunds Certificates of Obligation Series 2015A, for \$5,775,000 for years maturing 2025 through 2027 and 2031 through 2035.

Standard and Poor's affirmed the Town's General Obligation Bonds and the Certificates of Obligation's rating of "AAA". Fitch Ratings affirmed the Town's General Obligation Bonds and the Certificates of Obligation's rating of "AAA".

The Town is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2024

payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to assessed value of all taxable property is .28%.

Additional information on the Town's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The budget for fiscal year 2024-2025 lowered the property tax rate from \$.3873 to \$.387278 per \$100 valuation. The homestead exemption was increased from 12.5% to 15%.

The Town increased the base operating budget for the fiscal year 2024-2025 primarily by including non-discretionary and decision packages during the budget process. Non-discretionary packages contained a variety of one-time replacement and maintenance costs. Decision packages include equipment, 23.00 additional FTE positions, as well as, various improvements and renovations in facilities and infrastructure.

The Town Charter requires that 10.00% of the general fund budget be placed in reserves. The new budget includes an estimated 34.61% unassigned general fund balance.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town of Flower Mound, Financial Services, 2121 Cross Timbers Road, Flower Mound, TX, 75028.

Town of Flower Mound, Texas
Statement of Net Position
September 30, 2024

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 74,706,372 | \$ 10,051,317 | \$ 84,757,689 |
| Investments | 75,397,482 | 13,523,384 | 88,920,866 |
| Receivables (net of allowances for estimated uncollectibles): | | | |
| Ad valorem taxes | 470,606 | - | 470,606 |
| Other taxes | 6,310,851 | - | 6,310,851 |
| Unbilled services | - | 3,076,499 | 3,076,499 |
| Accounts | 2,109,232 | 5,929,171 | 8,038,403 |
| Accrued interest | 709,384 | - | 709,384 |
| Intergovernmental | 111,281 | - | 111,281 |
| Leases | 1,097,873 | - | 1,097,873 |
| Internal balances | (678,853) | 678,853 | - |
| Franchise fees | 2,436,545 | - | 2,436,545 |
| Prepays | 69,752 | - | 69,752 |
| Inventory | 1,096,755 | 695,152 | 1,791,907 |
| Restricted: | | | |
| Cash and cash equivalents | - | 57,015,408 | 57,015,408 |
| Investments | - | 7,371,218 | 7,371,218 |
| Capital assets | | | |
| Land | 45,132,925 | 4,419,755 | 49,552,680 |
| Buildings | 113,255,773 | 53,771,771 | 167,027,544 |
| Distribution system | - | 294,996,436 | 294,996,436 |
| Equipment | 39,545,503 | 4,870,330 | 44,415,833 |
| Construction in progress | 45,825,059 | 26,136,362 | 71,961,421 |
| Improvements | 54,350,060 | - | 54,350,060 |
| Streets and bridges | 481,280,657 | - | 481,280,657 |
| Subscription right-of-use assets | 2,208,202 | 73,238 | 2,281,440 |
| Accumulated depreciation and amortization | (395,685,411) | (146,163,582) | (541,848,993) |
| Total Assets | 549,750,048 | 336,445,312 | 886,195,360 |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred charges on refundings | 78,444 | - | 78,444 |
| Deferred outflows related to pensions | 9,613,186 | 1,188,146 | 10,801,332 |
| Deferred outflows related to OPEB | 2,215,002 | 273,763 | 2,488,765 |
| Total deferred outflow of resources | 11,906,632 | 1,461,909 | 13,368,541 |
| LIABILITIES | | | |
| Accounts payable | 6,671,597 | 7,571,271 | 14,242,868 |
| Estimated health claims | 1,495,799 | - | 1,495,799 |
| Salaries payable | 1,157,247 | 95,532 | 1,252,779 |
| Accrued interest payable | 25,111 | - | 25,111 |
| Retainage payable | 524,511 | 881,652 | 1,406,163 |
| Arbitrage payable | 23,099 | - | 23,099 |
| Unearned revenue | 1,242,453 | - | 1,242,453 |
| Meter deposits | - | 536,300 | 536,300 |
| Payables from restricted assets: | | | |
| Accrued bond interest | - | 335,112 | 335,112 |
| Accrued bond interest | 149,225 | - | 149,225 |
| Long-term liabilities: | | | |
| Due within one year | 11,888,946 | 7,325,815 | 19,214,761 |
| Due within more than one year | 67,882,017 | 101,177,722 | 169,059,739 |
| Total Liabilities | 91,060,005 | 117,923,404 | 208,983,409 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred gains on refundings | - | 242,929 | 242,929 |
| Deferred inflows related to pensions | 350,157 | 43,278 | 393,435 |
| Deferred inflows related to OPEB | 1,016,277 | 125,606 | 1,141,883 |
| Deferred inflows related to leases | 1,124,685 | - | 1,124,685 |
| Total deferred inflow of resources | 2,491,119 | 411,813 | 2,902,932 |
| NET POSITION | | | |
| Net investment in capital assets | 342,979,690 | 166,460,940 | 509,440,630 |
| Restricted for: | | | |
| Community services | 1,677,550 | - | 1,677,550 |
| Community development | 24,387,655 | - | 24,387,655 |
| Public safety-police | 6,338,577 | - | 6,338,577 |
| Public safety-fire | 3,617,478 | - | 3,617,478 |
| Streets | 33,090,035 | - | 33,090,035 |
| Parks | 9,884,798 | - | 9,884,798 |
| Debt service | 157,159 | - | 157,159 |
| Capital projects | - | 25,697,321 | 25,697,321 |
| Unrestricted | 45,972,614 | 27,413,743 | 73,386,357 |
| Total Net Position | \$ 468,105,556 | \$ 219,572,004 | \$ 687,677,560 |

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

Town of Flower Mound, Texas
Statement of Activities
For the Year Ended September 30, 2024

| Functions/Programs | Program Revenues | | |
|--------------------------------------|------------------|----------------------|------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions |
| Primary government: | | | |
| Governmental activities: | | | |
| Town manager's office | \$ 4,561,125 | \$ - | \$ - |
| Legislative services | 591,258 | 16,431 | - |
| Development services | 2,902,741 | 1,742,190 | - |
| Parks & recreation services | 18,270,624 | 3,176,457 | 89,683 |
| Library services | 2,522,204 | 64,655 | - |
| Police services | 25,973,268 | 1,430,348 | 673,016 |
| Financial services | 6,552,397 | 1,245,507 | - |
| Administrative services | 9,072,858 | - | - |
| Fire and emergency services | 29,796,129 | 4,304,574 | 2,048,590 |
| Communications | 1,012,662 | - | - |
| Public works | 19,604,948 | 496,697 | - |
| Environmental services | 1,751,125 | 305,050 | 172,825 |
| Interest on long-term debt | 1,226,657 | - | - |
| Total governmental activities | 123,837,996 | 12,781,909 | 2,984,114 |
| Business-type activities: | | | |
| Utilities-Stormwater | 1,613,676 | 1,759,534 | - |
| Utilities- Water and Wastewater | 54,602,700 | 57,480,317 | - |
| Total business-type activities | 56,216,376 | 59,239,851 | - |
| Total primary government | \$ 180,054,372 | \$ 72,021,760 | \$ 2,984,114 |
| General Revenues: | | | |
| Property taxes | | | |
| Sales taxes | | | |
| Occupancy taxes | | | |
| Franchise taxes | | | |
| Alcoholic beverage taxes | | | |
| Unrestricted investment earnings | | | |
| Miscellaneous | | | |
| Transfers | | | |
| Total general revenues and transfers | | | |
| Change in net position | | | |
| Net position - beginning | | | |
| Net position - ending | | | |

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

| Program Revenues | Net (Expense) Revenue and Changes in Net Position | | |
|--|---|-----------------------------|-----------------|
| | Primary Government | | |
| Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| \$ - | \$ (4,561,125) | \$ - | \$ (4,561,125) |
| - | (574,827) | - | (574,827) |
| - | (1,160,551) | - | (1,160,551) |
| 1,059,085 | (13,945,399) | - | (13,945,399) |
| - | (2,457,549) | - | (2,457,549) |
| - | (23,869,904) | - | (23,869,904) |
| - | (5,306,890) | - | (5,306,890) |
| - | (9,072,858) | - | (9,072,858) |
| - | (23,442,965) | - | (23,442,965) |
| - | (1,012,662) | - | (1,012,662) |
| 5,552,519 | (13,555,732) | - | (13,555,732) |
| - | (1,273,250) | - | (1,273,250) |
| - | (1,226,657) | - | (1,226,657) |
| 6,611,604 | (101,460,369) | - | (101,460,369) |
| - | - | 145,858 | 145,858 |
| 1,973,035 | - | 4,850,652 | 4,850,652 |
| 1,973,035 | - | 4,996,510 | 4,996,510 |
| \$ 8,584,639 | \$ (101,460,369) | \$ 4,996,510 | \$ (96,463,859) |
| | 63,095,966 | - | 63,095,966 |
| | 37,844,425 | - | 37,844,425 |
| | 734,306 | - | 734,306 |
| | 6,980,835 | - | 6,980,835 |
| | 376,152 | - | 376,152 |
| | 8,868,651 | 3,931,834 | 12,800,485 |
| | 1,338,842 | 302,290 | 1,641,132 |
| | 2,327,040 | (2,327,040) | - |
| | 121,566,217 | 1,907,084 | 123,473,301 |
| | 20,105,848 | 6,903,594 | 27,009,442 |
| | 447,999,708 | 212,668,410 | 660,668,118 |
| | \$ 468,105,556 | \$ 219,572,004 | \$ 687,677,560 |

