

Dated June 24, 2025

Rating:

Moody's: "A1"

(See "OTHER INFORMATION -
Rating" herein)

NEW ISSUE - Book-Entry-Only

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

\$16,495,000*
TOWN OF PROVIDENCE VILLAGE, TEXAS
(Denton County)
GENERAL OBLIGATION BONDS, SERIES 2025

Dated Date: July 1, 2025

Interest Accrues from Delivery Date

Due: March 1, as shown on page 2

PAYMENT TERMS . . . Interest on the \$16,495,000* Town of Providence Village, Texas General Obligation Bonds, Series 2025 (the "Bonds") will accrue from the date of initial delivery to the initial purchaser thereof (the "Delivery Date", anticipated to be on or about July 29, 2025), will be payable 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 consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein"). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Section 43.080 et seq, Texas Local Government Code, as amended, and are direct obligations of the Town of Providence Village, Texas (the "Town"), payable from a continuing ad valorem tax levied on all taxable property within the Town, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance") (see "THE BONDS - Authority for Issuance of the Bonds").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) finance the Town's utility infrastructure and improvements and (ii) pay the financing costs in connection with the issuance of the Bonds (see "PLAN OF FINANCING").

CUSIP PREFIX: 743800
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

MUNICIPAL BOND INSURANCE . . . The Town has made an application for qualification for the issuance of a municipal bond insurance policy in conjunction with the issuance of the Bonds. If a commitment for an insurance policy is obtained and the Initial Purchaser (defined herein) determines to purchase a policy in connection with its bid, the associated premium will be the responsibility of the Purchaser (see "BOND INSURANCE" and "BOND INSURANCE RISKS" herein).

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser subject to the approving opinion of the Attorney General of Texas and the opinion of Winstead PC, Dallas, Texas, Bond Counsel (see APPENDIX C, "Form of Bond Counsel's Opinion") and certain other conditions. Frost Brown Todd LLP, Houston, Texas will act as Disclosure Counsel for the Town.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July 29, 2025.

BIDS DUE TUESDAY, JULY 1, 2025 AT 10:00 AM CENTRAL TIME

* Preliminary, subject to change.

MATURITY SCHEDULE***CUSIP Prefix: 743800⁽¹⁾**

March 1 Maturity	Principal Amount	Interest Rate	Yield	CUSIP Suffix ⁽¹⁾
2027	\$ 60,000			
2028	70,000			
2029	70,000			
2030	65,000			
2031	70,000			
2032	250,000			
2033	360,000			
2034	390,000			
2035	415,000			
2036	450,000			
2037	480,000			
2038	775,000			
2039	810,000			
2040	855,000			
2041	900,000			
2042	945,000			
2043	995,000			
2044	1,045,000			
2045	1,095,000			
2046	1,155,000			
2047	1,215,000			
2048	1,275,000			
2049	1,340,000			
2050	1,410,000			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Town, the Financial Advisor, the Initial Purchaser or their agents or counsel shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION OF THE BONDS . . . The Town reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption of the Bonds").

For purposes of compliance with Rule 15c 2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the Town with respect to the Bonds 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, which includes the cover pages and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

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

The information set forth herein has been obtained from the Town and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Financial Advisor. 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.

Neither the Town nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company or any potential bond insurer or its municipal bond guaranty policy as described herein (or incorporated by reference) under the captions "BOND INSURANCE" and "BOND INSURANCE RISKS," as such information was provided by DTC and the bond insurer, respectively, for use in this Official Statement.

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

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

TABLE OF CONTENTS

PRELIMINARY OFFICIAL STATEMENT	INVESTMENTS..... 25
SUMMARY 4	TABLE 12 - CURRENT INVESTMENTS 27
TOWN OFFICIALS, STAFF AND CONSULTANTS ..6	TAX MATTERS..... 27
ELECTED OFFICIALS.....6	CONTINUING DISCLOSURE OF INFORMATION 29
SELECTED ADMINISTRATIVE STAFF6	OTHER INFORMATION 31
CONSULTANTS AND ADVISORS6	RATING..... 31
INTRODUCTION 7	LITIGATION 31
PLAN OF FINANCING 8	REGISTRATION AND QUALIFICATION OF BONDS FOR SALE 31
THE BONDS 8	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC
BOND INSURANCE 13	FUNDS IN TEXAS 31
BOND INSURANCE RISKS 13	LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE 32
TAX INFORMATION 14	AUTHENTICITY OF FINANCIAL DATA AND OTHER
TABLE 1 – ASSESSED VALUATION AND EXEMPTION 18	INFORMATION 32
TABLE 2 - TAXABLE ASSESSED VALUATIONS BY	FINANCIAL ADVISOR 32
CATEGORY 19	INITIAL PURCHASER 32
TABLE 3 – VALUATION AND GENERAL OBLIGATION	CERTIFICATION OF THE OFFICIAL STATEMENT 32
DEBT HISTORY 20	FORWARD-LOOKING STATEMENTS DISCLAIMER 33
TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY ..20	MISCELLANEOUS 33
TABLE 5 - TEN LARGEST TAXPAYERS 20	
TABLE 6 – TAX ADEQUACY 21	
TABLE 7 – ESTIMATED OVERLAPPING DEBT 21	
DEBT INFORMATION 22	APPENDICES
TABLE 8 – PRO-FORMA GENERAL OBLIGATION DEBT	GENERAL INFORMATION REGARDING THE TOWN A
SERVICE REQUIREMENTS 22	EXCERPTS FROM THE ANNUAL FINANCIAL REPORT B
TABLE 9 – INTEREST AND SINKING FUND BUDGET	FORM OF BOND COUNSEL'S OPINION C
PROJECTION..... 23	
FINANCIAL INFORMATION 24	
TABLE 10 – GENERAL FUND REVENUE AND EXPENDITURE	
HISTORY 24	
TABLE 11 - MUNICIPAL SALES TAX HISTORY 25	

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE TOWN The Town of Providence Village, Texas (the "Town") is a political subdivision and home rule municipal corporation of the State of Texas, located in Denton County, Texas. The Town covers approximately 1.3 square miles (see "INTRODUCTION - Description of the Town").

THE BONDS The Bonds are issued as \$16,495,000* General Obligation Bonds, Series 2025 (the "Bonds"). The Bonds are issued as serial bonds maturing on March 1, in the years 2027 through 2050, inclusive, unless the Initial Purchaser designates two or more consecutive serial maturities as Term Bonds (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption of the Bonds").

PAYMENT OF INTEREST ON THE BONDS Interest on the Bonds accrues from the date of initial delivery to the Initial Purchaser thereof (the "Delivery Date", anticipated to be July 29, 2025), and is payable March 1, 2026, and each September 1 and March 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds").

AUTHORITY FOR ISSUANCE FOR THE BONDS The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Section 43.080 et seq, Texas Local Government Code, as amended, and are direct obligations of the Town, payable from a continuing ad valorem tax levied on all taxable property within the Town, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance") (see "THE BONDS – Authority for Issuance of the Bonds").

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

OPTIONAL REDEMPTION OF THE BONDS The Town reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption of the Bonds").

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

USE OF PROCEEDS FOR THE BONDS Proceeds from the sale of the Bonds will be used to (i) finance the Town's utility infrastructure and improvements and (ii) pay the financing costs in connection with the issuance of the Bonds (see "PLAN OF FINANCING").

RATINGS FOR THE BONDS The Bonds are rated "A1" by Moody's Investor Service, Inc. ("Moody's") (see "OTHER INFORMATION – Rating"). No representation is hereby made that the Town will use municipal bond insurance in connection with the issuance of the Bonds. (See "BOND INSURANCE" and "BOND INSURANCE RISKS" herein)

MUNICIPAL BOND INSURANCE The Town has made an application for qualification for the issuance of a municipal bond insurance policy in conjunction with the issuance of the Bonds. If a commitment for an insurance policy is obtained and the Initial Purchaser (defined herein) determines to purchase a policy in connection with its bid, the associated premium will be the responsibility of the Purchaser (see "BOND INSURANCE" and "BOND INSURANCE RISKS" herein).

BOOK-ENTRY-ONLY SYSTEM The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof.

Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

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

PAYING AGENT/REGISTRAR The initial Paying Agent/Registrar of the Bonds is The Bank of New York Mellon Company, N.A., Dallas, Texas.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Debt Per Capita
2021	7,550	\$ 590,867,249	\$ 78,261	\$ 20,636,000	3.49%	\$ 2,733
2022	7,564	643,806,412	85,115	19,035,000	2.96%	2,517
2023	8,260	818,030,973	99,035	17,379,000	2.12%	2,104
2024	9,367	1,062,195,242	113,398	15,653,000	1.47%	1,671
2025	10,104	1,229,488,673	121,683	30,357,000 ⁽³⁾	2.47%	3,004

(1) Source: Town Staff

(2) As reported by the Denton County Appraisal District on Town's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes the Bonds. Preliminary, subject to change.

For additional information regarding the Town, please contact:

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TOWN OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Town Council	Term Expires	Occupation
Linda Inman Mayor	2026	Financial Analyst
Kelly Nelson Mayor Pro-Tem	2026	Middle School Teacher / Coach
Stephen Benton Place 2	2027	Musician
Klayton Rutherford Place 3	2028	Senior Program Manager - Captive Wildlife
Dustin Clay Place 4	2027	Chief Operating Officer
Jeff Doramus Place 5	2028	IT Cyber Specialist
Wes Dautrich Place 6	2026	Regional Safety Manager

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Brian Roberson	Town Manager	10 Years
Jenny Sawyers	Finance Administrator	12 Years
Hilary McConnell	Town Secretary	8 Years

CONSULTANTS AND ADVISORS

Auditors	Vail & Park, P.C. Frisco, Texas
Bond Counsel	Winstead PC Dallas, Texas
Disclosure Counsel	Frost Brown Todd LLP Houston, Texas
Financial Advisor.....	Hilltop Securities Inc. Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$16,495,000*
TOWN OF PROVIDENCE VILLAGE, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2025

INTRODUCTION

This Preliminary Official Statement, which includes the cover page and Appendices hereto, provides certain information regarding the issuance of \$16,495,000* Town of Providence Village, Texas, General Obligation Bonds, Series 2025 (the "Bonds") being offered herein. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted by the Town Council of the Town of Providence Village, Texas (the "Town") on the date of the sale of the Bonds that will authorize the issuance of the Bonds, except as otherwise indicated herein the ordinance authorizing the issuance of the Bonds (the "Bond Ordinance").