Town of Flower Mound, Texas
Balance Sheet
Governmental Funds
September 30, 2024

| | General | Debt Service | General Capital Projects | TIRZ Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------|--------------------------------|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 13,009,221 | \$ 101,669 | \$ 21,889,795 | \$ 10,857,943 | \$ 20,750,257 | \$ 66,608,885 |
| Investments | 20,087,527 | 137,287 | 2,547,382 | 14,147,036 | 27,907,733 | 64,826,965 |
| Receivables (net of allowances for estimated uncollectibles): | | | | | | |
| Ad valorem taxes | 403,026 | 67,580 | - | - | - | 470,606 |
| Other taxes | 3,162,636 | - | - | - | 3,148,215 | 6,310,851 |
| Accounts | 2,045,963 | - | - | - | 10,510 | 2,056,473 |
| Accrued interest | 646,485 | 127 | 62,772 | - | - | 709,384 |
| Intergovernmental | - | - | 11,861 | - | 99,420 | 111,281 |
| Leases | 1,097,873 | - | - | - | - | 1,097,873 |
| Interfund | - | - | - | - | 92,723 | 92,723 |
| Franchise fees | 2,412,580 | - | - | - | 23,965 | 2,436,545 |
| Inventory | 1,096,755 | - | - | - | - | 1,096,755 |
| Prepaid items | 69,752 | - | - | - | - | 69,752 |
| Total Assets | <u>\$ 44,031,818</u> | <u>\$ 306,663</u> | <u>\$ 24,511,810</u> | <u>\$ 25,004,979</u> | <u>\$ 52,032,823</u> | <u>\$ 145,888,093</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 4,832,674 | \$ 279 | \$ 458,675 | \$ 330,124 | \$ 791,936 | \$ 6,413,688 |
| Retainage payable | - | - | 59,334 | 287,200 | 177,977 | 524,511 |
| Arbitrage payable | - | - | 23,099 | - | - | 23,099 |
| Salaries payable | 1,016,753 | - | - | - | 140,494 | 1,157,247 |
| Interfund | - | - | - | - | 92,723 | 92,723 |
| Unearned revenue | 2,000 | - | - | - | 1,240,453 | 1,242,453 |
| Total Liabilities | <u>5,851,427</u> | <u>279</u> | <u>541,108</u> | <u>617,324</u> | <u>2,443,583</u> | <u>9,453,721</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | |
| Unavailable revenue | 2,424,175 | 95,189 | 11,681 | - | - | 2,531,045 |
| Deferred inflows related to leases | 1,124,685 | - | - | - | - | 1,124,685 |
| Total deferred inflows of resources | <u>3,548,860</u> | <u>95,189</u> | <u>11,681</u> | <u>-</u> | <u>-</u> | <u>3,655,730</u> |
| FUND BALANCES | | | | | | |
| Nonspendable for: | | | | | | |
| Prepays | 69,752 | - | - | - | - | 69,752 |
| Inventory | 1,096,755 | - | - | - | - | 1,096,755 |
| Restricted for: | | | | | | |
| Community services | - | - | - | - | 1,677,550 | 1,677,550 |
| Community development | - | - | - | 24,387,655 | - | 24,387,655 |
| Public safety-police | - | - | - | - | 6,338,577 | 6,338,577 |
| Public safety-fire | - | - | - | - | 3,617,478 | 3,617,478 |
| Streets | - | - | 18,103,764 | - | 18,402,206 | 36,505,970 |
| Parks | - | - | 218 | - | 9,884,798 | 9,885,016 |
| Facilities | - | - | 75,129 | - | - | 75,129 |
| Debt service | - | 211,195 | - | - | - | 211,195 |
| Committed for: | | | | | | |
| Community services | - | - | - | - | 2,529,061 | 2,529,061 |
| Public safety-police | - | - | - | - | 402,428 | 402,428 |
| Parks | - | - | - | - | 6,737,142 | 6,737,142 |
| Capital projects | - | - | 5,779,910 | - | - | 5,779,910 |
| Unassigned | 33,465,024 | - | - | - | - | 33,465,024 |
| Total Fund Balance | <u>34,631,531</u> | <u>211,195</u> | <u>23,959,021</u> | <u>24,387,655</u> | <u>49,589,240</u> | <u>132,778,642</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 44,031,818</u> | <u>\$ 306,663</u> | <u>\$ 24,511,810</u> | <u>\$ 25,004,979</u> | <u>\$ 52,032,823</u> | <u>\$ 145,888,093</u> |

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

Town of Flower Mound, Texas
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
As of September 30, 2024

Total fund balances - governmental funds \$ 132,778,642

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation and amortization. 385,912,768

Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenues in the funds.

| | |
|------------------------------------|-----------|
| Taxes | 704,903 |
| Franchise fees | 1,050,568 |
| Ambulance fees | 222,718 |
| Municipal court fees | 133,848 |
| Community activity center services | 407,327 |
| Grants and other governmental | 11,681 |

Two internal service funds are used by the Town's management. The assets and liabilities of the internal service fund are included with governmental activities, net of internal balances of (\$678,853). 16,282,060

Deferred outflows (inflows) of resources are not reported in the governmental funds:

| | |
|---|-----------|
| Deferred charges on refundings | 78,444 |
| Pension contributions after measurement date | 4,121,842 |
| Pension difference in actual experience and actuarial assumptions | 1,567,807 |
| Pension investment income | 3,890,697 |
| Pension assumption losses (gains) | (317,317) |
| OPEB contributions after measurement date | 98,007 |
| OPEB difference in actual experience and actuarial assumptions | 437,511 |
| OPEB assumption losses | 663,207 |

Certain assets and liabilities are accrued in the government-wide statements. However, they are not accrued in the governmental fund statements.

| | |
|---|-----------|
| Accrued interest on the bonds | (149,225) |
| Accrued interest on subscription right-of use | (18,969) |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

| | |
|------------------------------------|--------------|
| Bonds payable | (10,670,000) |
| Certificates of obligation payable | (30,200,000) |
| Bond premium/discounts | (3,910,430) |
| Net pension liability | (21,732,228) |
| Compensated absences | (6,258,413) |
| OPEB liability | (5,802,029) |
| Subscription liability | (1,197,863) |

Net position of governmental activities \$ 468,105,556

Town of Flower Mound, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2024

| | General | Debt Service | General Capital Projects | TIRZ Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------|-----------------|--------------------------------|---------------|--------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Taxes: | | | | | | |
| Ad valorem | \$ 48,784,086 | \$ 5,446,722 | \$ - | \$ 8,619,948 | \$ - | \$ 62,850,756 |
| Sales | 18,975,883 | - | - | - | 18,868,542 | 37,844,425 |
| Franchise | 6,923,541 | - | - | - | 103,965 | 7,027,506 |
| Alcoholic beverage | 376,152 | - | - | - | - | 376,152 |
| Hotel occupancy | - | - | - | - | 734,306 | 734,306 |
| Licenses, permits and fees | 2,135,426 | - | - | - | 172,825 | 2,308,251 |
| Intergovernmental | 3,942,801 | - | 2,187,428 | 591,725 | 2,719,696 | 9,441,650 |
| Impact fees | - | - | 839,379 | - | - | 839,379 |
| Charges for services | 5,412,819 | - | - | - | 99,760 | 5,512,579 |
| Fines and forfeits | 1,207,485 | - | - | - | 698,279 | 1,905,764 |
| Investment earnings | 2,676,579 | 107,794 | 1,373,973 | 1,170,112 | 2,534,315 | 7,862,773 |
| Memorials and contributions | 2,450 | - | - | - | 98,913 | 101,363 |
| Other revenue | 1,052,481 | - | 70,000 | - | 357,931 | 1,480,412 |
| Total Revenues | 91,489,703 | 5,554,516 | 4,470,780 | 10,381,785 | 26,388,532 | 138,285,316 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Town manager's office | 12,069,488 | - | - | - | - | 12,069,488 |
| Legislative services | 594,514 | - | - | - | - | 594,514 |
| Development services | 2,924,862 | - | - | - | - | 2,924,862 |
| Parks & recreation services | 11,162,524 | - | - | - | 5,715,747 | 16,878,271 |
| Library services | 2,434,141 | - | - | - | 137,210 | 2,571,351 |
| Police services | 23,765,122 | - | - | - | 4,452,076 | 28,217,198 |
| Financial services | 4,862,234 | - | - | - | 146,421 | 5,008,655 |
| Administrative services | 9,940,529 | - | - | - | 18,571 | 9,959,100 |
| Fire and emergency services | 25,191,038 | - | - | - | 4,154,799 | 29,345,837 |
| Communications | 915,671 | - | - | - | 87,350 | 1,003,021 |
| Public works | 7,666,155 | - | - | 3,592,195 | 3,931,492 | 15,189,842 |
| Environmental services | 1,762,870 | - | - | - | 6,689 | 1,769,559 |
| Debt service | - | 6,399,595 | - | 2,638,750 | - | 9,038,345 |
| Capital projects | - | - | 7,899,456 | - | - | 7,899,456 |
| Total Expenditures | 103,289,148 | 6,399,595 | 7,899,456 | 6,230,945 | 18,650,355 | 142,469,499 |
| Excess (deficiency) of revenues over (under) expenditures | (11,799,445) | (845,079) | (3,428,676) | 4,150,840 | 7,738,177 | (4,184,183) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Issuance of general debt obligation | - | - | 385,000 | - | - | 385,000 |
| Refunded bonds issued | - | 1,955,000 | - | - | - | 1,955,000 |
| Premium on bonds | - | 19,511 | 22,698 | - | - | 42,209 |
| Payment to escrow | - | (1,978,800) | - | - | - | (1,978,800) |
| Subscription financing | 1,372,169 | - | - | - | - | 1,372,169 |
| Transfers in | 3,729,522 | 270,200 | 633,500 | - | 34,068 | 4,667,290 |
| Transfers out | (604,544) | - | - | (400,000) | (1,198,009) | (2,202,553) |
| Total other financing sources and uses | 4,497,147 | 265,911 | 1,041,198 | (400,000) | (1,163,941) | 4,240,315 |
| Net change in fund balances | (7,302,298) | (579,168) | (2,387,478) | 3,750,840 | 6,574,236 | 56,132 |
| Fund balances - beginning, as previously reported | 41,933,829 | 790,363 | 26,346,499 | - | 63,651,819 | 132,722,510 |
| Adjustments (Note 15) | - | - | - | 20,636,815 | (20,636,815) | - |
| Fund balances - beginning, as restated | 41,933,829 | 790,363 | 26,346,499 | 20,636,815 | 43,015,004 | 132,722,510 |
| Fund balances - ending | \$ 34,631,531 | \$ 211,195 | \$ 23,959,021 | \$ 24,387,655 | \$ 49,589,240 | \$ 132,778,642 |

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

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2024**

Net change in fund balances - total governmental funds \$ 56,132

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

| | |
|---|----------------------|
| Governmental funds report capital outlays as expenditures and do not reflect sales or transfers of capital assets. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense and gains and losses are recognized as they occur. (Additions of \$33,164,628 and loss on disposals and transfers of \$1,085,029.) | 32,079,599 |
| Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the acquisition value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense. | 2,240,285 |
| Depreciation and amortization expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation and amortization expense is not reported as expenditures in the governmental funds. | (19,524,050) |
| The issuance of long term debt (i.e. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount (bond proceeds of \$2,340,000 less repayments of \$9,050,000, plus amortization of deferred loss of \$211,584, less discount of \$887,870) is the net effect of these differences in the treatment of long-term debt and related items. | 7,386,286 |
| Current year changes in the long term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. | (547,664) |
| Current year changes in the long term liability and related outflows (inflows) for pensions do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. | (266,610) |
| Current year changes in the long term liability and related outflows (inflows) for OPEB payables do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. | (772,515) |
| Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. | 21,993 |
| Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. | (713,351) |
| Internal service funds are used by management to share the costs of certain activities, such as the purchase of insurance and vehicle and equipment replacements to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities, net of the amount allocated to business-type activities (\$229,148). | 145,743 |
| Change in net position of governmental activities | <u>\$ 20,105,848</u> |