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

DESCRIPTION OF THE TOWN . . . The Town is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the Town's Home Rule Charter. The Town was incorporated in 2010, adopted its Home Rule Charter at an election held on May 9, 2015, and amended its Home Rule Charter at an election held on May 1, 2021. The Town operates under a Council/Manager form of government with a Town Council comprised of the Mayor and six Council members. The term of office is three years with two Council members elected on the May uniform election date in 2021 and every three years thereafter, two Council members elected on the May uniform election date in 2022 and every three years thereafter, and the Mayor and two Council members elected on the May uniform election date in 2023 and every three years thereafter. The Town Manager is the chief administrative officer for the Town. Some of the services that the Town provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 7,691, while the estimated 2025 population is 10,104. The Town covers approximately 1.3 square miles.

Providence Village was originally developed as a master-planned community in 2000, and the Denton County Fresh Water Supply District No. 9 (the "DCFWS #9") was formed as a fresh water supply district pursuant to Chapter 53, Texas Water Code, to finance the community's infrastructure. Pursuant to an election held on November 7, 2000, the DCFWS #9 assumed sanitary sewer powers under Chapter 53, Texas Water Code, as amended, and road district powers under Chapter 257, Texas Transportation Code, as amended. On November 30, 2000, the DCFWS #9 was converted into a water control and improvement district, and operated pursuant to Article XVI, Sec. 59 and Article III, Sec. 52 of the Texas Constitution, and Chapters 49, 51, and for certain purposes, Chapter 53, of the Texas Water Code. In April of 2010, the DCFWS #9 was renamed the Providence Village Water Control and Improvement District (the "PVWCID"). At an election held on May 8, 2010, voters authorized the incorporation of the Town of Providence Village as a Type A general law city, to include all of the land within the PVWCID with the exception of approximately ten acres. In October 2010, the Town adopted an ordinance that made Section 43.075, Texas Local Government Code applicable to the Town and the PVWCID (providing the Town with the ability to succeed to the powers, duties, assets, and obligations of the PVWCID). In 2014, the Town and the PVWCID entered into an agreement to provide for the orderly transition of the assets and obligations of the PVWCID to the Town. On May 9, 2015, the voters of Providence Village adopted a home-rule charter, changing the form of the Town from a Type A general law city to a home-rule city.

In July 2015, the Town annexed the remaining ten acre tract located within the PVWCID so that the entire area within the PVWCID would be within the Town's boundaries. Effective August 15, 2015, pursuant to Sections 43.075(d) and 43.080(b) of the Texas Local Government Code, as amended, the Town assumed the assets, rights, duties, and obligations of the PVWCID, and dissolved the PVWCID. Pursuant to this annexation and dissolution of the PVWCID, the Town assumed, among other things, (i) all valid bonds, notes, and other debts of the PVWCID, (ii) the authority to issue and sell bonds in an amount equal to the authorized but unissued bonds of the PVWCID for purposes of the PVWCID, and (iii) the functions of the PVWCID, including the provision of services that were originally provided by the PVWCID. In accordance with the assumption by the Town of all of the rights, obligations, and duties of the PVWCID, the Town is required to levy and collect taxes on all taxable property within the Town in an amount sufficient to pay the principal of and interest on all obligations of the PVWCID, within the limits prescribed by law, that are due and payable in whole or in part from ad valorem taxes. In addition, the Town took over the operation of the water and sewer utility systems of the PVWCID and must apply the net revenues from the operation of such systems to the payment of any outstanding PVWCID revenue obligations.

* Preliminary, subject to change.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) financing the Town's utility infrastructure and improvements and (ii) pay the financing costs in connection with the issuance of the Bonds.

SOURCES AND USES OF FUNDS . . . Proceeds from the sale of the Bonds are expected to be expended approximately as follows:

<u>Sources of Funds</u>	
Par Amount	\$ -
Cash Premium Bid	
Total Sources of Funds	<hr/> \$ -
<u>Uses of Funds</u>	
Deposit to Project Fund	\$ -
Cost of Issuance	
Total Uses of Funds	<hr/> \$ -

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated July 1, 2025 and mature on March 1 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing March 1, 2026 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

AUTHORITY FOR ISSUANCE OF THE BONDS . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Section 43.080 et seq, Texas Local Government Code, as amended, and are direct obligations of the Town, payable from a continuing ad valorem tax levied on all taxable property within the Town, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance") (see "THE BONDS – Authority for Issuance of the Bonds").

SECURITY AND SOURCE OF PAYMENT OF THE BONDS. . . The Bonds constitute direct obligations of the Town and the principal thereof and interest thereon are payable from an annual ad valorem tax levied by the Town, within the limits prescribed by law, upon all taxable property in the Town, as provided in the Bond Ordinance.

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

OPTIONAL REDEMPTION OF THE BONDS . . . The Town reserves the right, at its option, to redeem the Bonds having stated maturities on and after March 1, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Town may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Bonds unless certain prerequisites to such redemption required by the Bond Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the Town, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of

redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Town will not redeem such Bonds and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the Town shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF A BOND (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH BOND (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

DEFEASANCE . . . The Bond Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, 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 authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Town with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable, and thereafter the Town will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Bond Ordinance provided that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (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, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date 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. The Town has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Town moneys in excess of the amount required for such defeasance.

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

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

Upon making such deposit in the manner described, such defeased Bonds shall no longer be deemed outstanding obligations secured by the Bond Ordinance, but will be payable only from the funds and Defeasance Securities deposited in escrow and will not be considered 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.

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

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its

nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

Payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent/Registrar on payable dates 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 in 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, the Paying Agent/Registrar or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the

Town, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Town, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

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

In the event the use of the Book-Entry-Only system is discontinued, principal of the Bonds is payable to the registered holder appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Bonds for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. Interest on the Bonds is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the town where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

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

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

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

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

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

REMEDIES . . . The Bond Ordinance establishes specific events of default with respect to the Bonds. If the Town defaults in the payment of the principal of or interest on the Bonds when due or the Town defaults in the observance or performance of any of the covenants, conditions, or obligations of the Town, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the Town, the Bond Ordinance provides that any registered owner of a Bond is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Town to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or Ordinance and the Town's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Ordinance does not provide for the appointment of a trustee to represent the interest of the owners of the Bonds upon any failure of the Town to perform in accordance with the terms of the Bond Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., V. City of Jacksonville*, No. 489 S.W.3d 427 (Tex. 2016), ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to the breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the "will of the people" and protecting such municipalities "via the State's immunity is not an efficient way to ensure efficient allocation of State resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held the Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Because it is unclear whether the Texas legislature has effectively waived the Town's sovereign immunity from a suit for money damages, owners of Bonds may not be able to bring such a suit against the Town for breach of the Bonds or Ordinance covenants in the absence of Town action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the Town, permits the Town to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Bonds, the Town has not waived sovereign immunity. 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 Bonds. 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 Obligationholders 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 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Bonds will be Cede & Co., as DTC's nominee. See "THE BONDS - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Bonds.

BOND INSURANCE

The Town has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the insurance premium will be paid by the Initial Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to any such municipal bond insurance policies.

BOND INSURANCE RISKS

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

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

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

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from ad valorem taxes levied, within the limited prescribed by law, as further described in "THE BONDS – Security and Source of Payment of the Bonds". In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the

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

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

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

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the Town is the responsibility of the Denton County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under V.T.C.A., Title I, Tax Code, as amended (the "Property Tax Code") 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 the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence 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 residence homestead for a tax year to an amount that would not exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The Town may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the Town by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt, or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established such freeze cannot be repealed or rescinded.

State law and Article VIII, Section 2, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployment

is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Property Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. After taking such official action, the goods-in-transit remain subject to taxation by the local governmental entity until the governing body of the governmental entity rescinds or repeals its previous actions to tax goods-in-transit. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property.

The Town or Denton County may create one or more tax increment financing zones ("TIRZ") within the Town or Denton County, as applicable, and freeze the taxable values of property in the TIRZ at the property's value at the time of creation of the TIRZ. Other overlapping taxing units levying taxes in the TIRZ may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIRZ in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIRZ. Taxes levied by the Town against the values of real property in the TIRZ in excess of the "frozen" value are not available for general Town use but are restricted to paying or financing "project costs" within the TIRZ. The Town also may enter into tax abatement agreements to encourage economic development in the Town. Under the agreements, a property owner agrees to construct certain improvements on its property. The Town, 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. The Town has active reinvestment zones for tax abatements and tax increment financing zones for tax increment financing purposes. See "Tax Information"- Tax Increment Financing Zones and Public Improvement Districts" and "Table 1 - Valuation, Exemptions and General Obligation Debt".

The Town is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the Town. In accordance with a program established pursuant to Chapter 380, the Town may make loans or grants of public funds such as ad valorem taxes or sales taxes for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the Town. The Town has entered into several Chapter 380 Agreements. See "Tax Information - Chapter 380 Agreements".

NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE . . . The Following terms as used in this section have the meanings provided below:

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

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

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

"special taxing unit" means a town 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 cumulative difference between a town's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2023, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" mean 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 for all property in the Town to the Town Council by August 1 of each year, or as soon as practicable thereafter.

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

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

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

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

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

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

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

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the 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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the Town is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

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

2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS . . . The 89th Regular Legislative Session convened on January 14, 2025 and concluded on June 2, 2025. The Governor of Texas (the "Governor") may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the Town and also affect the marketability or market value of the Bonds. The Town can make no representation or prediction regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the Town, the Town does not anticipate that the security for payment of the Bonds, specifically, the Town's obligation to levy an annual ad valorem tax, within the limits prescribed by law, would be adversely affected by any such legislation.