Town of Flower Mound, Texas
Statement of Net Position
Proprietary Funds
September 30, 2024

| | Business-type Activities Enterprise Funds | Governmental Activities- Internal Service Funds |
|--|--|--|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 10,051,317 | \$ 8,097,487 |
| Investments | 13,523,384 | 10,570,517 |
| Receivables (net of allowances for estimated uncollectibles): | | |
| Accounts | 5,929,171 | 52,759 |
| Unbilled services | 3,076,499 | - |
| Inventories, at cost | 695,152 | - |
| Restricted: | | |
| Cash and cash equivalents | 57,015,408 | - |
| Investments | 7,371,218 | - |
| Total current assets | <u>97,662,149</u> | <u>18,720,763</u> |
| Capital assets: | | |
| Land | 4,419,755 | - |
| Buildings | 53,771,771 | - |
| Distribution system | 294,996,436 | - |
| Equipment | 4,870,330 | - |
| Construction in progress | 26,136,362 | - |
| Subscription right-of-use assets | 73,238 | - |
| Accumulated depreciation and amortization | (146,163,582) | - |
| Total capital assets(net of accumulated depreciation and amortization) | <u>238,104,310</u> | <u>-</u> |
| Total noncurrent assets | <u>238,104,310</u> | <u>-</u> |
| Total Assets | <u>335,766,459</u> | <u>18,720,763</u> |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Deferred outflows related to pensions | 1,188,146 | - |
| Deferred outflows related to OPEB | 273,763 | - |
| Total deferred outflows of resources | <u>1,461,909</u> | <u>-</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 7,571,271 | 264,051 |
| Estimated health claims | - | 1,495,799 |
| Meter deposits | 536,300 | - |
| Salaries payable | 95,532 | - |
| Accrued bond interest | 335,112 | - |
| Current portion of OPEB liability | 30,364 | - |
| Retainage payable | 881,652 | - |
| Total current liabilities | <u>9,450,231</u> | <u>1,759,850</u> |
| Current liabilities payable from restricted assets: | | |
| Current portion of accrued leave benefits | 163,430 | - |
| Current portion of contractual obligations | 4,696,974 | - |
| Current portion of general obligations | 2,435,047 | - |
| Total current liabilities payable from restricted assets | <u>7,295,451</u> | <u>-</u> |
| Total current liabilities | <u>16,745,682</u> | <u>1,759,850</u> |
| Noncurrent liabilities | | |
| Accrued leave benefits | 383,853 | - |
| Net pension liability | 2,686,005 | - |
| OPEB liability | 686,741 | - |
| Contractual obligations | 84,649,441 | - |
| General obligation bonds | 12,771,682 | - |
| Total noncurrent liabilities | <u>101,177,722</u> | <u>-</u> |
| Total Liabilities | <u>117,923,404</u> | <u>1,759,850</u> |
| DEFERRED INFLOW OF RESOURCES | | |
| Deferred gains on refundings | 242,929 | - |
| Deferred inflows related to pensions | 43,278 | - |
| Deferred inflows related to OPEB | 125,606 | - |
| Total deferred inflows of resources | <u>411,813</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 166,460,940 | - |
| Restricted for capital projects | 25,697,321 | - |
| Unrestricted | 26,734,890 | 16,960,913 |
| Total Net Position | <u>\$ 218,893,151</u> | <u>\$ 16,960,913</u> |

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

Town of Flower Mound, Texas
Reconciliation of the Enterprise Fund Statement of Net Position
to the Government-wide Statement of Net Position
As of September 30, 2024

| | |
|-------------------------------------|----------------|
| Total net position- enterprise fund | \$ 218,893,151 |
|-------------------------------------|----------------|

Amounts reported for business-type activities in the statement of net position are different because:

Internal service funds are used by management to charge the costs of health insurance and replacement of vehicles and equipment to individual funds. The net position of certain internal service funds is reported with business-type activities.

| |
|---------|
| 678,853 |
|---------|

| | |
|--|-----------------------|
| Total net position- business-type activities | <u>\$ 219,572,004</u> |
|--|-----------------------|

Town of Flower Mound, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2024

| | Business-type Activities Enterprise Funds | Governmental Activities Internal Service Funds |
|---|--|---|
| Operating revenues: | | |
| Charges for services | \$ 58,779,685 | \$ 21,281,109 |
| Penalties, fines and forfeits | 460,166 | - |
| Other | 302,290 | 231,072 |
| Total operating revenue | <u>59,542,141</u> | <u>21,512,181</u> |
| Operating expenses: | | |
| Administration | 7,999,651 | - |
| Maintenance and operations | 34,614,783 | 5,642,512 |
| Depreciation and amortization | 10,128,186 | - |
| Health insurance and flexible benefits | - | 16,359,810 |
| Total operating expenses | <u>52,742,620</u> | <u>22,002,322</u> |
| Operating income | <u>6,799,521</u> | <u>(490,141)</u> |
| Nonoperating revenues (expenses): | | |
| Interest income | 3,931,834 | 1,005,878 |
| Interest expense | (3,706,053) | - |
| Total nonoperating revenue (expenses) | <u>225,781</u> | <u>1,005,878</u> |
| Income before contributions and transfers | <u>7,025,302</u> | <u>515,737</u> |
| Contributions-developers | 1,257,057 | - |
| Contributions-impact fees | 715,978 | - |
| Transfers in | 1,102,482 | - |
| Transfers out | <u>(3,429,522)</u> | <u>(137,697)</u> |
| Change in net position | 6,671,297 | 378,040 |
| Total net position - beginning | 212,221,854 | 16,582,873 |
| Total net position - ending | <u>\$ 218,893,151</u> | <u>\$ 16,960,913</u> |

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

Town of Flower Mound, Texas
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund
Net Position of Enterprise Funds to the Statement of Activities
For the Year Ended September 30, 2024

| | |
|---|--------------|
| Net change in fund net position- enterprise funds | \$ 6,671,297 |
|---|--------------|

Amounts reported for business-type activities in the statement of activities
are different because:

Internal service funds are used by management to charge the costs of
health insurance and replacement of vehicles and equipment to individual
funds. The net revenue of certain internal service funds is reported with
governmental activities. The amount shown represents the net revenue
allocated to business-type activities.

232,297

| | |
|--|---------------------|
| Change in net position of business-type activities | <u>\$ 6,903,594</u> |
|--|---------------------|

Town of Flower Mound, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2024

| | Business-type Activities Enterprise Funds | Governmental Activities- Internal Service Funds |
|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 59,762,690 | \$ - |
| Cash received from transactions with other funds | - | 21,597,119 |
| Cash paid to employees for services | (8,876,647) | - |
| Cash paid for goods and services | (29,918,424) | (11,402,791) |
| Cash paid for claims | - | (10,556,441) |
| Net cash provided (used) by operating activities | 20,967,619 | (362,113) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers from other funds | - | - |
| Transfers to other funds | (3,429,522) | (137,697) |
| Net cash provided (used) by noncapital financing activities | (3,429,522) | (137,697) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal payment on bonds payable and certificates of obligation | (6,305,000) | - |
| Interest and fiscal charges | (4,318,892) | - |
| Proceeds from issuance of debt | 7,337,815 | - |
| Proceeds from impact fees | 715,978 | - |
| Bond issuance costs paid | (128,022) | - |
| Purchase of capital assets | (18,840,790) | - |
| Net cash provided (used) by capital and related financing activities | (21,538,911) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale and maturities of investment securities | 13,743,444 | - |
| Purchase of investment securities | (9,792,188) | (1,742,445) |
| Interest received | 3,931,834 | 1,005,878 |
| Net cash provided (used) by investing activities | 7,883,090 | (736,567) |
| Net increase (decrease) in cash and cash equivalents | 3,882,276 | (1,236,377) |
| Cash and cash equivalents, October 1 | 63,184,449 | 9,333,864 |
| Cash and cash equivalents, September 30 | \$ 67,066,725 | \$ 8,097,487 |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ 6,799,521 | \$ (490,141) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation | 10,128,186 | - |
| Change in assets and liabilities | | |
| Decrease (Increase) in trade receivables | 350,412 | (52,759) |
| Decrease (Increase) in prepaids | 375 | - |
| Decrease (Increase) in unbilled receivables | (168,660) | - |
| Decrease (Increase) in inventory | 27,158 | - |
| Increase (Decrease) in deposits payable | 11,264 | - |
| Increase (Decrease) in pension liability | (135,041) | - |
| Increase (Decrease) in OPEB payable | (85,956) | - |
| Increase (Decrease) in accounts payable and accrued liabilities | 4,040,360 | 180,787 |
| Total adjustments | 14,168,098 | 128,028 |
| Net cash provided (used) by operating activities | \$ 20,967,619 | \$ (362,113) |
| Noncash investing, capital, and financing activities: | | |
| Contributions of capital assets from developers | \$ 1,257,057 | \$ - |
| Long-term debt refunding | 255,000 | - |
| Transfer of capital assets from other funds | 1,102,482 | - |
| Capital related retainage payable | 881,652 | - |

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

Town of Flower Mound, Texas
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2024

| | Custodial Fund | |
|-----------------------------------|--|---|
| | River Walk Public Improvement District Number 1 | |
| ASSETS | | |
| Cash and cash equivalents | \$ | - |
| | | |
| Total Assets | | - |
| | | |
| LIABILITIES | | |
| Due to debt holders | | - |
| | | |
| Total Liabilities | | - |
| | | |
| NET POSITION | | |
| Restricted for CADG Riverwalk LLC | | - |
| | | |
| Total Net Position | \$ | - |

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

Town of Flower Mound, Texas
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended September 30, 2024

| | <u>Custodial Fund</u> |
|--------------------------------|--|
| | <u>River Walk Public Improvement District Number 1</u> |
| ADDITIONS | |
| Interest income | \$ 118,104 |
| Total Additions | <u>118,104</u> |
| DEDUCTIONS | |
| Disbursements to escrow holder | <u>2,305,846</u> |
| Total Deductions | <u>2,305,846</u> |
| Change in net position | (2,187,742) |
| Net position - beginning | <u>2,187,742</u> |
| Net position - ending | <u><u>\$ -</u></u> |

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

**TOWN OF FLOWER MOUND, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Flower Mound is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The accounting and reporting policies of the Town conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Component units are organizations for which the Town is financially accountable and all other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Based on these criteria, the financial information of the Flower Mound's Community Development Corporation has been blended with the Town's financial statements.

Blended Component Unit – Flower Mound's Community Development Corporation is a non-profit corporation that serves the citizens of the Town by improving municipal parks and recreational facilities through land acquisition and the development of parks. The Corporation is organized exclusively for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the Town of Flower Mound, and the specific purposes for which the Corporation is organized, and with Town Council approval, may issue bonds on behalf of the Town and expend the proceeds of any sales and use tax levied for projects authorized by Section 4B of Article 5190.6 of the Texas Revised Civil Statutes, as amended, for land, building, equipment, facilities, and improvements required or suitable for use for public park purposes and events, including parks and park facilities, and the maintenance and operation expenses for any of the above described projects.

Because the Community Development Corporation (CDC) functions as an integral part of the Town, the finances of the CDC have been blended into the financial statements of the Town in the Other Governmental Funds category and reported as a Special Revenue Fund, 4B Parks-Sales Tax Fund. A financial benefit or burden relationship between the CDC and the Town exists and the Town Council maintains control over the CDC.

B. Government-wide and Fund Financial Statements

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. They contain information on all activities of the Town and its component units. As a general rule, most effects of inter-fund activity have been removed from these statements. Exceptions to this general rule are charges between the Town's utility function and various other functions of the Town and charges of the internal service funds to the enterprise fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately

from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function/program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or function/program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function/program; 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function/program; 3) capital grants and contributions, including special assessments. Taxes and internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Fiduciary funds, however, are not included in the totals for the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized, as soon as, they are both measurable and available. Revenues are considered measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are property taxes, franchise fees, licenses, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal and interest on long-term general obligation debt of governmental funds.

General Capital Projects Fund – The General Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Tax Increment Reinvestment Zone (TIRZ) Fund – The TIRZ Fund accounts for financial resources and expenditures relating to the reinvestment zone.