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 \$10,000; the disabled are also granted an exemption of \$10,000.

The Town has adopted a homestead exemption of one-half percent (.5%) to all qualified homeowners subject to the Town's property tax; provided, however, that if this percentage produces an exemption of less than \$10,000 when applied to a residence homestead, the individual shall be entitled to an exemption of \$10,000 of the assessed value of the property.

The Town adopted a tax freeze for citizens who are disable or are 65 years of age or older.

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

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

The Town does not tax nonbusiness personal property; and the Denton County Tax Office collects taxes for the Town.

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

The Town does not tax freeport property but does tax goods-in-transit.

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TABLE 1 – ASSESSED VALUATION AND EXEMPTION

2024/2025 Market Valuation Established by Denton County Appraisal District (including totally exempt property)		\$ 1,326,761,171
Less Exemptions/Reductions at 100% Market Value:		
Disabled Veterans	\$ 17,513,233	
Disability	170,000	
Over 65 Exemption	2,641,700	
Homestead Exemption	8,944,192	
Productivity Loss	23,849,338	
Homestead Cap Adjustments	44,154,035	<u>97,272,498</u>
2024/2025 Taxable Assessed Valuation		\$ 1,229,488,673
General Obligation Debt Payable from Ad Valorem Taxes (as of 5/15/2025)		\$ 14,612,000
The Bonds ⁽¹⁾		<u>16,495,000</u>
Total General Obligation Debt Payable from Ad Valorem Taxes		<u>\$ 31,107,000</u>
General Obligation Interest and Sinking Fund (as of 4/30/2025) ⁽²⁾		\$ 3,288,101
Ratio of General Obligation Tax Debt to Taxable Assessed Valuation		2.53%

2025 Estimated Population - 10,104
Per Capita Taxable Assessed Valuation - \$121,683
Per Capita Total Funded Debt - \$3,079

(1) Preliminary, subject to change.

(2) The Town has a debt service payment in the amount of \$1,020,671.28 due on September 1, 2025.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2025		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,123,841,998	84.71%	\$ 1,034,145,712	86.05%	\$ 811,366,033	88.09%
Real, Vacant Lots/Tracts	81,377,590	6.13%	53,149,007	4.42%	29,786,054	3.23%
Real, Acreage (Land Only)	23,897,614	1.80%	31,859,924	2.65%	33,593,193	3.65%
Real, Farm and Ranch Improvements	9,312,888	0.70%	20,343,683	1.69%	8,044,705	0.87%
Real, Commercial	34,305,507	2.59%	24,260,918	2.02%	22,167,415	2.41%
Real and Tangible Personal, Utilities	4,569,420	0.34%	3,962,090	0.33%	3,697,040	0.40%
Tangible Personal, Commercial	5,376,660	0.41%	3,853,133	0.32%	4,705,914	0.51%
Tangible Personal, Other	-	0.00%	-	0.00%	-	0.00%
Residential Inventory	44,079,494	3.32%	30,254,749	2.52%	7,678,548	0.83%
Total Appraised Value Before Exemptions	\$ 1,326,761,171	100.00%	\$ 1,201,829,216	100.00%	\$ 921,038,902	100.00%
Less: Total Exemptions/Reductions	(97,272,498)		(139,633,974)		(103,007,929)	
Taxable Assessed Value	<u>\$ 1,229,488,673</u>		<u>\$ 1,062,195,242</u>		<u>\$ 818,030,973</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 600,391,571	90.58%	\$ 560,012,272	91.64%
Real, Vacant Lots/Tracts	6,830,287	1.03%	8,250,167	1.35%
Real, Acreage (Land Only)	9,567,725	1.44%	11,705,964	1.92%
Real, Farm and Ranch Improvements	4,054,187	0.61%	4,591,147	0.75%
Real, Commercial	18,680,872	2.82%	14,409,896	2.36%
Real and Tangible Personal, Utilities	3,330,770	0.50%	3,178,060	0.52%
Tangible Personal, Commercial	5,053,487	0.76%	3,646,986	0.60%
Tangible Personal, Other	-	0.00%	67,202	0.01%
Residential Inventory	14,934,909	2.25%	5,259,596	0.86%
Total Appraised Value Before Exemptions	\$ 662,843,808	100.00%	\$ 611,121,290	100.00%
Less: Total Exemptions/Reductions	(19,037,396)		(20,254,041)	
Taxable Assessed Value	<u>\$ 643,806,412</u>		<u>\$ 590,867,249</u>	

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

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TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Debt Per Capita
2021	7,550	\$ 590,867,249	\$ 78,261	\$ 20,636,000	3.49%	\$ 2,733
2022	7,564	643,806,412	85,115	19,035,000	2.96%	2,517
2023	8,260	818,030,973	99,035	17,379,000	2.12%	2,104
2024	9,367	1,062,195,242	113,398	15,653,000	1.47%	1,671
2025	10,104	1,229,488,673	121,683	30,357,000 ⁽³⁾	2.47%	3,004

(1) Source: Town Staff.

(2) As reported by the Denton County Appraisal District on Town's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes the Bonds. Preliminary, subject to change.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Total Actual Levy ⁽¹⁾	% Current Collections	% Total Collections
2021	\$ 0.7721	\$ 0.3918	\$ 0.3803	\$ 4,559,078	99.51%	99.63%
2022	0.7321	0.3970	0.3351	4,724,573	98.98%	100.16%
2023	0.6020	0.3126	0.2893	4,938,943	99.64%	100.55%
2024	0.5140	0.2954	0.2186	5,417,919	99.71%	100.07%
2025	0.4794	0.2894	0.1900	5,888,035	99.12% ⁽²⁾	99.43% ⁽²⁾

(1) As reported by the Denton County Tax Assessor-Collector.

(2) Collections as of May 31, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
KLLB AIV LLC	Commercial Land	\$ 41,023,878	3.34%
RPM Xconstruction LLC	Commercial Land	11,199,789	0.91%
R & M Materials LLC	Industrial Manufacturing	10,549,042	0.86%
M/I Homes of DFW LLC	Homebuilder	10,405,977	0.85%
2931 & 380 Partners LLC	Commercial Land	6,951,294	0.57%
North Texas Natural Select Materials LLC	Wholesale / Distribution	6,855,888	0.56%
Lennar Homes of Texas Land & Construction Ltd	Homebuilder	6,428,237	0.52%
DR Horton Texas Ltd	Homebuilder	4,393,430	0.36%
Aldi (Texas) LLC	Grocery Store	4,258,800	0.35%
Hooda Corporation Inc.	Residential	4,077,325	0.33%
		<u>\$ 106,143,660</u>	<u>8.63%</u>

Source: Denton County Appraisal District

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

TABLE 6 – TAX ADEQUACY ⁽¹⁾

Principal and Interest Requirements, FY 2025	\$ 2,352,956
\$0.19435 Tax Rate at 98% Collection Produces	\$ 2,353,047
Average Annual Principal and Interest Requirements, FY 2025-2050	\$ 1,894,428
\$0.15648 Tax Rate at 98% Collection Produces	\$ 1,894,545
Maximum Annual Principal and Interest Requirements, FY 2026	\$ 3,249,529
\$0.26840 Tax Rate at 98% Collection Produces	\$ 3,249,590

(1) Includes the Bonds. Preliminary; subject to change.

TABLE 7 – ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2024/2025 Taxable Assessed Value	2024/2025 Tax Rate	Total G.O. Tax Debt As of 6/15/2025	Estimated % Applicable ⁽¹⁾	Town's Overlapping G.O. Tax Debt As of 6/15/2025
Town of Providence Village	\$ 1,229,488,673	\$ 0.4759	\$ 31,107,000 ⁽²⁾	100.00%	\$ 31,107,000
Aubrey Independent School District	3,283,813,994	1.2552	344,876,976	21.05%	72,596,603
Denton County	192,688,469,909	0.1879	773,065,000	0.51%	3,942,632
Denton Independent School District	34,988,324,969	1.1569	2,104,582,488	0.93%	19,572,617
Total Direct and Overlapping G. O. Tax Debt					\$ 127,218,852
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation					10.35%
Per Capita Overlapping G. O. Tax Debt					\$ 13,582

(1) As reported by the Municipal Advisory Council of Texas.

(2) Includes the Bonds. Preliminary; subject to change.

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DEBT INFORMATION

TABLE 8 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service			The Bonds ⁽¹⁾			Total General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2025	\$ 1,791,000	\$ 561,956	\$ 2,352,956	\$ -	\$ -	\$ -	\$ 2,352,956	
2026	1,861,000	490,468	2,351,468	-	898,061	898,061	3,249,529	
2027	1,935,000	419,263	2,354,263	60,000	823,250	883,250	3,237,513	
2028	1,996,000	354,192	2,350,192	70,000	820,000	890,000	3,240,192	
2029	2,070,000	281,984	2,351,984	70,000	816,500	886,500	3,238,484	30.65%
2030	2,165,000	199,118	2,364,118	65,000	813,125	878,125	3,242,243	
2031	2,250,000	114,443	2,364,443	70,000	809,750	879,750	3,244,193	
2032	335,000	56,824	391,824	250,000	801,750	1,051,750	1,443,574	
2033	250,000	47,063	297,063	360,000	786,500	1,146,500	1,443,563	
2034	250,000	38,625	288,625	390,000	767,750	1,157,750	1,446,375	50.51%
2035	250,000	30,000	280,000	415,000	747,625	1,162,625	1,442,625	
2036	250,000	20,000	270,000	450,000	726,000	1,176,000	1,446,000	
2037	250,000	10,000	260,000	480,000	702,750	1,182,750	1,442,750	
2038	-	-	-	775,000	671,375	1,446,375	1,446,375	
2039	-	-	-	810,000	631,750	1,441,750	1,441,750	61.96%
2040	-	-	-	855,000	590,125	1,445,125	1,445,125	
2041	-	-	-	900,000	546,250	1,446,250	1,446,250	
2042	-	-	-	945,000	500,125	1,445,125	1,445,125	
2043	-	-	-	995,000	451,625	1,446,625	1,446,625	
2044	-	-	-	1,045,000	400,625	1,445,625	1,445,625	76.70%
2045	-	-	-	1,095,000	347,125	1,442,125	1,442,125	
2046	-	-	-	1,155,000	290,875	1,445,875	1,445,875	
2047	-	-	-	1,215,000	231,625	1,446,625	1,446,625	
2048	-	-	-	1,275,000	169,375	1,444,375	1,444,375	
2049	-	-	-	1,340,000	104,000	1,444,000	1,444,000	95.61%
2050	-	-	-	1,410,000	35,250	1,445,250	1,445,250	100.00%
	<u>\$ 15,653,000</u>	<u>\$ 2,623,935</u>	<u>\$ 18,276,935</u>	<u>\$ 16,495,000</u>	<u>\$ 14,483,186</u>	<u>\$ 30,978,186</u>	<u>\$ 49,255,121</u>	

(1) Preliminary, subject to change.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Interest and Sinking Fund Balance, as of 9/30/2024	\$ 1,701,052
Budgeted Interest and Sinking Fund Tax Levy	2,346,360
Budgeted Delinquent Taxes, Penalties and Interest	<u>90,000</u>
Total Available	\$ 4,137,412
 Less: Net Tax Supported Debt Service Requirements (FY 2025)	 \$ 2,352,956
Projected Interest and Sinking Fund Balance as of 9/30/2025	<u><u>\$ 1,784,456</u></u>

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT

The Town anticipates the issuance of up to \$3,200,000 combination tax and revenue certificates of obligation on July 15, 2025. The Town does not anticipate the issuance of additional general obligation debt for the 24-month period thereafter.

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FINANCIAL INFORMATION

TABLE 10 – GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30				
	2024	2023	2022	2021	2020
REVENUES:					
Property Taxes	\$ 3,128,870	\$ 2,589,117	\$ 2,570,127	\$ 2,310,390	\$ 2,185,067
Sales & Beverage Taxes	607,693	558,907	506,543	411,357	345,120
Franchise Fees	561,630	446,792	407,062	310,795	353,027
Permits & Fees	3,030,845	1,768,044	1,558,171	830,606	677,340
Intergovernmental	-	-	-	-	214,487
Other Revenues	17,043	51,328	1,197	-	2,447
Fines and forfeitures	121,881	123,574	116,891	34,315	31,164
Interest Income	208,195	125,490	23,316	1,177	13,289
TOTAL REVENUES	7,676,157	5,663,252	5,183,307	3,898,640	3,821,941
EXPENDITURES					
General Government	2,524,491	2,009,321	1,835,850	1,586,552	1,561,884
Municipal Court	134,078	130,270	82,859	34,077	39,632
Public Safety	2,329,347	1,596,666	1,505,987	1,218,159	974,255
Debt Service	20,913	20,913	19,213	-	-
Capital Outlay	208,209	85,503	219,419	-	-
TOTAL EXPENDITURES	5,217,038	3,842,673	3,663,328	2,838,788	2,575,771
EXCESS REVENUES OVER (UNDER)					
EXPENDITURES BEFORE OTHER SOURCES (USES)	2,459,119	1,820,579	1,519,979	1,059,852	1,246,170
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	\$ (796,370)	\$ (560,000)	\$ (534,504)	\$ (600,476)	\$ (560,000)
Proceeds from Leases Issued	53,741	-	51,217	-	-
NET TRANSFERS	(742,629)	(560,000)	(483,287)	(600,476)	(560,000)
EXCESS REVENUE OVER (UNDER) EXPENDITURES	1,716,490	1,260,579	1,036,692	459,376	686,170
FUND BALANCE - BEGINNING	4,240,091	2,979,512	1,942,820	1,483,444 ⁽¹⁾	847,361
FUND BALANCE - ENDING	\$ 5,956,581	\$ 4,240,091	\$ 2,979,512	\$ 1,942,820	\$ 1,533,531

(1) Restated.

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TABLE 11 - MUNICIPAL SALES TAX HISTORY

The Town has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, as amended, which grants the Town the power to impose and levy a 1% Local Sales and Use Tax within the Town; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Additionally, effective October 1, 2012, the Town increased the rate by 1/2 of 1% for the benefit of property tax relief. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the Town monthly.

Fiscal Year Ended 9/30	Sales Tax Collected	(1) % of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Value	Per Capita
2021	\$ 406,231	8.90%	\$ 0.0688	\$ 53.81
2022	483,752	10.26%	0.0751	63.95
2023	539,686	8.44%	0.0660	65.34
2024	597,525	10.94%	0.0563	63.79
2025	451,732 (2)	7.67%	0.0367	44.71

(1) As reported by the Texas Comptroller of Public Accounts.

(2) Collections as of May 2025.

INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE TOWN . . . 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 issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the Town in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the Town's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the Town appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for Town deposits, or (ii) where (a) the funds are invested by the Town through a broker or institution that has a main office or branch office in the State and selected by the Town in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), 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) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper

is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the Town is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party designated by the Town, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The 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. 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.

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 include a list of authorized investments for Town funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the 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.

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

The Town's investment policy authorizes investment of Town funds in the investments described in the first paragraph of this section.

Under Texas law, the Town's 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 probable income to be derived." At least quarterly the Town's investment officers must submit an investment report to the Town Council 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 during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest Town funds without express written authority from the Town Council.

ADDITIONAL PROVISIONS . . . Under Texas law, the Town is additionally required to: (1) annually review its adopted policies and strategies and adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance, or resolution; (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the Town to disclose the relationship and file a statement with the Texas Ethics Commission and the Town; (3)

require the registered principal of firms seeking to sell securities to 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 activities 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 Town's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the Town's investment policy; (5) 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 repurchase agreement; (6) restrict the investment in mutual funds in the aggregate to no more than 80% of the Town's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and further restrict the investment in no-load mutual funds of any portion of bond proceeds, reserves and funds held for debt service and 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; (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer; and (9) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Town.

TABLE 12 - CURRENT INVESTMENTS

As of April 30, 2025, the Town's available funds were invested as follows:

Description	Market Value	Book Value
Bank Accounts	\$ 883,875	\$ 883,875
TexPool	13,752,857	13,752,857
	<u>\$ 14,636,732</u>	<u>\$ 14,636,732</u>

TAX MATTERS

OPINION . . . The delivery of the Bonds is subject to the opinion of Winstead PC, Dallas, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) is not an item of tax preference for purposes of the alternative minimum tax for the owners thereof who are individuals. A form of Bond Counsel's opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Town and the Council made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Bond Ordinance subsequent to the issuance of the Bonds. The Bond Ordinance contains covenants by the Town and the Council with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express 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 Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds 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, individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial asset securitization investment trust, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or how 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 December 31, 2022, an "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

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

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

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

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

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

TAX ACCOUNTING TREATMENT OF PREMIUM BONDS. . . The initial public offering price of certain Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond 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 Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, all of which are subject to change or modification, retroactively.

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

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

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

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

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

STATE, LOCAL AND FOREIGN TAXES

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

INFORMATION REPORTING AND BACKUP WITHHOLDING

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

FUTURE AND PROPOSED LEGISLATION

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Ordinance, the Town has made the following agreement for the benefit of the holders and beneficial owners of the respective series of Bonds. The Town is required to observe each agreement while it remains obligated to advance funds to pay such Bonds. Under each agreement, the Town will be obligated to provide certain updated financial information and operating data annually, and the timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The Town will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 12 and in APPENDIX B, which is the Town's annual audited financial report. The Town will update and provide the information in the numbered tables referred to above within six months after the end of each fiscal year ending in and after 2025. The Town will additionally provide audited financial statements 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 information of the type described in the numbered tables above by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the Town may be required to employ from time to time pursuant to State law or regulation.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by the Rule.

The Town's current fiscal year end is September 30. Accordingly, it must provide updated financial and operating data by March 31 of each year and financial statements by September 30 in 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 Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the 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 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 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, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the 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.

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

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 Bonds 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 of Bonds may seek a writ of mandamus to compel the Town to comply with its agreement.

The Town may amend its continuing disclosure agreement for the Bonds from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Town, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described

herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds, consent to the amendment or (b) any person unaffiliated with the Town (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Town may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Town so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Except as described in this paragraph, during the last five (5) years, the Town has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. The Town did not file its unaudited or audited financial statements for the fiscal years ending September 30 in each of the years 2022 and 2023 by the required deadline of March 31 of the next succeeding year. The audited financial statements of the Town for the fiscal year ending September 30, 2022 were filed on August 19, 2023; audited financial statements for the fiscal year ending September 30, 2023 were filed on April 18, 2024. The Town has filed a material event notice in connection with the late filings.

OTHER INFORMATION

RATING

The Bonds and the presently outstanding tax supported debt of the Town are rated "A1" by Moody's Investor Service, Inc. ("Moody's"). An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organizations and the Town makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Bonds.

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.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

The Bonds. Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudence standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

General Considerations. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The Town has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Town has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

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

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from Town 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.

FINANCIAL ADVISOR

Hilltop Securities Inc., ("HilltopSecurities") is employed as Financial Advisor to the Town in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASER

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Town will furnish to the Initial Purchaser a certificate, executed by a proper Town officer, acting in such officer's official capacity, to the effect that to the best of such officer'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 Bonds, 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; (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; and (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.

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.

MISCELLANEOUS

The Bond Ordinance authorizing the issuance of the Bonds will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Bonds by the Initial Purchaser.