The Town reports the following non-major governmental funds:

Special Revenue Funds – The Town's Special Revenue Funds are used to account for revenue sources that are designated to finance particular functions or activities or are legally restricted to expenditures for specified purposes, as follows:

- *Library Development Fund* – accounts for all monetary donations made to the Flower Mound Public Library.
- *Park Development Fund* – accounts for all monetary contributions and payments to the Town by developers in lieu of the dedication of actual park land.
- *Tree Preservation Fund* – accounts for funds donated to and used by the Town to provide or support supplemental landscape plantings in public areas and enforce tree preservation regulations.
- *Public Education Government (PEG) Fund* – accounts for revenues derived from cable providers in Flower Mound per Section 66-006 of the Texas Utilities Code.
- *Street Maintenance-Sales Tax Fund* – accounts for revenues collected from dedicated sales tax approved by the voters for one-fourth of one percent. Funds are expended on reconstruction or rehabilitation of street projects.
- *Parks 4B-Sales Tax Fund* – accounts for revenues collected from dedicated sales tax approved by the voters for one-fourth of one percent. Funds are used for park and recreation improvements.
- *Crime District-Sales Tax Fund* – accounts for revenues collected from dedicated sales tax approved by the voters for one-fourth of one percent. Funds are used to staff two police beats with staff, equipment and vehicles.
- *Fire District-Sales Tax Fund* – accounts for revenues collected from dedicated sales tax approved by the voters for one-fourth of one percent. Funds are used to staff two fire stations with personnel and equipment.
- *Flower Mound Log Cabin Fund* – accounts for donations and expenditures related to the restoration, maintenance, or repair of the cabin site and/or exhibits.
- *Police Seizure Fund* – accounts for funds received under the Controlled Substances Act of the State of Texas with expenditures restricted to use solely in the investigation of any alleged violations of the criminal laws of the state and donations for the same purpose.

- *IRS Equitable Sharing Fund* – accounts for funds received for participating with the IRS task force on criminal investigations and asset forfeitures of illegal activities in the North Texas area.
- *Justice Seizures Fund* – accounts for funds received from the DEA, the DOJ, the US Federal Marshal's office, etc.
- *Chapter 59 Seizures Fund* – accounts for funds that are being pursued in the state-level courts and are held until they are awarded as forfeiture or denied.
- *Animal Care Fund* – accounts for funds received by donation to be used for the care of animals at the animal adoption center.
- *Opioid Settlements Fund* – accounts for revenues derived from the State of Texas from opioid settlement funds.
- *CDBG-HUD Grant Fund* – accounts for revenues derived from the Department of Housing and Urban Development for a Community Development Block Grant and funds are expended for grant related purposes.
- *Grants Fund* – accounts for revenues derived from various granting agencies. The funds are expended for grant related purposes.
- *Neighborhood Improvement Fund* – promotes reinvestment in neighborhoods to maintain property values through a town-sponsored repair and replacement program.
- *COVID-19 Fund* – accounts for revenues received from various granting agencies. The funds are expended for COVID-19 purposes.
- *Hotel Occupancy Tax Fund* – accounts for the accumulation of resources from the Hotel/Motel tax assessment levied by the Town. These monies are to be spent to promote the progress, development or growth of the Town within the guidelines set forth on the Texas Hotel Occupancy Tax Act.
- *Municipal Court Security Fund* – accounts for municipal court fees assessed to provide for court security.
- *Municipal Court Technology Fund* – accounts for municipal court fees assessed to finance the purchase of technological enhancements for municipal court.
- *Municipal Court Jury Fund* – accounts for municipal court fees assessed to finance jury services.
- *Municipal Court Local Youth Diversion Fund* – accounts for municipal court fees assessed to finance expenditures related to juvenile case manager.

The Town reports the following proprietary funds:

Enterprise Fund – The Town's Enterprise Fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. Activities of the fund include administration, operations and maintenance of the water, wastewater, and stormwater drainage systems and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and wastewater debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the fund.

Internal Service Funds – The Town's Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments within the Town.

- *Health Insurance and Flexible Benefit Fund* – accounts for revenues from premium charges to the departments and employee contributions for individual and dependent coverage in which expenses include claim payments, administrative costs, and reinsurance premiums for the health, dental and eye programs.
- *Vehicle, Equipment and Technology Replacement Fund* – accounts for the purchase of vehicles and equipment operated by the Town in which the departments pay monthly amounts to provide funds for future replacement capital outlay.

Additionally, the Town reports the following fiduciary fund:

Fiduciary Funds – The Town's Fiduciary Funds are used to account for resources held by the Town for the benefit of outside entities. Since these resources cannot be used to support the operations of the Town, they are not shown in the government-wide financial statements.

- *River Walk Public Improvement District Number 1* – accounts for a portion of the developer's funds, with interest, held by the Town as custodian for the Public Improvement District, until amenities specified in the agreement are completed by the developer within the given timeline.

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

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

D. Cash, Cash Equivalents and Investments

The Town'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. The Town's investment in pools is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The Town pools cash from all funds for the purpose of increasing income through coordinated investment activities. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. An individual fund's equity in the pooled cash accounts is available upon demand and are considered to be "cash equivalents" when preparing these financial statements. Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" or "advances to/from other funds." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

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

F. Property taxes

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

The statutes of the State of Texas do not prescribe a legal limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year ended September 30, 2024, the Town had a tax margin of \$2.1127 per \$100 assessed valuation based upon the maximum rates described above.

G. Inventories

Inventories are accounted for by the consumption method. They are valued at weighted average cost and consist of automotive equipment, postage, meters and settings and gasoline purchased by the Town to use in its automobiles. The cost of the inventories is recorded as an expense when consumed rather than when purchased.

H. Prepaid Items

Prepaid balances are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year. The purchasing method is used to account for prepaids.

I. Restricted Assets

Certain proceeds of Enterprise Fund revenue bonds and other amounts designated for capital improvements, as well as, certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. The Town defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings & Structures | 20-45 years |
| Improvements other than Buildings | 20-45 years |
| Utility Improvements | 45 years |
| Vehicles | 2-20 years |
| Machinery & Equipment | 7-15 years |
| Furniture & Office Equipment | 3-15 years |
| Bridges | 45 years |
| Streets | 20 years |
| Signals | 10 years |

Subscription capital assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying information technology asset.

K. 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 reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the Town's total pension liability is obtained from TMRS through a report prepared for the Town by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

L. Compensated Absences

It is the Town's policy to permit employees to accumulate certain earned but unused vacation, holiday time, comp time, and sick pay benefits. Upon retirement of employment, as defined by the Texas Municipal Retirement System, an employee who has completed a minimum of ten (10) years of continuous service with the Town, shall be eligible for pay for one-half ($\frac{1}{2}$) of accumulated sick leave, or three hundred and sixty (360) hours, whichever is less. All vacation pay, holiday time and comp time is accrued when incurred in the government-wide and proprietary fund financial statements.

M. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line interest method. Bonds payable are reported net of applicable bond premium or discount. Long-term liabilities and assets resulting from initiation of subscription-based information technology arrangements are reported in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For detail of deferred outflows see Note 6.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so

will not be recognized as an inflow of resources (revenue) until that time. For detail of deferred inflows see Note 6.

O. Other Post-Employment Benefits

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, Town specific information about its total TMRS SDBF liability and additions to/deductions from the Town's total TMRS SDBF liability have been determined on the same basis as reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the total OPEB liability (TOL), and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

For purposes of measuring the total Retiree Health Care Plan OPEB liability as administered by the Town, related deferred outflows and inflows of resources, and expense, Town specific information about its total Retiree Health Care Plan liability and additions to/deductions from that liability have been determined on the same basis as reported by the Town. The expense and deferred (inflows)/outflows of resources related to are primarily the result from changes in the components of the total liability. Most changes in the total liability will be included in expense in the period of the change. For example, changes in the total liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in the expense immediately. Changes in the total liability that have not been included in the expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to Retiree Health Care Plan.

P. Net Position Flow Assumption

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

Q. Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to

consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

R. Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Town Council through an ordinance or resolution. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by ordinances of the Town Council – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The Town Council has the authority to assign amounts to be used for specific purposes.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

For the classification of Governmental Fund balances, the Town considers an expenditure to be made from the most restrictive first when more than one classification is available.

The Town Charter requires that 10 percent of the general and utility fund budget be placed in reserves to be used in case of unforeseen items of expenditure. The reserve is under the control of the Town Manager and distributed after approval of the Town Council.

2. CASH AND INVESTMENTS

In order to facilitate effective cash management practices, the cash of all funds is pooled into common accounts for the purpose of increasing income through combined investment activities.

At year-end, the carrying amount of the Town's deposits was (\$1,533,317) and the bank balance was \$1,671,633. Collateral is required for all of the Town's deposits and shall be secured by pledged collateral with a fair value of no less than 103 percent of the principal, plus accrued interest, less an amount insured by federal deposit insurance. The Town authorized that collateral be in the form of U.S. Treasury obligations (fully and unconditionally guaranteed as to principal and interest by the full faith and credit of the United States), obligations of the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association or a Federal Home Loan Bank letter of credit and FDIC coverage. Bank deposits are fully insured, or collateralized, with securities held by the Town's agent in the Town's name. The Town had \$143,564,589 invested in public funds investment pools included in this report as cash and cash equivalents.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m, or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The Town deposits collections from all sources in interest bearing accounts established for each fund. Excess cash may be invested in obligations of the U.S. Treasury, U.S. Agencies, fully collateralized repurchase agreements, eligible municipal investment pools, no-load money market funds (regulated by the Securities and Exchange Commission) and certificates of deposit. The Town's Investment Policy, which is governed by state statutes and Town resolution, authorizes the investment instruments previously listed. The investments reported at September 30, 2024, were similar to those held during the fiscal year.

The Town has adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB 31). Investments that have a remaining maturity at the time of purchase in excess of one year are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

The Town has investments in government pools at September 30, 2024 totaling \$143,564,589, which are recorded at amortized cost.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2024, the Town has investments of \$96,292,010 (Level 2 inputs) valued by a pricing service which uses an estimation process that values securities at the closing price reported on the active market on which the individual securities are traded.

At September 30, 2024, the Town had the following cash equivalents and investments:

| | Fair Value | Weighted Avg Maturity (Days) |
|-----------------------------|-----------------------|---------------------------------|
| Primary Government: | | |
| State Wide Investment Pools | \$ 143,564,589 | 22 |
| Treasuries | 59,460,500 | 213 |
| Federal Agencies | 36,831,510 | 212 |
| Total Primary Government | <u>\$ 239,856,599</u> | 86 |

The amounts for the Investment Pools (Texpool, TexasCLASS and Texstar) are included for financial reporting purposes in cash and cash equivalents. The Investment Pools qualify to be valued at amortized cost and have no limitations or restrictions on withdrawals.

Interest rate risk. As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Town's investment policy establishes the portfolio's maximum average dollar-weighted maturity, per pooled fund group, is 365 days for the operating funds, 180 days for the debt service funds, 730 days for the debt service reserve fund, 90 days for the special revenue funds and 365 days for the capital project funds.

Credit risk. The Town's investment policy, in conjunction with State law, specifies the type of credit rating of all authorized investments. The Town's investments in U.S. Agency securities include Federal Home Loan Bank (FHLB) security, which is rated AA+ by Standard's & Poor's and Aaa by Moody's Investors Service. On September 6, 2008, the Federal Housing Finance Agency (FHFA) was appointed as conservator of FNMA and FHLMC. The obligations of the agencies will be paid in the normal course of business during the conservatorship. The Treasury Department, through a secured lending credit facility and a senior preferred stock purchase agreement, has significantly enhanced the ability of FNMA and FHLMC to meet their obligations. FHFA does not anticipate that there will be any disruption in FNMA and FHLMC's pattern of payments or ongoing business operations. The investments in TexPool, TexasCLASS and TExStar carry a rating of AAAM by Standard and Poor's.

Concentration of credit risk. With the exception of U.S. Treasury securities and certificates of deposit, the Town's investment policy limits the amount that may be invested in any one issuer to a percentage of the total investment portfolio, 75% in U.S. Agencies, 70% in local government investment pools and 10% in local government obligations. As of September 30, 2024, 5% or more of the Town's total investments are in the following: TexPool (20.51%), TexStar (17.42%), TexasCLASS (21.27%), Federal Agencies (15.37%) and Treasury Securities (24.74%), on a fair value basis.

Oversight for TexPool, TexSTAR, and TexasCLASS Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Hermes, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

The Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities to invest their public funds through the investment pools. TexSTAR is administered by JP Morgan Investment Management, Inc. and Hilltop Securities and is rated AAAm by Standard and Poor's.

Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust ("the Trust") is a Participant controlled trust created in accordance with the Texas Public Funds Investment Act, Section 2256.0017 and was established for participating Texas municipalities on January 1, 1996 under the trust agreement (the "Trust Agreement"). Texas CLASS commenced operations on April 12, 1996 and Texas CLASS Government commenced operations on December 1, 2016. Both portfolios in the Trust are available for investment by Texas municipalities, school districts and public agencies. The purpose of the Trust is to enable such entities to cooperate in the investment of their available funds. The Trust operates like a money market mutual fund with each share valued at \$1.00. The Trust is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946. Texas CLASS and Texas CLASS Government are both rated AAAm by S&P Global Ratings. The Town participates in Texas CLASS Government.

3. RECEIVABLES

Receivables at September 30, 2024, for the Town's individual major funds and other funds (non-major funds, internal service funds), in the aggregate, including the applicable allowances for uncollectible accounts, are shown below.

| | General | Debt Service | Capital Projects | Utilities | Other Funds |
|-----------------------|---------------------|------------------|---------------------|---------------------|---------------------|
| Receivables | | | | | |
| Taxes | \$ 412,689 | \$ 73,414 | \$ - | \$ - | \$ - |
| Accounts | 2,221,099 | - | - | 6,949,476 | 63,269 |
| Franchise fees | 2,412,580 | - | - | - | 23,965 |
| Unbilled services | - | - | - | 3,076,499 | - |
| Accrued interest | 646,485 | 127 | 62,772 | - | - |
| Intergovernmental | 546,025 | - | 11,861 | - | 99,420 |
| Other taxes | 3,162,636 | - | - | - | 3,148,215 |
| Leases | 1,097,873 | - | - | - | - |
| Gross receivables | 10,499,387 | 73,541 | 74,633 | 10,025,975 | 3,334,869 |
| Less: allowance | (730,824) | (5,834) | - | (1,020,305) | - |
| Net total receivables | <u>\$ 9,768,563</u> | <u>\$ 67,707</u> | <u>\$ 74,633</u> | <u>\$ 9,005,670</u> | <u>\$ 3,334,869</u> |

Governmental funds report unavailable and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of

unavailable revenue are reported as deferred inflows and unearned revenue are reported as a liability. The details of unavailable are shown below.

| | Unavailable |
|--|---------------------|
| Delinquent property taxes receivable (general fund) | \$ 609,714 |
| Municipal court receivable (general fund) | 133,848 |
| Franchise fee receivable (general fund) | 1,050,568 |
| Ambulance revenues (general fund) | 222,718 |
| Community Activity Center accounts receivable (general fund) | 407,327 |
| Delinquent property taxes receivable (debt service fund) | 95,189 |
| Interlocal reimbursement receivable (capital projects fund) | 11,681 |
| | <u>\$ 2,531,045</u> |

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of interfund receivables and payables at September 30, 2024 is as follows:

| Due to Fund | Due From Fund | Amount | Purpose |
|-----------------------|-----------------------|------------------|---|
| Nonmajor Governmental | Nonmajor Governmental | \$ 92,723 | Short-term funding-intergovernmental receivable |
| | Total | <u>\$ 92,723</u> | |

There was an interfund balance at September 30, 2024 between the Street Maintenance Fund and the following funds: CDBG-HUD Grant and the Grants Fund for \$92,723. These interfund balances are due to timing of receipts for amounts spent in advance.

Transfers between funds during the year were as follows:

| Transfers From | Transfers To | Amount | Reason |
|----------------------------|----------------------------|---------------------|--|
| Utility Fund | General Fund | \$ 3,429,522 | Administrative Cost Allocation |
| Nonmajor Governmental Fund | General Fund | 300,000 | CDC operation & maintenance |
| Nonmajor Governmental Fund | Capital Projects Fund | 40,000 | Joint Fire Training Facility |
| Nonmajor Governmental Fund | General Debt Service Fund | 270,200 | Twin Coves park |
| Nonmajor Governmental Fund | Utility Fund | 964,785 | CIP Projects |
| Internal Service Fund | Utility Fund | 137,697 | Vehicle purchases |
| Nonmajor Governmental Fund | Nonmajor Governmental Fund | 23,024 | Merge two seizure funds |
| General Fund | Capital Projects Fund | 150,000 | Sidewalk links program |
| General Fund | Capital Projects Fund | 75,000 | Streetlight program |
| General Fund | Capital Projects Fund | 88,500 | Traffic Signal Preemption Upgrade |
| General Fund | Capital Projects Fund | 90,000 | Roadway Amenities project |
| General Fund | Capital Projects Fund | 190,000 | Traffic Detection Rehabilitation project |
| General Fund | Nonmajor Governmental Fund | 11,044 | Bulletproof Vest Grant match |
| | | <u>\$ 5,769,772</u> | |

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2024

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended September 30, 2024, are summarized as follows:

| Governmental activities: | Balance at October 1, 2023 | Additions | Retirements/ Transfers | Balance at September 30, 2024 |
|--|-------------------------------|----------------------|---------------------------|-------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 37,585,797 | \$ 7,547,128 | \$ - | \$ 45,132,925 |
| Construction in progress | 49,216,623 | 15,670,757 | (19,062,321) | 45,825,059 |
| Total capital assets not being depreciated | <u>86,802,420</u> | <u>23,217,885</u> | <u>(19,062,321)</u> | <u>90,957,984</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | 113,185,773 | 70,000 | - | 113,255,773 |
| Streets and bridges | 467,060,931 | 2,240,285 | 11,979,441 | 481,280,657 |
| Improvements | 48,317,130 | - | 6,032,930 | 54,350,060 |
| Equipment | 31,479,851 | 8,504,574 | (438,922) | 39,545,503 |
| Subscription right-of-use assets | 913,331 | 1,372,169 | (77,298) | 2,208,202 |
| Total capital assets being depreciated/amortized | <u>660,957,016</u> | <u>12,187,028</u> | <u>17,496,151</u> | <u>690,640,195</u> |
| Less accumulated depreciation/Amortization for: | | | | |
| Buildings | 31,274,105 | 3,443,255 | - | 34,717,360 |
| Streets and bridges | 305,213,557 | 10,735,560 | - | 315,949,117 |
| Improvements | 21,739,555 | 2,285,695 | - | 24,025,250 |
| Equipment | 18,004,328 | 2,550,687 | (403,843) | 20,151,172 |
| Subscription right-of-use assets | 410,957 | 508,853 | (77,298) | 842,512 |
| Total accumulated depreciation/amortization | <u>376,642,502</u> | <u>19,524,050</u> | <u>(481,141)</u> | <u>395,685,411</u> |
| Total capital assets, being depreciated/amortized, net | <u>284,314,514</u> | <u>(7,337,022)</u> | <u>17,977,292</u> | <u>294,954,784</u> |
| Governmental activities capital assets, net | <u>\$ 371,116,934</u> | <u>\$ 15,880,863</u> | <u>\$ (1,085,029)</u> | <u>\$ 385,912,768</u> |

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2024

| Business-type activities: | Balance at October 1, 2023 | Additions | Retirements/ Transfers | Balance at September 30, 2024 |
|--|-------------------------------|---------------|---------------------------|-------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,419,755 | \$ - | \$ - | \$ 4,419,755 |
| Construction in progress | 9,726,155 | 19,647,741 | (3,237,534) | 26,136,362 |
| Total capital assets not being depreciated | 14,145,910 | 19,647,741 | (3,237,534) | 30,556,117 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | 53,765,322 | 6,449 | - | 53,771,771 |
| Distribution System | 290,501,845 | 1,257,057 | 3,237,534 | 294,996,436 |
| Equipment | 4,581,248 | 289,082 | - | 4,870,330 |
| Subscription right-of-use assets | 73,238 | - | - | 73,238 |
| Total capital assets being depreciated/amortized | 348,921,653 | 1,552,588 | 3,237,534 | 353,711,775 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 25,164,770 | 1,179,349 | - | 26,344,119 |
| Distribution System | 107,974,651 | 8,555,529 | - | 116,530,180 |
| Equipment | 2,866,069 | 356,690 | - | 3,222,759 |
| Subscription right-of-use assets | 29,906 | 36,618 | - | 66,524 |
| Total accumulated depreciation/amortization | 136,035,396 | 10,128,186 | - | 146,163,582 |
| Total capital assets, being depreciated/amortized, net | 212,886,257 | (8,575,598) | 3,237,534 | 207,548,193 |
| Business-type activities capital assets, net | \$ 227,032,167 | \$ 11,072,143 | \$ - | \$ 238,104,310 |

Business-type activities include \$19,647,741 of the total \$21,200,329 in additions of capital assets acquired through the use of debt.

Depreciation expense was charged to functions/programs as follows:

| | |
|--|----------------------|
| Governmental Activities: | |
| Development services | \$ 20,102 |
| Library services | 457,284 |
| Parks and recreation services | 3,052,032 |
| Police services | 888,430 |
| Financial services | 1,265,043 |
| Administrative services | 99,659 |
| Fire and emergency services | 2,014,075 |
| Communications | 17,479 |
| Infrastructure services | 11,201,093 |
| Total depreciation expense-governmental activities | <u>\$ 19,015,197</u> |

Amortization expense was charged to functions/programs as follows:

| | |
|--|-------------------|
| Governmental Activities: | |
| Administrative services | \$ 355,811 |
| Police services | 120,527 |
| Financial services | 9,855 |
| Fire and emergency services | 22,660 |
| Total amortization expense-governmental activities | <u>\$ 508,853</u> |

Outstanding commitments at September 30, 2024, under authorized construction contracts were approximately \$35,446,868. These outstanding commitments are to be financed by available cash and investment balances, which include proceeds from previous bond issuances.

| | |
|-------------------------------|----------------------|
| Outstanding Commitments | |
| TIRZ | \$ 4,878,845 |
| Park Development | 350,234 |
| Street Maintenance | 3,044,005 |
| Parks-4B | 193,706 |
| ARPA | 1,187,552 |
| General Projects | 10,012,371 |
| Utility System Projects | 15,780,155 |
| Total outstanding commitments | <u>\$ 35,446,868</u> |

6. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources on the government-wide statement of net position are comprised of the following items:

Deferred Charges on Refundings

- Deferred charge on refunding – results from the difference in the carrying value of refunded debt and its reacquisition price and may be either a gain or a loss. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows and Inflows Related to Pensions and OPEB

- Contributions after measurement date – Town contributions made from the evaluation date, December 31st to the fiscal year end, which are deferred and recognized in the following fiscal year.
- Difference in actual experience and actuarial assumption – difference in the actuarial economic and demographic assumptions and actual experience on liabilities. These losses and gains are deferred and recognized over the remaining estimated average service lives of all members determined as of the measurement date.
- Changes in actuarial assumption – difference arising due to assumption changes. These losses and gains are deferred and recognized over the remaining estimated average service lives of all members determined as of the measurement date.