ATTEST:

Mayor
Town of Providence Village, Texas

Town Secretary
Town of Providence Village, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE TOWN

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THE TOWN

LOCATION AND BRIEF HISTORY

Providence Village began as a master-planned community in northeastern Denton County, Texas, United States. It is situated along U.S. Highway 380 near the intersection with FM 2931. The development originally included approximately 2,300 homes and over 6,000 people. On May 8, 2010, residents voted overwhelmingly in favor of incorporating the community as a town. On May 9, 2015, residents voted overwhelmingly in favor of adopting a Home Rule Charter. Fire, EMT, Police, Municipal Court, Library, Water, Wastewater, Solid Waste Collection, Recycling, Building Inspection, Health Inspection, Engineering and Code Compliance services are provided directly by the Town, by contract or via interlocal agreement with neighboring governmental entities. In 2017, the Town added approximately 2.1 sq. miles to its extra-territorial jurisdiction through boundary agreements/adjustments with Aubrey and Little Elm, providing approximately 3 additional miles of FM 2931 frontage for future commercial development. Providence Village now includes over 4,000 homes and over 10,000 people within the town limits.

EDUCATION

Public education in Providence Village is provided by two Independent School Districts (ISDs), Aubrey and Denton.

The Aubrey Independent School District serves the portion of Providence Village north of Fishtrap Road. For the 2017-2018 school year, students are zoned to Monaco Elementary School (grades PK-4), Aubrey Middle School (grades 5-8), and Aubrey High School (grades 9-12). Areas south of Fishtrap Road are served by the Denton Independent School District. For the 2017-2018 school year, students are zoned to Providence Elementary School (grades K-5), Rodriguez Middle School (grades 6-8), and Braswell High School.

Both Monaco Elementary and Providence Elementary are located within the Providence Village community.

LABOR FORCE

Denton County Employment figures, as reflected by the Texas Workforce Commission, are as follows:

	<u>2025 ⁽¹⁾</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Labor Force	605,743	594,996	581,563	556,405	526,040
Employed	585,652	572,903	560,655	538,019	502,502
Unemployed	20,091	22,093	20,908	18,386	23,538
Unemployment Rate	3.3%	3.7%	3.6%	3.3%	4.5%

(1) As of April 2025.

APPENDIX B

EXCERPTS FROM THE
TOWN OF PROVIDENCE VILLAGE, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the Town of Providence Village, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2024 and is not intended to be a complete statement of the Town's financial condition. Reference is made to the complete Report for further information.

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ANNUAL FINANCIAL REPORT

of the

Town of Providence Village, Texas

For the Year Ended September 30, 2024

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Town of Providence Village, Texas

ANNUAL FINANCIAL REPORT

September 30, 2024

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION:	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	16
Statement of Activities.....	18
Government Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities...	23
Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Funds.....	24
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	25
Statement of Cash Flows - Proprietary Funds.....	27
Fiduciary Fund Financial Statements:	
Statement of Net Position - Fiduciary Funds.....	28
Statement of Revenues, Expenses, and Changes in Net Position - Fiduciary Funds.....	29
Notes to the Financial Statements.....	31
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund.....	67

Schedule of Changes in the City's Net Pension Liability and Related Ratios - TMRS	
Last Ten Measured Years.....	68
Schedule of Contributions to Pension Plan - TMRS	
Last Ten Fiscal Years.....	70
Schedule of Changes in Total OPEB Liability and Related Ratios - TMRS	
Last Ten Measured Years.....	72

Nonmajor Governmental Funds

Combining Statements as Supplementary Information:

Combining Balance Sheet - Nonmajor Governmental Funds.....	76
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Nonmajor Governmental Funds.....	78

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor & Town Council
Town of Providence Village, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Providence Village, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Providence Village, 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. 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 of Providence Village, Texas, 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 of Providence Village, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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 of Providence Village, Texas's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Vail + Park, P.C.

Tom Bean, Texas
April 1, 2025

Town of Providence Village, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2024

As management of the Town of Providence Village, Texas (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2024.

Financial Highlights

- The Town's total combined net position is \$22,242,292 at September 30, 2024. Of this, \$5,243,364 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the Town's governmental funds reported combined fund balances of \$9,884,726, an increase of \$2,885,870.
- As of the end of the year, the unassigned fund balance of the General Fund was \$5,956,581 or 114% of total General Fund expenditures.
- The Town had an overall increase in net position of \$12,128,629, which is primarily due to governmental activities revenue exceeding the current year's expenses.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government- wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide 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 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. Other non-financial factors, such as the Town's property tax base and the condition of the Town's infrastructure, need to be considered in order to assess the overall health of the Town.

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

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

Town of Providence Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

The government-wide financial statements include not only the Town itself (known as the *primary government*), but also the legally separate, discretely presented component unit, the Providence Village Economic Development Corporation (PVEDC). The nature and significance of the relationship between the primary government and the PVEDC is such that exclusion would cause the Town's financial statements to be misleading or incomplete. The PVEDC does not issue separate financial statements.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the Town of Providence Village. They are usually segregated for specific activities or objectives. The Town of Providence Village uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of Town funds are governmental and proprietary.

Governmental Funds

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

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

The Town of Providence Village maintains 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, debt service, and capital improvements funds which are considered major funds.

The Town of Providence Village adopts an annual appropriated budget for its general, debt service, capital projects, capital improvement projects, and utility funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget.

Proprietary Funds

The Town maintains two types of proprietary funds which are considered enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its operation of the Town's water and sewer system, and accounts for sanitation functions. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Town of Providence Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, Management Discussion & Analysis ("MD&A"), and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund and schedule of changes in net pension and total OPEB liability, and related ratios for Texas Municipal Retirement System. The RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the Town's financial position. For the Town of Providence Village, assets and deferred outflows exceeded liabilities and deferred inflows by \$22,242,292 as of September 30, 2024, in the primary government.

The largest portion of the Town's net position, \$13,070,783, reflects its investments in capital assets (e.g., land, building improvements, streets, and water and sewer facilities), less any 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 investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Current and other assets of Governmental Activities as of September 30, 2024, and September 30, 2023 were \$12,346,970 and \$9,116,880, respectively. The increase of \$3,230,090 was primarily due to greater cash on hand resulting from increased current year revenues. Capital and right to use assets of Governmental Activities as of September 30, 2024 and September 30, 2023 were \$17,922,742, and \$9,397,441, respectively. The increase of \$8,525,301, was primarily attributable to developer contributions of street infrastructure connected to the Foree Ranch Public Improvement District. Long-term liabilities of Governmental Activities as of September 30, 2024 and September 30, 2023 were \$6,520,130 and \$7,411,505, respectively. The decrease of \$891,375 is primarily due to principal payments made during the current year, as required and a decrease in net pension liability (\$11,142).

Current and other assets of Business-Type Activities as of September 30, 2024 and September 30, 2023 were \$(143,709) and \$178,854, respectively. The decrease of \$322,563 was due to decreased internal balances in fiscal year 2024. Other liabilities of Business-Type Activities as of September 30, 2024 and September 30, 2023 were \$1,906,886 and \$1,462,742, respectively. The increase is due to an increase in accounts payable for water & sewer expenses. Long-term liabilities of Business-Type Activities as of September 30, 2024 and September 30, 2023 were \$7,967,260 and \$8,892,460, respectively. The decrease of \$925,200 is primarily due to principal payments made during the current year, as required.

Town of Providence Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2024			2023		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets						
Current and other assets	\$ 12,346,970	\$ (143,709)	\$ 12,203,261	\$ 9,116,880	\$ 178,854	\$ 9,295,734
Capital assets, net	17,922,742	11,422,154	29,344,896	9,397,441	11,770,557	21,167,998
Total Assets	30,269,712	11,278,445	41,548,157	18,514,321	11,949,411	30,463,732
Deferred Outflows of Resources	97,493	132,198	229,691	120,578	157,371	277,949
Liabilities						
Other liabilities	3,118,940	1,906,886	5,025,826	2,857,736	1,462,742	4,320,478
Long-term liabilities	6,520,130	7,967,260	14,487,390	7,411,505	8,892,460	16,303,965
Total Liabilities	9,639,070	9,874,146	19,513,216	10,269,241	10,355,202	20,624,443
Deferred Inflows of Resources	22,340	-	22,340	3,575	-	3,575
Net Position						
Net investment in capital assets	10,541,089	2,529,694	13,070,783	1,231,716	1,935,993	3,167,709
Restricted	3,979,236	-	3,979,236	2,757,827	-	2,757,827
Unrestricted	6,185,470	(993,197)	5,192,273	4,372,540	(184,413)	4,188,127
Total Net Position	\$ 20,705,795	\$ 1,536,497	\$ 22,242,292	\$ 8,362,083	\$ 1,751,580	\$ 10,113,663

Town of Providence Village, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2024

Statement of Activities:

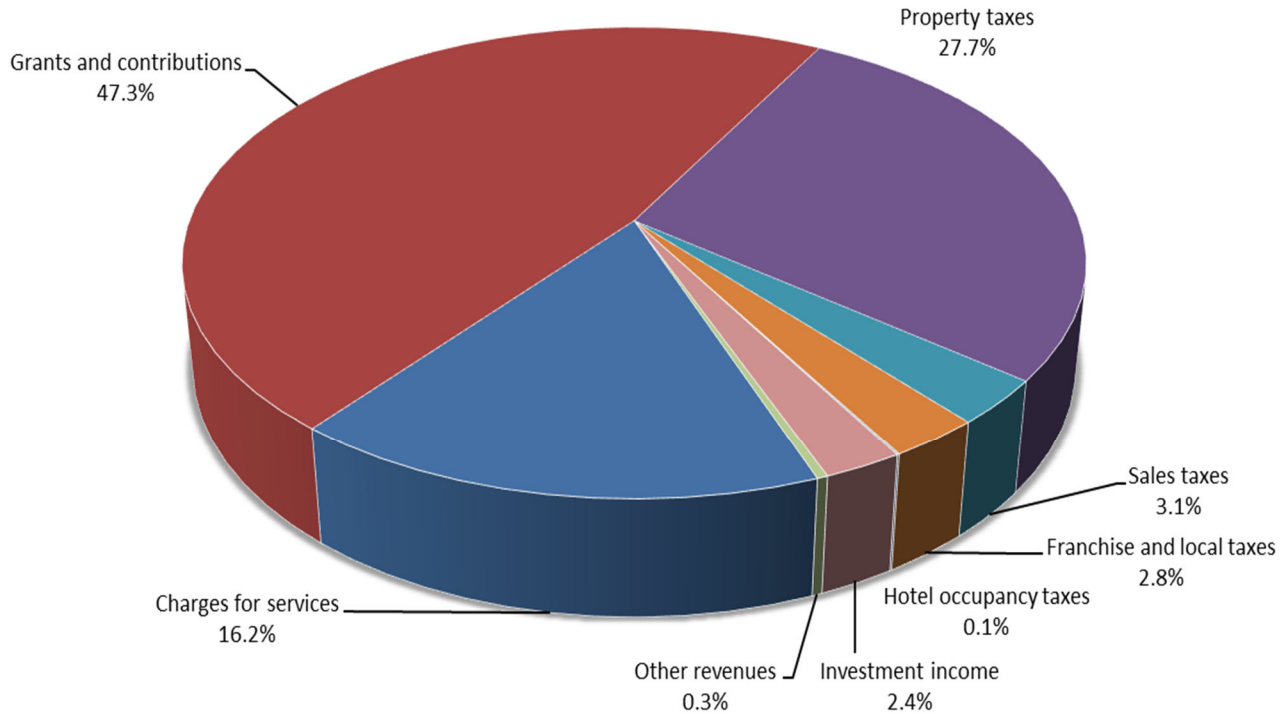
The following table provides a summary of the Town's changes in net position:

	2024		2023	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenue				
Program Revenue				
Charges for services	\$ 3,219,804	\$ 4,327,307	\$ 7,547,111	\$ 3,969,003
Grants and contributions	9,384,623	-	9,384,623	-
General Revenue				
Property taxes	5,495,606	-	5,495,606	-
Sales taxes	607,693	-	607,693	-
Franchise and local taxes	561,630	-	561,630	-
Hotel occupancy taxes	13,948	-	13,948	-
Investment income	481,154	29,736	510,890	24,380
Other revenues	65,827	-	65,827	-
Total Revenue	19,830,285	4,357,043	24,187,328	3,993,383
			8,223,703	12,182,355
Expenses				
General government	3,531,616	-	3,531,616	-
Public safety	2,453,727	-	2,453,727	-
Municipal court	135,753	-	135,753	-
Interest and fiscal charges	269,011	317,063	586,074	345,307
Water, sewer, & sanitation	-	5,351,529	5,351,529	4,657,699
Total Expenses	6,390,107	5,668,592	12,058,699	5,003,006
Change in Net Position Before Transfers	13,440,178	(1,311,549)	12,128,629	(1,009,623)
Transfers	(1,096,466)	1,096,466	-	1,003,227
Total	(1,096,466)	1,096,466	-	1,003,227
Change in Net Position	12,343,712	(215,083)	12,128,629	(6,396)
Beginning Net Position	8,362,083	1,751,580	10,113,663	1,757,976
Ending Net Position	\$ 20,705,795	\$ 1,536,497	\$ 22,242,292	\$ 1,751,580
			\$ 8,362,083	\$ 10,113,663

Town of Providence Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the Town's activities.

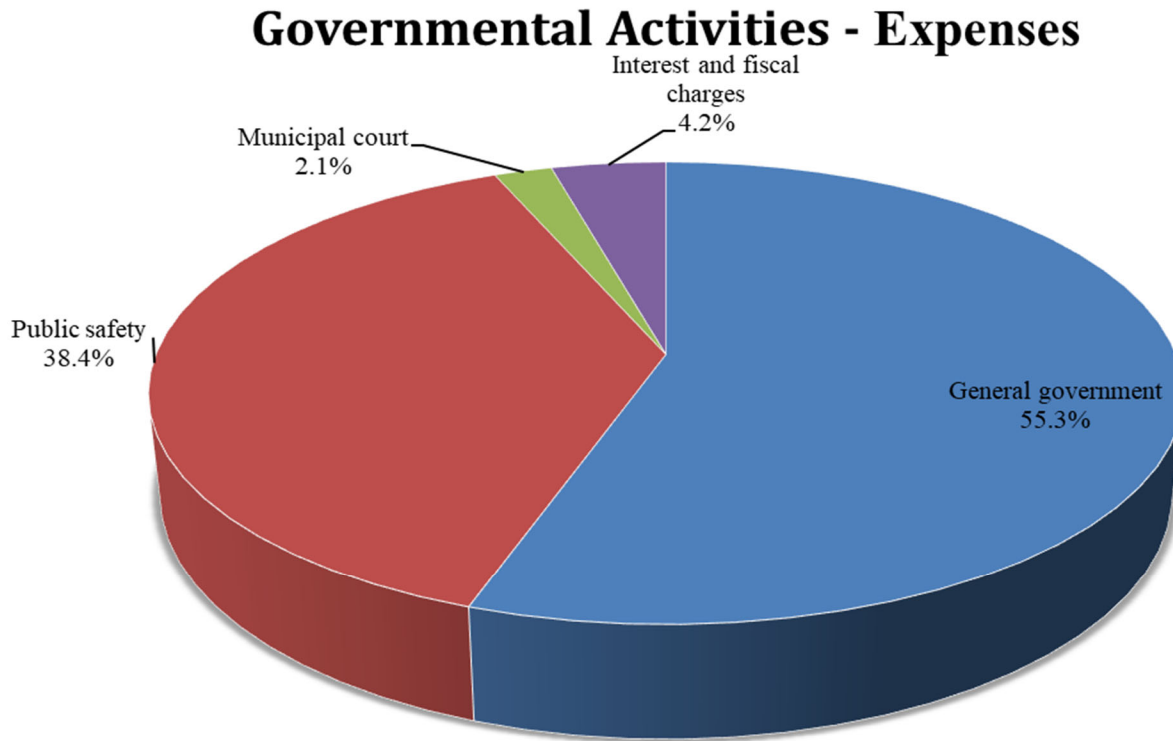
Governmental Activities - Revenues



For the year ended September 30, 2024, revenues from governmental activities totaled \$19,830,285. Contributions of capital assets, property tax, and charges for services are the Town's largest revenue sources. Capital assets valued at \$9,384,623 were contributed to the Town during the year, representing streets constructed by the developer of the Foree Ranch Public Improvement District. Property tax increased \$553,714 or 11% due to an increase in the taxable appraisal value of properties. Charges for services increased by \$1,339,041, or 71%, due to increases in the number of new constructions permits issued for the PID. Investment income increased by \$145,332, or 43%, due to an increase in the interest rate in fiscal year 2024. All other revenues remained relatively stable over the course of the fiscal year.

Town of Providence Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

This graph shows the governmental function expenses of the Town:

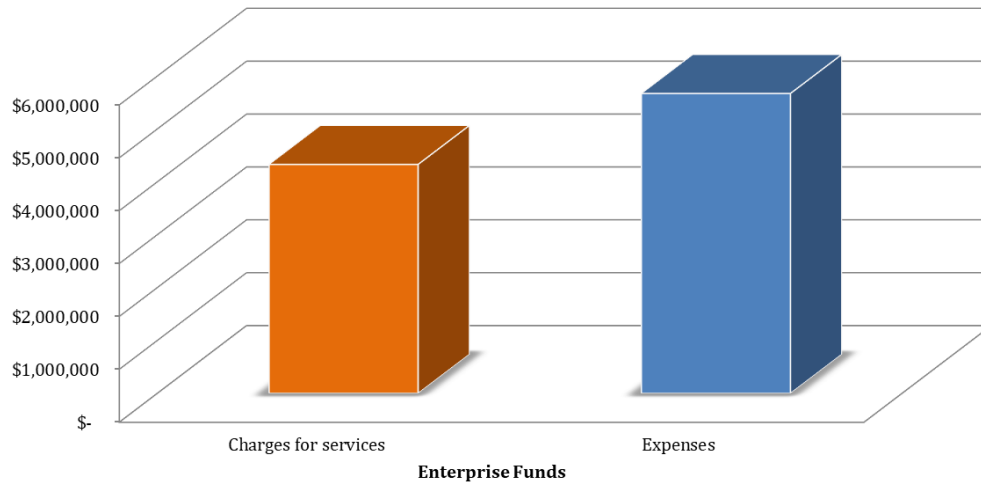


For the year ended September 30, 2024, expenses for governmental activities totaled \$6,390,107. This represents an increase of \$1,573,475 or 33% from the prior year. The Town's largest functional expense is general government in the amount of \$3,531,616. General government expenses increased by \$755,289 or 27% primarily due to maintenance expenses and professional service costs in the current year.

Town of Providence Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2024, charges for services by business-type activities totaled \$4,327,307. This is an increase of \$358,304, or 9% from the previous year. This increase directly relates to an increase in refuse billing rates and growth in the Town's customer base compared to the prior year.

Total expenses for business-type activities increased \$665,586 or 13%, due to increased vendor contract costs.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of the end of the year the general fund reflected a total fund balance of \$5,956,581. The unassigned fund balance totaled \$5,956,581 as of year end. The general fund balance increased by \$1,716,490 primarily as a result of greater than anticipated revenues.

As of September 30, 2024, the debt service fund reflected a fund balance of \$1,701,052, an increase of \$227,756 from the prior year. The fund experienced an increase primarily due to property tax revenues for interest and sinking fund requirements increasing from the prior year.

As of September 30, 2024, the capital improvements projects fund reflected a total fund balance of \$2,186,051, an increase of \$1,024,170 from the prior year. The increase is primarily a result of proceeds from the sale of capital assets during the year.

Town of Providence Village, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

As of September 30, 2024, the nonmajor governmental funds reflected a total fund balance of \$41,042, a decrease of \$82,546. The decrease was primarily a result increased governmental expenditures related to the Foree Ranch PID.