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2024

- Investment gains/losses – difference in projected and actual earning on assets. These losses and gains are combined and deferred and amortized over a closed 5-year period.

Deferred Inflows Related to Leases

- This amount is initially an offset to Leases Receivable recorded at lease commencement, and subsequently, recognized as revenue over the life of the lease term.

A summary of changes in deferred outflows and inflows of resources is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|--------------|--------------|-------------------|
| Governmental activities: | | | | |
| Deferred amounts: | | | | |
| Charges on refundings | \$ 290,028 | \$ (106,858) | \$ (104,726) | \$ 78,444 |
| Pension contributions after measurement date | 3,682,119 | 4,170,879 | (3,731,156) | 4,121,842 |
| Pension difference in actual and expected experience | 538,191 | 1,376,829 | (347,213) | 1,567,807 |
| Pension actuarial assumptions gains/losses | 43,542 | (313,687) | (47,172) | (317,317) |
| Pension investment gains/losses | 10,454,792 | (5,941,108) | (622,987) | 3,890,697 |
| OPEB contributions after measurement date | 66,752 | 46,130 | (14,875) | 98,007 |
| OPEB difference in actual experience and actuarial assumption: | 532,791 | 28,891 | (124,171) | 437,511 |
| OPEB assumption gains/losses | 673,413 | 63,979 | (74,185) | 663,207 |
| Leases | 432,999 | 1,015,379 | (323,693) | 1,124,685 |
| Business-type activities: | | | | |
| Deferred amounts: | | | | |
| Charges on refundings | \$ 93,199 | \$ (288,037) | \$ (48,091) | \$ (242,929) |
| Pension contributions after measurement date | 510,192 | 460,404 | (461,155) | 509,441 |
| Pension difference in actual and expected experience | 92,837 | 143,851 | (42,914) | 193,774 |
| Pension actuarial assumptions gains/losses | 9,460 | (42,849) | (5,830) | (39,219) |
| Pension investment gains/losses | 1,099,429 | (541,558) | (76,999) | 480,872 |
| OPEB contributions after measurement date | 11,309 | 2,642 | (1,838) | 12,113 |
| OPEB difference in actual experience and actuarial assumption: | 98,313 | (28,891) | (15,347) | 54,075 |
| OPEB assumption gains/losses | 155,116 | (63,979) | (9,168) | 81,969 |

7. LONG TERM DEBT

On June 20, 2024, the Town issued \$7,320,000 in Certificates of Obligation Series, 2024, which will pay for the contractual obligations incurred for constructing street, waterworks and sewer system improvements and extensions, including the acquisition of land and rights-of-way therefor and professional services rendered in connection therewith.

The Town Council authorized an ordinance on June 20, 2024, to issue \$5,335,000 in General Obligation Refunding Bonds Series, 2024, to refund a portion of the Town's outstanding debt in order to reduce the overall debt service requirements of the Town and to pay the costs of issuance. This series refunds Certificates of Obligation Series 2015A, for \$5,775,000 for years maturing 2025 through 2027 and 2031 through 2035. Such refunded bonds are no longer payable from the net revenue of the Town of Flower Mound. The net carrying amount of the old debt exceeded the reacquisition price by \$458,511. This refunding was undertaken to reduce total debt service payments by \$875,701 and resulted in an economic gain of \$390,591.

Governmental Activities:

Long-term debt of the Town consists of general obligation bonds, certificates of obligation, obligations under compensated absence agreements, and long-term liabilities arising from subscription-based Information technology arrangements. General obligation bonds and certificates of obligation retirement is provided from the debt service tax, together with interest earned within the Debt Service Fund.

The Town's outstanding general obligation bonds are as follows:

| Series | Outstanding |
|-----------------|----------------------|
| 2014 Refunding | \$ 615,000 |
| 2014A Refunding | 1,705,000 |
| 2016 Refunding | 3,050,000 |
| 2020 Refunding | 1,825,000 |
| 2023 Refunding | 1,520,000 |
| 2024 Refunding | 1,955,000 |
| | <u>\$ 10,670,000</u> |

The debt service requirements of general obligation bonds are as follows:

| Due Fiscal Year Ending | Principal General Obligation Bonds | Interest | Total |
|---------------------------------------|---|-------------------|----------------------|
| 2025 | \$ 4,820,000 | \$ 388,951 | \$ 5,208,951 |
| 2026 | 2,340,000 | 204,650 | 2,544,650 |
| 2027 | 1,500,000 | 122,000 | 1,622,000 |
| 2028 | 600,000 | 78,450 | 678,450 |
| 2029 | 500,000 | 54,800 | 554,800 |
| 2030-2033 | 910,000 | 80,975 | 990,975 |
| Total | <u>\$ 10,670,000</u> | <u>\$ 929,826</u> | <u>\$ 11,599,826</u> |

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2024

The Town's outstanding certificates of obligation are as follows:

| <u>Series</u> | <u>Outstanding</u> |
|---------------|----------------------|
| 2014 | \$ 270,000 |
| 2015 | 1,490,000 |
| 2015A | 675,000 |
| 2016 | 2,695,000 |
| 2017 | 2,335,000 |
| 2017A | 9,830,000 |
| 2018 | 2,650,000 |
| 2018A | 4,845,000 |
| 2019 | 5,025,000 |
| 2024 | 385,000 |
| | <u>\$ 30,200,000</u> |

The debt service requirements of certificates of obligation are as follows:

| <u>Due Fiscal Year Ending</u> | <u>Principal Certificates of Obligation</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|---|---------------------|----------------------|
| 2025 | \$ 3,950,000 | \$ 1,276,812 | \$ 5,226,812 |
| 2026 | 4,085,000 | 1,115,913 | 5,200,913 |
| 2027 | 1,635,000 | 934,919 | 2,569,919 |
| 2028 | 1,925,000 | 848,119 | 2,773,119 |
| 2029 | 2,010,000 | 754,053 | 2,764,053 |
| 2030-2034 | 9,265,000 | 2,479,095 | 11,744,095 |
| 2035-2039 | 7,200,000 | 577,125 | 7,777,125 |
| 2040-2044 | 130,000 | 13,400 | 143,400 |
| Total | <u>\$ 30,200,000</u> | <u>\$ 7,999,436</u> | <u>\$ 38,199,436</u> |

Business-type Activities:

Utility long-term debt of the Town consists of general obligation bonds and certificates of obligation. Retirement is provided primarily from the revenues or earnings of the Town's Utility Fund.

The Town's Utility System's outstanding general obligation bonds are as follows:

| <u>Series</u> | <u>Outstanding</u> |
|-----------------|----------------------|
| 2014 Refunding | \$ 100,000 |
| 2014A Refunding | 215,000 |
| 2016 Refunding | 3,210,000 |
| 2020 Refunding | 900,000 |
| 2021 Refunding | 1,365,000 |
| 2023 Refunding | 4,470,000 |
| 2024 Refunding | 3,380,000 |
| | <u>\$ 13,640,000</u> |

The debt service requirements of the Utility System's general obligation bonds are as follows:

| <u>Due Fiscal Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|----------------------|---------------------|----------------------|
| 2025 | \$ 2,155,000 | \$ 600,047 | \$ 2,755,047 |
| 2026 | 2,175,000 | 479,975 | 2,654,975 |
| 2027 | 2,150,000 | 388,475 | 2,538,475 |
| 2028 | 1,195,000 | 318,950 | 1,513,950 |
| 2029 | 850,000 | 273,350 | 1,123,350 |
| 2030-2034 | 4,610,000 | 659,325 | 5,269,325 |
| 2035 | 505,000 | 12,625 | 517,625 |
| Total | <u>\$ 13,640,000</u> | <u>\$ 2,732,747</u> | <u>\$ 16,372,747</u> |

The Town's Utility System's outstanding certificates of obligation are as follows:

| Series | Outstanding |
|---------------|----------------------|
| 2012 | \$ 3,240,000 |
| 2014 | 8,470,000 |
| 2015A | 1,260,000 |
| 2016 | 5,855,000 |
| 2017A | 6,250,000 |
| 2018A | 3,055,000 |
| 2019 | 17,005,000 |
| 2020 | 6,800,000 |
| 2021 | 8,135,000 |
| 2022 | 8,020,000 |
| 2023 | 7,200,000 |
| 2024 | 6,935,000 |
| | <u>\$ 82,225,000</u> |

The debt service requirements of the Utility System's certificates of obligation are as follows:

| Due Fiscal Year Ending | Principal | Interest | Total |
|---------------------------------------|----------------------|----------------------|-----------------------|
| 2025 | \$ 4,185,000 | \$ 3,232,183 | \$ 7,417,183 |
| 2026 | 4,405,000 | 3,027,072 | 7,432,072 |
| 2027 | 4,575,000 | 2,845,956 | 7,420,956 |
| 2028 | 5,175,000 | 2,647,338 | 7,822,338 |
| 2029 | 5,390,000 | 2,431,250 | 7,821,250 |
| 2030-2034 | 27,725,000 | 8,743,956 | 36,468,956 |
| 2035-2039 | 22,775,000 | 3,511,850 | 26,286,850 |
| 2040-2044 | 7,995,000 | 570,650 | 8,565,650 |
| Total | <u>\$ 82,225,000</u> | <u>\$ 27,010,255</u> | <u>\$ 109,235,255</u> |

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2024

A summary of changes in long-term liabilities for the year ended September 30, 2024 follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|-----------------------|----------------------|------------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 11,845,000 | \$ 1,955,000 | \$ (3,130,000) | \$ 10,670,000 | \$ 4,820,000 |
| Certificates of obligations | 35,735,000 | 385,000 | (5,920,000) | 30,200,000 | 3,950,000 |
| Bond premiums/discounts | 4,798,300 | 42,209 | (930,079) | 3,910,430 | 760,477 |
| Total bonds payable | <u>52,378,300</u> | <u>2,382,209</u> | <u>(9,980,079)</u> | <u>44,780,430</u> | <u>9,530,477</u> |
| Compensated absences | 5,710,749 | 549,475 | (1,811) | 6,258,413 | 1,577,358 |
| OPEB Liability | 5,103,745 | 698,284 | - | 5,802,029 | 245,672 |
| Net pension liability | 26,921,233 | - | (5,189,005) | 21,732,228 | - |
| Subscription liability | 407,726 | 1,372,168 | (582,031) | 1,197,863 | 535,439 |
| Governmental activity Long-term liabilities | <u>\$ 90,521,753</u> | <u>\$ 5,002,136</u> | <u>\$ (15,752,926)</u> | <u>\$ 79,770,963</u> | <u>\$ 11,888,946</u> |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 12,390,000 | \$ 3,380,000 | \$ (2,130,000) | \$ 13,640,000 | \$ 2,155,000 |
| Certificates of obligations | 83,100,000 | 6,935,000 | (7,810,000) | 82,225,000 | 4,185,000 |
| Bond premiums/discounts | 9,087,784 | 715,131 | (1,114,771) | 8,688,144 | 792,021 |
| Total bonds payable | <u>104,577,784</u> | <u>11,030,131</u> | <u>(11,054,771)</u> | <u>104,553,144</u> | <u>7,132,021</u> |
| Compensated absences | 528,247 | 59,344 | (40,308) | 547,283 | 163,430 |
| OPEB Liability | 919,642 | - | (202,537) | 717,105 | 30,364 |
| Net pension liability | 3,388,096 | - | (702,091) | 2,686,005 | - |
| Subscription liability | 36,059 | - | (36,059) | - | - |
| Business-type activity Long-term liabilities | <u>\$ 109,449,828</u> | <u>\$ 11,089,475</u> | <u>\$ (12,035,766)</u> | <u>\$ 108,503,537</u> | <u>\$ 7,325,815</u> |

Compensated absences payables are based on the assignment of an employee within a fund. Other postemployment benefits are liquidated from the Health Insurance and Flexible Benefit internal service fund, with the retiree subsidy amounts paid by the General Fund.

8. RISK MANAGEMENT

Effective January 1, 1993, the Town established a partially self-funded trust plan which offers medical, dental, vision, long-term life insurance and disability coverage to employees and their dependents. The Town maintains excess loss insurance which limits annual claims paid from the plan to a maximum of \$160,000 for any individual claim and an aggregate amount of 125% of expected claims. Blue Cross Blue Shield of Texas, a third-party administrator, is employed by the plan to administer claims. Trustees have been appointed to receive employer and employee contributions and to disburse payments to the providers of the plan. Costs relating to the plan are recorded in an Internal Service Fund. Revenue is recognized from employee payroll deductions and from Town contributions for employee and dependent coverage.

Changes in the claims liability amount were:

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Unpaid claims at beginning of fiscal year | \$ 1,427,837 | \$ 1,280,490 |
| Claims incurred and changes in estimates | 10,624,403 | 11,083,802 |
| Payments | (10,556,441) | (10,936,455) |
| Unpaid claims at end of fiscal year | <u>\$ 1,495,799</u> | <u>\$ 1,427,837</u> |

All claims are due within one year.

Liability and property insurance coverage is provided by TML Intergovernmental Risk Pool. The Town retains, as a risk only, the deductible amounts for each declaration of coverage. There were no reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

The Town is a member of the Texas Municipal League Intergovernmental Risk Pool. Insurance coverage of the Town is divided into the following types: real and personal property, mobile equipment, boiler and machinery, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, automobile catastrophe, crime, public official liability, and employee benefits liability.

9. TAX ABATEMENTS

The Town enters into economic development agreements designed to promote development and redevelopment within the Town, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the Town. These programs rebate or abate property, sales and hotel taxes and also include incentive payments and/or reduction in fees that are not tied to taxes. The Town's Economic Development Agreements are authorized under Chapter 380 of the Texas Local Government Code, Chapter 312 (Property Redevelopment and Tax Abatement Act), and Chapter 311 (Tax Increment Financing Act) of the Texas Tax Code.

The Town has three categories of economic development agreements:

- Tax Abatements - Property taxes can be abated starting at 20% and is negotiable for up to 10 years. The amount rebated is dependent on the minimum capital investment, the total number of full-time equivalents added to the local workforce, annual salaries of those employees, and environmentally conscious efforts. For fiscal year ending September 30, 2024, the Town abated \$56,306,515 in real and/or personal property value, resulting in \$218,063 in abated taxes.
- General Economic Development – The Town enters into economic development agreements under Chapter 380 of the Texas Local Government code to stimulate economic development. These agreements authorize the rebate of varying percentages of real and/or personal property taxes, a portion impact fees, permit waivers, or other expenses related to relocation costs, tenant finish-outs, and infrastructure. For fiscal year ending September 30, 2024, the Town rebated \$208,419 in property taxes and \$291,119 in sales taxes.

- Tax Increment Financing – The Town has one active Tax Increment Reinvestment Zone (TIRZ #1) under Chapter 311 of the Texas Tax Code. The TIRZ #1 2024 Annual Report identified an ending fund balance of \$24,387,655, after total revenue of \$10,381,785 and total expenditures of \$6,630,945.

All incentive agreements (Chapter 380 and Tax Abatement Agreements) contain repayment (recapture) language, requiring the incentive recipient to refund the incentives if the recipient does not meet their contractual obligations outlined in the agreement. Obligations of incentive recipients vary, but typically include a timing deadline with regard to completion of construction, a deadline to receive a certificate of occupancy for the facility being incentivized, a minimum number of jobs (if the business is known), or a minimum taxable value, etc. Incentive recipients are to be notified of the default of their performance and given the opportunity to cure the default within a defined timeframe. If the default cannot be cured, then the recipient shall repay the amount of the incentive to the Town.

10. COMMITMENTS AND CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the Town. In the opinion of Town management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the Town's financial position, result of operations, or cash flows.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e. purchase orders). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year in the General Fund were \$756,507.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Town contracts with the Upper Trinity Regional Water District (UTRWD), a conservation and reclamation district whereby the District finances, constructs, operates and maintains water treatment facilities for the benefit of the Town. Under the current contract (which expires May 2022 or when the Bonds issued by UTRWD for the system have been paid in full, whichever is later) the Town agrees to purchase an agreed upon minimum of wholesale treated water service for resale at the rate established annually by UTRWD based on the Town's proportionate share of the annual requirement, and the Town is unconditionally liable to purchase the annual minimum regardless of the needs of the Town. The Town made \$21,156,456 in payments to UTRWD in the current fiscal year.

On February 22, 2011 Trinity River Authority of Texas (TRA), issued \$4,735,000 of Town of Flower Mound Wastewater Transportation Contract Revenue Bonds, Series 2011 maturing August 1, 2030, for the purpose of design, acquisition and construction of the Town's portion of the Graham Branch Wastewater Transportation System Phase II. The project consists of a lift station and force main used to transport wastewater from the towns of Flower Mound, Argyle, and Northlake to the TRA Denton Creek Regional Wastewater System. TRA will acquire,

construct, own, and operate the facilities. The Town is responsible to pay monthly installments equal to the annual payment sufficient for TRA to meet its bond service requirements. In addition to these payments the Town is separately contracted to pay operation and maintenance costs of the project. The Town made \$745,874 in payments to TRA in the current fiscal year.

11. DEFINED BENEFIT PENSION PLAN

Plan Description

The Town participates as one of 936 plans in the defined benefit cash-balance plan administered by Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

All eligible employees of the Town 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 Town, within the options available in the state statutes governing TMRS.

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

The plan provisions are adopted by the Town Council, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plan also provides death benefits, and disability benefits. Effective January 1, 2002, members are vested after 5 years.

A Summary of plan provisions adopted by the Town as of December 31, 2023 is as follows:

| | |
|---|----------------------------------|
| Employee deposit rate | 7.0% |
| Matching ratio (Town to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Service retirement eligibility (age / years of service) | 60/5, 0/20 |
| Updated Service Credit | 100% Repeating, Transfers |
| Annuity Increase to retirees | 0% of Consumer Price Index (CPI) |

Employees covered by benefit terms:

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms

| | |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 339 |
| Inactive employees entitled to but not yet receiving benefits | 533 |
| Active Employees | 648 |
| | <u>1,520</u> |

Contributions

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

Employees for the Town of Flower Mound were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 11.53% and 11.25% in calendar years 2024 and 2023, respectively. The Town's contributions to TMRS for the year ended September 30, 2024, were \$6,397,560, and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2023 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 the most recent Scale MP-2021, with immediate convergence, to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021, with immediate convergence, to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of expected return for each major asset class in fiscal year 2024 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|----------------------|---|
| Global Public Equity | 35.0% | 6.70% |
| Core Fixed Income | 6.0% | 4.70% |
| Non-Core Fixed Income | 20.0% | 8.00% |
| Other Public and Private Markets | 12.0% | 8.00% |
| Real Estate | 12.0% | 7.60% |
| Hedge Funds | 5.0% | 6.40% |
| Private Equity | 10.0% | 11.60% |
| Total | 100.0% | |

Discount rate:

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

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balance at 12/31/2022 | \$ 197,845,634 | \$ 167,536,305 | \$ 30,309,329 |
| Changes for the year: | | | |
| Service cost | 7,855,578 | - | 7,855,578 |
| Interest | 13,384,855 | - | 13,384,855 |
| Difference between expected and actual experience | 2,024,217 | - | 2,024,217 |
| Changes of assumptions | (474,595) | - | (474,595) |
| Contributions- employer | - | 5,744,430 | (5,744,430) |
| Contributions- employee | - | 3,648,908 | (3,648,908) |
| Net investment income | - | 19,412,033 | (19,412,033) |
| Benefits payments, including refunds of employee contributions | (6,958,537) | (6,958,537) | - |
| Administrative expense | - | (123,358) | 123,358 |
| Other changes | - | (862) | 862 |
| Net Changes | \$ 15,831,518 | \$ 21,722,614 | \$ (5,891,096) |
| Balance at 12/31/2023 | \$ 213,677,152 | \$ 189,258,919 | \$ 24,418,233 |

Sensitivity of the net pension liability to changes in the discount rate:

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

Sensitivity of the net pension liability to changes in the discount rate

| | 1% Decrease in Discount Rate | Discount Rate (6.75%) | 1% Increase in Discount Rate |
|------------------------------|---------------------------------|--------------------------|---------------------------------|
| Town's net pension liability | \$ 55,468,209 | \$ 24,418,233 | \$ (1,171,353) |

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by participating city and may be obtained at www.tnrs.com.

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2024, the Town recognized pension expense of \$6,314,969.

At September 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Difference between expected and actual economic experience | \$ 1,798,480 | \$ 36,899 |
| Changes in actuarial assumptions | - | 356,536 |
| Difference between projected and actual investment earnings | 4,371,569 | - |
| Contributions subsequent to the measurement date | 4,631,283 | - |
| Total | <u>\$ 10,801,332</u> | <u>\$ 393,435</u> |

\$4,631,283 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| For the Year ended September 30, | |
|--|---------------------|
| 2025 | \$ 1,764,049 |
| 2026 | 1,854,359 |
| 2027 | 3,771,161 |
| 2028 | (1,612,955) |
| Total | <u>\$ 5,776,614</u> |

12. OTHER POST-EMPLOYMENT BENEFITS

The Town provides for two post-employment benefit (OPEB) plans; one provides for postemployment healthcare through a single-employer defined benefit healthcare plan (Retiree Health Care Plan-OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single employer defined benefit OPEB plan. Both plans are described in detail.