There was an increase in governmental fund balance of \$2,885,870 from the prior year. The increase was primarily a result of current year revenue increases in contributions of capital assets, licenses & permits, and property taxes.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$1,386,598 in the general fund. This was primarily the result of positive expenditure variance totaling \$3,033,348. Most expenditures were less than final budgeted appropriations, with the exception of public safety & capital outlay.

CAPITAL ASSETS

As of the end of the year, the Town's governmental activities funds had invested \$17,922,742 in a variety of capital and right to use assets and infrastructure, net of accumulated depreciation/amortization. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The Town's business-type activities funds had invested \$11,422,154 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Capital contributions in the \$9,384,623 from the developers of Foree Ranch.

More detailed information about the Town's capital assets is presented in note IV. C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the Town had total bonds and certificates of obligation outstanding, in the amount of \$15,653,000. During the year, principal payments totaling \$1,726,000 were made, as required. More detailed information about the Town's long-term liabilities is presented in note IV. D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and Town Council are committed to maintaining and improving the overall wellbeing of the Town of Providence Village and improving services provided to their public citizens. The Town is budgeting conservatively for the upcoming year and planning to maintain similar services.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town of Providence Village's finances for all those with an interest in the Town's finances. Questions concerning this report or requests for additional financial information should be directed to the Town of Providence Village Finance Manager at 940-365-9333.

BASIC FINANCIAL STATEMENTS

Town of Providence Village, Texas

STATEMENT OF NET POSITION

As of September 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Providence Village EDC
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,596,149	\$ 371,875	\$ 10,968,024	\$ 829,222
Receivables, (net)	559,115	655,665	1,214,780	35,023
Prepaid expenses	-	403	403	-
Internal balances	1,171,652	(1,171,652)	-	-
Due from other governments	20,054	-	20,054	-
Total Current Assets	12,346,970	(143,709)	12,203,261	864,245
Capital and right to use assets:				
Non depreciable capital assets	1,002,753	3,296,199	4,298,952	-
Net depreciable capital assets	16,919,989	8,125,955	25,045,944	-
Net right to use assets	-	-	-	-
Total Noncurrent Assets	17,922,742	11,422,154	29,344,896	-
Total Assets	30,269,712	11,278,445	41,548,157	864,245
Deferred Outflows of Resources				
Deferred outflows - pension	59,738	-	59,738	-
Deferred outflows - OPEB	3,891	-	3,891	-
Deferred charges on refunding	33,864	132,198	166,062	-
Total Deferred Outflows of Resources	\$ 97,493	\$ 132,198	\$ 229,691	\$ -

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Providence Village EDC
Liabilities				
Current liabilities:				
Accounts payable	\$ 242,971	\$ 793,926	\$ 1,036,897	\$ 383
Accrued liabilities and other payables	121,880	8,752	130,632	-
Unearned revenue	1,829,754	-	1,829,754	-
Due to other governments	-	-	-	20,054
Customer deposits	2,300	156,820	159,120	-
Accrued interest payable	21,448	22,188	43,636	-
Due within one year:				
Bonds and notes payable	901,934	969,804	1,871,738	-
Accrued compensated absences	18,309	-	18,309	-
Total Current Liabilities	3,138,596	1,951,490	5,090,086	20,437
Noncurrent liabilities:				
Due in more than one year:				
Bonds and notes payable	6,424,487	7,922,656	14,347,143	-
Net pension liability	61,041	-	61,041	-
Total OPEB liability	14,946	-	14,946	-
Total Noncurrent Liabilities	6,500,474	7,922,656	14,423,130	-
Total Liabilities	9,639,070	9,874,146	19,513,216	20,437
Deferred Inflows of Resources				
Deferred inflows - pension	19,950	-	19,950	-
Deferred inflows - OPEB	2,390	-	2,390	-
Total Deferred Inflows of Resources	22,340	-	22,340	-
Net Position				
Net investment in capital assets	10,541,089	2,529,694	13,070,783	-
Restricted for:				
Child safety	41,869	-	41,869	-
Municipal court	51,202	-	51,202	-
Debt service	1,701,052	-	1,701,052	-
Capital projects	2,134,022	-	2,134,022	-
Economic development	-	-	-	843,808
Unrestricted	6,236,561	(993,197)	5,243,364	-
Total Net Position	\$ 20,705,795	\$ 1,536,497	\$ 22,242,292	\$ 843,808

Town of Providence Village, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 3,492,108	\$ 3,030,845	\$ -	\$ 9,384,623
Public safety	2,493,235	-	-	-
Municipal court	135,753	188,959	-	-
Interest and fiscal charges	269,011	-	-	-
Total Governmental Activities	6,390,107	3,219,804	-	9,384,623
Business-Type Activities:				
Water, sewer, & sanitation	5,668,592	4,327,307	-	-
Total Business-Type Activities	5,668,592	4,327,307	-	-
Total Primary Government	\$ 12,058,699	\$ 7,547,111	\$ -	\$ 9,384,623
Component Unit				
Economic Development Corporation	4,937	-	-	-
Total Component Unit	\$ 4,937	\$ -	\$ -	\$ -

General Revenues:

Property taxes
Sales and use taxes
Franchise and local taxes
Hotel occupancy taxes
Investment income
Other revenues
Transfers in (out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning
Net Position - Ending

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Providence Village EDC
\$ 8,923,360		\$ 8,923,360	
(2,493,235)		(2,493,235)	
53,206		53,206	
(269,011)		(269,011)	
6,214,320		6,214,320	
-	\$ (1,341,285)	(1,341,285)	
-	(1,341,285)	(1,341,285)	
\$ 6,214,320	\$ (1,341,285)	\$ 4,873,035	
			\$ (4,937)
			\$ (4,937)
5,495,606	-	5,495,606	-
607,693	-	607,693	201,164
561,630	-	561,630	-
13,948	-	13,948	-
481,154	29,736	510,890	37,307
65,827	-	65,827	-
(1,096,466)	1,096,466	-	-
6,129,392	1,126,202	7,255,594	238,471
12,343,712	(215,083)	12,128,629	233,534
8,362,083	1,751,580	10,113,663	610,274
\$ 20,705,795	\$ 1,536,497	\$ 22,242,292	\$ 843,808

Town of Providence Village, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS

As of September 30, 2024

	General Fund	Debt Service Fund	Capital Improvement Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 6,179,141	\$ 1,819,633	\$ 2,456,333	\$ 141,042	\$ 10,596,149
Receivables, net:					
Property taxes	32,824	33,957	-	-	66,781
Sales taxes	105,070	-	-	-	105,070
Court	200,589	-	-	-	200,589
Other	186,675	-	-	-	186,675
Due from other funds	1,515,323	-	-	-	1,515,323
Due from other governments	20,054	-	-	-	20,054
Prepays	-	-	-	-	-
Total Assets	\$ 8,239,676	\$ 1,853,590	\$ 2,456,333	\$ 141,042	\$ 12,690,641
Liabilities					
Accounts payable	\$ 196,899	\$ -	\$ 46,072	\$ -	\$ 242,971
Accrued liabilities and other payables	21,880	-	-	100,000	121,880
Customer deposits	2,300	-	-	-	2,300
Due to other funds	-	119,461	224,210	-	343,671
Unearned revenue	1,829,754	-	-	-	1,829,754
Total Liabilities	2,050,833	119,461	270,282	100,000	2,540,576
Deferred Inflows of Resources					
Unavailable revenue - property taxes	31,673	33,077	-	-	64,750
Unavailable revenue - fines	200,589	-	-	-	200,589
Total Deferred Inflows of Resources	232,262	33,077	-	-	265,339
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted for:					
Child safety	-	-	-	41,869	41,869
Municipal court	-	-	-	51,202	51,202
Debt service	-	1,701,052	-	-	1,701,052
Capital projects	-	-	2,186,051	(52,029)	2,134,022
Unassigned reported in:					
General Fund	5,956,581	-	-	-	5,956,581
Total Fund Balances	5,956,581	1,701,052	2,186,051	41,042	9,884,726
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,239,676	\$ 1,853,590	\$ 2,456,333	\$ 141,042	\$ 12,690,641

Town of Providence Village, Texas
*RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION*
 As of September 30, 2024

Fund Balances - Total Governmental Funds \$ 9,884,726

Amounts reported for governmental activities in the Statement of Net Position ("SNP")

Capital and right to use assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds. 17,922,742

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds

Property taxes receivables	64,750
Fines receivable	200,589

Deferred outflows (inflows) of resources represent a consumption (source) of net position that applies to a future period(s) and are not recognized as an outflow (inflow) of resources (expense/expenditure) until then.

Pension amounts	39,788
OPEB amounts	1,501
Deferred charges on bond refunding	33,864

Some liabilities, including interest, bonds payable, leases payable, and net pension and total OPEB liabilities, are not reported as liabilities in the governmental funds.