Aggregate amounts for the two OPEB plans are as follows:

| | Healthcare OPEB | TMRS SDBF | Total |
|--------------------------------|--------------------|--------------|--------------|
| Total OPEB Liability | \$ 5,022,687 | \$ 1,496,447 | \$ 6,519,134 |
| Deferred outflows of resources | 2,167,485 | 321,280 | 2,488,765 |
| Deferred inflows of resources | 534,382 | 607,501 | 1,141,883 |
| OPEB Expense | 665,222 | 85,047 | 750,269 |

TMRS Supplemental Death Benefits Fund

Plan Description

The Town voluntarily participates in a single-employer, defined benefit other post-employment benefit (OPEB) plan administered by TMRS. The plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the Town’s pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided

The SDBF provides group-term life insurance to Town employees who are active members in TMRS, including or not including retirees. The Town Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an “other postemployment benefit” (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

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

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 219 |
| Inactive employees entitled to but not yet receiving benefits | 112 |
| Active employees | 648 |
| Total | <u>979</u> |

Contributions

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rates were 0.23% of annual covered payroll for both 2024 and 2023, of which 0.05% and 0.06% in 2024 and 2023, respectively, represented the retiree-only portion for each year. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. The Town’s contributions to the retiree portion of the SDBF for the years ended September 30, 2024 and 2023 were \$29,410 and \$26,683, respectively, representing required contributions each year for retirees.

Actuarial Assumptions and Other Inputs

The total SDBF OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------------------|-------------------------------------|
| Inflation rate | 2.50% per annum |
| Actuarial cost method | Entry age normal |
| Discount rate | 3.77 % |
| Projected salary increases | 3.60% to 11.85% including inflation |

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are accounted for under the reporting requirements under GASB Statement No. 68.

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan, and as such, a single discount rate of 3.77% was used to measure the total OPEB liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate, based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2023.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the total OPEB liability.

| | 1% Decrease in Discount Rate | Discount Rate (3.77%) | 1% Increase in Discount Rate |
|----------------------|---------------------------------|-----------------------|---------------------------------|
| Total OPEB Liability | \$ 1,817,272 | \$ 1,496,447 | \$ 1,247,782 |

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

The Town’s total OPEB liability of \$1,496,447 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date. For the year ended September 30, 2024,

the Town recognized OPEB aggregate expense of \$85,047. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|---|---------------------------------|
| Balance at 12/31/2022 | \$ 1,310,995 |
| Changes for the year: | |
| Service cost | 67,765 |
| Interest | 53,834 |
| Difference between expected and actual experience | 14,743 |
| Changes of assumptions and other inputs | 80,386 |
| Benefit payments | <u>(31,276)</u> |
| Net changes | <u>185,452</u> |
| Balance at 12/31/2023 | <u>\$ 1,496,447</u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 4.05% to 3.77% and the changes in actuarial assumptions adopted in 2022.

At September 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ 29,727 | \$ 81,669 |
| Changes in actuarial assumptions | 271,061 | 525,832 |
| Contributions subsequent to the measurement date | <u>20,492</u> | |
| Totals | <u>\$ 321,280</u> | <u>\$ 607,501</u> |

\$20,492 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 total OPEB liability for the year ending September 30, 2025. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| For the Year <u>Ended September 30,</u> | |
|--|----------------------------|
| 2025 | \$(49,985) |
| 2026 | (53,455) |
| 2027 | (75,148) |
| 2028 | (98,566) |
| 2029 | (33,500) |
| Thereafter | <u>3,941</u> |
| Total | <u><u>\$(306,713)</u></u> |

Retiree Health Care Plan

Plan Description

The Town provides health care benefits through a single-employer defined benefit healthcare plan for all regular full-time employees who retire after December 31, 2006 and meet minimum retirement age of 60 and have been employed by the Town for five years continuously prior to retirement or have twenty years or more of service at any age.

Benefits Provided

The Retiree Health Care Plan provides medical and dental coverage for those employees that meet the eligibility requirements and opt into the plan at retirement. Employees who become disabled are not eligible for retiree health care benefits. The spouse of a current employee can continue to receive coverage when the employee retires if the spouse was covered at the time of retirement, and the retiring employee meets the previously outlined criteria for continued coverage, and the retiring employee continues to elect (and pay for) coverage for the dependent at open enrollments. The spouses of all future retirees can continue to receive coverage under these circumstances, assuming the current policy remains unchanged. Retirees who decide to opt-out of the health care plan are not eligible to opt back in. Survivors of employees who die while actively employed are not eligible for retiree health care benefits, unless the employee was a Public Safety Officer.

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

| | |
|--------------------------------|-------------------|
| Retirees and Beneficiaries | 13 |
| Inactive, Nonretired Employees | - |
| Active Employees | <u>544</u> |
| Total | <u><u>557</u></u> |

Contributions

Currently the retiree contributes 100% of the blended healthcare premium for coverage and is also responsible for payment of premiums for any dependent coverage. Beginning January 1, 2015, the contribution rates for retirees and their dependents are based upon the retiree premium rates as developed in the most recent actuarial valuation report of the Town's retiree health care plan. Retiree contribution rates for fiscal year 2023-2024 ranged from \$793.96 to \$2,223.09 per month depending on coverage levels selected. Beginning January 1, 2024, coverage for only dental and vision was no longer offered.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, with update procedures used to roll forward the total OBEB liability to December 31, 2023. This included a change to the discount rate and demographic and salary increase assumptions from a 2023 TMRS experience study:

| | |
|----------------------------|-------------------------------------|
| Inflation rate | 2.50% |
| Actuarial cost method | Individual Entry Age |
| Discount rate | 3.77% |
| Projected salary increases | 3.60% to 11.85% including inflation |

Administrative expenses for the Retiree Health Care Plan are recognized on a pay-as you-go basis.

For mortality rates for healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate rates of scale MP-2019 to account for future mortality improvements.

Health Care trend rates were estimated using an initial rate of 7.00% declining to an ultimate rate of 4.25% after 15 years.

Participation rates assumed that 25% of those eligible for a service-based subsidy and 0% of those without a service-based subsidy would elect coverage. No employees retiring prior to the age of 50 were assumed to maintain their health coverage through the Town’s plan, except those retiring through TMRS disability retirement. All retirees are assumed to discontinue coverage upon reaching eligibility for Medicare.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018, as conducted for the Texas Municipal Retirement System (TMRS).

Discount Rate

Because the Retiree Health Care plan is essentially a “pay-as-you-go” plan and does not have formal assets, the discount rate is equal to the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.77% based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”.

Discount Rate Sensitivity Analysis

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability calculated using a discount rate of 3.77%, as well as what the plan's total OPEB liability would be if the discount rate used is one percent lower or 1 percent higher:

| | 1% Decrease 2.77% | Discount Rate (3.77%) | 1% Increase 4.77% |
|----------------------|----------------------|-----------------------|----------------------|
| Total OPEB Liability | \$ 5,531,479 | \$ 5,022,687 | \$ 4,564,024 |

Healthcare Cost Trend Rate Sensitivity Analysis

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

| | 1% Decrease in Health Care Trend Rate | Current Health Care Trend Rate Assumption | 1% Increase in Health Care Trend Rate |
|----------------------|--|--|--|
| Total OPEB Liability | \$ 4,442,770 | \$ 5,022,687 | \$ 5,713,279 |

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

The Town's total OPEB liability of \$5,022,687 was measured as of December 31, 2023, and was determined by an actuarial valuation as of December 31, 2022. For the year ended September 30, 2024, the Town recognized OPEB aggregate expense of \$665,222. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2024

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|---|---------------------------------|
| Balance at 12/31/2022 | \$ 4,712,389 |
| Changes for the year: | |
| Service cost | 270,055 |
| Interest | 196,313 |
| Difference between expected and actual experience | (127,683) |
| Changes of assumptions and other inputs | (28,016) |
| Benefit payments | (371) |
| Net changes | <u>310,298</u> |
| Balance at 12/31/2023 | <u>\$ 5,022,687</u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023 and revised TMRS demographic and salary increase assumptions.

At September 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 1,052,560 | \$ 509,032 |
| Changes in actuarial assumptions | 1,025,297 | 25,350 |
| Contributions subsequent to the measurement date | <u>89,628</u> | <u>-</u> |
| Totals | <u>\$ 2,167,485</u> | <u>\$ 534,382</u> |

\$89,628 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 total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| For the Year Ended September 30, | | |
|-------------------------------------|----|------------------|
| 2025 | \$ | 198,854 |
| 2026 | | 198,854 |
| 2027 | | 190,002 |
| 2028 | | 218,819 |
| 2029 | | 273,605 |
| Thereafter | | 463,341 |
| Total | \$ | <u>1,543,475</u> |

13. LEASES

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

The Town measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts. The Town uses the lessee's rate or the rate disclosed in the agreement. If the rate is not readily available, the Town uses its estimated incremental borrowing rate over a similar term as the discount rate. The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Lease receivable – The Town is lessor of cell sites with leases of varying terms between one and ten years at September 30, 2024. The Town recognized \$343,201 in lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2024, the Town's receivable for lease payments was \$1,097,873. Also, the Town has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2024, the balance of the deferred inflow of resources was \$1,124,685.

14. SUBSCRIPTIONS

The Town has various subscriptions that meet the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, including software for general office

use, document management, work order processing, procurement, recruiting, project management, geographic information system, data backup management, public safety video systems and dashboard, and emergency management. As of September 30, 2024, the subscriptions have fixed, periodic payments over the subscription terms which range from one year to six years and expire no later than fiscal year 2029.

Future subscriptions payments as of September 30, 2024 are as follows:

| Fiscal Year Ending | Governmental Activities | | | Business-type Activities | | |
|-----------------------|-------------------------|------------------|---------------------|--------------------------|-------------|-------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2025 | \$ 535,439 | \$ 35,343 | \$ 570,782 | \$ - | \$ - | \$ - |
| 2026 | 393,701 | 20,048 | 413,749 | - | - | - |
| 2027 | 131,908 | 9,807 | 141,715 | - | - | - |
| 2028 | 136,815 | 4,687 | 141,502 | - | - | - |
| Total | <u>\$ 1,197,863</u> | <u>\$ 69,885</u> | <u>\$ 1,267,748</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

15. RESTATEMENT

During fiscal year 2024, there was a change within the financial reporting entity which resulted in the TIRZ Fund being reported as a major fund instead of as a nonmajor fund. As a result, fund balance of the TIRZ Fund of \$20,636,815 which was previously reported in the nonmajor funds is now reported as a major fund with a beginning fund balance of \$20,636,815. This resulted in adjustments to and restatements of beginning fund balance to nonmajor funds as follows:

| | October 1, 2023, as previously reported | Change to or within the Financial Reporting Entity | October 1, 2023, as restated |
|--------------------|---|--|---------------------------------|
| Governmental funds | | | |
| Nonmajor funds | \$ 63,651,819 | \$ (20,636,815) | \$ 43,015,004 |
| New major fund | Not Applicable | 20,636,815 | 20,636,815 |

16. NEW FINANCIAL REPORTING REQUIREMENTS

The GASB has issued the following statements:

Statement No. 101, Compensated Absences. The requirements of this Statement will take effect for the Town in fiscal year 2025.

17. SUBSEQUENT EVENTS

On October 21, 2024, the Town Council approved an ordinance for the issuance of the Tax Notes in the amount of \$2,500,000 for funds to be received on November 12, 2024, for purposes of contractual obligations for street maintenance and facilities capital projects and the purchase of capital equipment. The Tax Notes are due and payable on March 1, 2026, the stated maturity with an optional redemption, in whole or part, on and after September 1, 2025.

Financial Advisory Services
Provided By