Accrued interest	(21,448)
Accrued compensated absences	(18,309)
Non-current debt/leases payable due in one year	(918,412)
Non-current debt/leases payable due in more than one year	(6,408,009)
Net pension and total OPEB liability	(75,987)

Net Position of Governmental Activities - Statement of Net Position	\$ 20,705,795
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Town of Providence Village, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General Fund	Debt Service Fund	Capital Improvement Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	\$ 3,128,870	\$ 2,318,340	\$ -	\$ 41,432	\$ 5,488,642
Sales and mixed beverage taxes	607,693	-	-	-	607,693
Franchise and local taxes	561,630	-	-	-	561,630
Hotel occupancy taxes	13,948	-	-	-	13,948
Licenses and permits	3,030,845	-	-	-	3,030,845
Fines and forfeitures	121,881	-	-	-	121,881
Investment income	208,195	129,757	143,092	110	481,154
Other revenue	3,095	-	-	8,991	12,086
Grants	-	-	302,460	-	302,460
Total Revenues	<u>7,676,157</u>	<u>2,448,097</u>	<u>445,552</u>	<u>50,533</u>	<u>10,620,339</u>
Expenditures					
Current operating:					
General government	2,524,491	-	180,479	93,571	2,798,541
Public safety	2,329,347	-	-	39,508	2,368,855
Municipal court	134,078	-	-	-	134,078
Debt service:					
Principal retirement	13,372	828,500	-	-	841,872
Interest and fiscal charges	7,541	295,375	-	-	302,916
Capital outlay	208,209	-	37,273	-	245,482
Total Expenditures	<u>5,217,038</u>	<u>1,123,875</u>	<u>217,752</u>	<u>133,079</u>	<u>6,691,744</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,459,119	1,324,222	227,800	(82,546)	3,928,595
Other Financing Sources (Uses)					
Transfers in	103,630	-	900,000	-	1,003,630
Transfers out	(900,000)	(1,096,466)	(103,630)	-	(2,100,096)
Proceeds from the sale of capital assets	53,741	-	-	-	53,741
Total Other Financing Sources (Uses)	<u>(742,629)</u>	<u>(1,096,466)</u>	<u>796,370</u>	<u>-</u>	<u>(1,042,725)</u>
Net Change in Fund Balances	1,716,490	227,756	1,024,170	(82,546)	2,885,870
Fund Balances - Beginning	<u>4,240,091</u>	<u>1,473,296</u>	<u>1,161,881</u>	<u>123,588</u>	<u>6,998,856</u>
Fund Balances - Ending	<u>\$ 5,956,581</u>	<u>\$ 1,701,052</u>	<u>\$ 2,186,051</u>	<u>\$ 41,042</u>	<u>\$ 9,884,726</u>

Town of Providence Village, Texas
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES*
For the Year Ended September 30, 2024

Net Change in Fund Balances - Total Governmental Funds \$ 2,885,870

Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	245,481
Depreciation and amortization expense	(802,344)
Contributed capital assets not recognized at the fund level	9,082,163

Revenues in the SOA that do not provide current financial resources are not reported as revenues in the governmental funds.	74,042
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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 they are first issued; whereas, the amounts are deferred and amortized in the Statement of Activities. The following amounts are the net effect of these differences in the treatment of long-term debt and related items:

Net changes in bonds and leases	841,872
Proceeds from leases	-
Net changes in debt premium/discount	36,134
Net changes in deferred charges on refunding	(4,838)

Some expenses reported in the Statement of Activities do not require the use of

Compensated absences	10,638
Accrued interest	2,609
Pension and OPEB expense	(27,915)

Net Position of Governmental Activities - Statement of Activities	\$ 12,343,712
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Town of Providence Village, Texas
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
As of September 30, 2024

	Water, Sewer & Sanitation Fund	Nonmajor Utility Capital Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 371,875	\$ 371,875
Receivables, net	655,665	-	655,665
Prepaid expenses	403	-	403
Due from other funds	110,002	-	110,002
Total Current Assets	<u>766,070</u>	<u>371,875</u>	<u>1,137,945</u>
Noncurrent assets:			
Capital Assets			
Non-depreciable	2,788,040	508,159	3,296,199
Net depreciable capital assets	8,125,955	-	8,125,955
Total Noncurrent Assets	<u>10,913,995</u>	<u>508,159</u>	<u>11,422,154</u>
Total Assets	<u>11,680,065</u>	<u>880,034</u>	<u>12,560,099</u>
Deferred Outflows of Resources			
Deferred charges on bond refunding	132,198	-	132,198
Total Deferred Outflows of Resources	<u>132,198</u>	<u>-</u>	<u>132,198</u>
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	710,316	83,610	793,926
Due to other funds	1,281,654	-	1,281,654
Accrued interest payable	22,188	-	22,188
Utility customer deposits	156,820	-	156,820
Sales tax payable	8,752	-	8,752
Long-term debt due within one year	969,804	-	969,804
Total Current Liabilities	<u>3,149,534</u>	<u>83,610</u>	<u>3,233,144</u>
Noncurrent Liabilities			
Long-term debt due in more than one year	7,922,656	-	7,922,656
Total Noncurrent Liabilities	<u>7,922,656</u>	<u>-</u>	<u>7,922,656</u>
Total Liabilities	<u>11,072,190</u>	<u>83,610</u>	<u>11,155,800</u>
Deferred Inflows of Resources			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Net investment in capital assets	2,021,535	508,159	2,529,694
Unrestricted	(1,281,462)	288,265	(993,197)
Total Net Position	<u>\$ 740,073</u>	<u>\$ 796,424</u>	<u>\$ 1,536,497</u>

Town of Providence Village, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2024

	Water, Sewer & Sanitation Fund	Nonmajor Utility Capital Fund	Total
Operating Revenues			
Charges for sales and services:			
Water sales	\$ 2,086,651	\$ -	\$ 2,086,651
Sewer charges	1,458,989	-	1,458,989
Garbage collection	753,448	-	753,448
Other revenue	28,219	-	28,219
Total Operating Revenues	<u>4,327,307</u>	<u>-</u>	<u>4,327,307</u>
Operating Expenses			
Cost of water	2,294,808	-	2,294,808
Cost of sewer	1,496,242	-	1,496,242
Cost of garbage	764,374	-	764,374
Depreciation	653,525	-	653,525
Miscellaneous	-	142,580	142,580
Total Operating Expenses	<u>5,208,949</u>	<u>142,580</u>	<u>5,351,529</u>
Operating Income (Loss)	(881,642)	(142,580)	(1,024,222)
Non-Operating Revenues (Expenses)			
Investment income	12,427	17,309	29,736
Interest expense	(317,063)	-	(317,063)
Total Non-Operating Revenues (Expenses)	<u>(304,636)</u>	<u>17,309</u>	<u>(287,327)</u>
Income (Loss) Before Transfers	(1,186,278)	(125,271)	(1,311,549)
Transfers in	1,136,006	-	1,136,006
Transfers out	-	(39,540)	(39,540)
Net Transfers In (Out)	<u>1,136,006</u>	<u>(39,540)</u>	<u>1,096,466</u>
Changes in Net Position	(50,272)	(164,811)	(215,083)
Net Position - Beginning	790,345	961,235	1,751,580
Net Position - Ending	<u>\$ 740,073</u>	<u>\$ 796,424</u>	<u>\$ 1,536,497</u>

Town of Providence Village, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended September 30, 2024

	Water, Sewer & Sanitation Fund	Nonmajor Utility Capital Projects Fund	Totals
Cash Flows from Operating Activities			
Cash received from customers	\$ 4,288,152	\$ -	\$ 4,288,152
Cash payments to other suppliers and employees	(4,163,302)	(58,970)	(4,222,272)
Net Cash Provided (Used) by Operating Activities	<u>124,850</u>	<u>(58,970)</u>	<u>65,880</u>
Cash Flows from Non-capital Financing Activities			
Short term borrowing between funds	1,882	-	1,882
Transfers out to other funds	-	(39,540)	(39,540)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,882</u>	<u>(39,540)</u>	<u>(37,658)</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(35,429)	(265,582)	(301,011)
Transfers from other funds	1,136,006	-	1,136,006
Principal paid on debt	(897,500)	-	(897,500)
Interest paid on debt	(342,236)	-	(342,236)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(139,159)</u>	<u>(265,582)</u>	<u>(404,741)</u>
Cash Flows from Investing Activities			
Interest and dividends on investments	12,427	17,309	29,736
Net Cash Provided (Used) by Investing Activities	<u>12,427</u>	<u>17,309</u>	<u>29,736</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	(346,783)	(346,783)
Cash and Cash Equivalents at Beginning of Year	-	718,658	718,658
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 371,875</u>	<u>\$ 371,875</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (881,642)	\$ (142,580)	\$ (1,024,222)
Provided (used) by operating activities:			
Depreciation	653,525	-	653,525
Change in Assets and Liabilities:			
Decrease (increase) in receivables	(26,105)	-	(26,105)
Decrease (increase) in prepaid expenses	(3)	-	(3)
Increase (decrease) in accounts payable	387,957	83,610	471,567
Increase (decrease) in utility customer deposits	(13,050)	-	(13,050)
Increase (decrease) in sales tax payable	4,168	-	4,168
Net Cash Provided (Used) by Operating Activities	<u>\$ 124,850</u>	<u>\$ (58,970)</u>	<u>\$ 65,880</u>

Town of Providence Village, Texas
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY AGENCY FUNDS
PUBLIC IMPROVEMENT DISTRICTS (PID)
As of September 30, 2024

	Force Ranch Public Improvement District
Assets	
Restricted cash and cash equivalents	\$ 6,363,796
Total Assets	<u>6,363,796</u>
Liabilities	
Long-term debt	<u>6,982,215</u>
Total Liabilities	<u>6,982,215</u>
Net Position	
Restricted for public improvement district	<u>(618,419)</u>
Total Net Position	<u><u>\$ 6,363,796</u></u>

Town of Providence Village

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY AGENCY FUNDS PUBLIC IMPROVEMENT DISTRICTS (PID)

As of September 30, 2024

	Foree Ranch Public Improvement District
Additions	
Investment earnings	\$ 2,727
Total Additions	<u>2,727</u>
Deductions	
Administrative expenses	3,500
Bond issuance costs	<u>617,646</u>
Total Deductions	<u>621,146</u>
Change in Net Position	(618,419)
Beginning Net Position	<u>-</u>
Ending Net Position	<u><u>\$ (618,419)</u></u>

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The Town of Providence Village, Texas (the “Town”) was incorporated in 2010 and operates under a “Council-Manager” government. The Town provides the following services: code enforcement and inspection, municipal court, police, public works, sanitation, general administrative services, and water and sewer services.

The Town is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. Additionally, as the Town is considered a primary government for financial reporting purposes, its activities are not considered a part of any other government or other type of reporting entity. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the Town's financial reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the Town’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Town is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the Town’s financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

Discretely Presented Component Unit

The Providence Village Economic Development Corporation

The Providence Village Economic Development Corporation (“PVEDC”) is governed by a seven-member board of directors appointed, at will, by the Town Council. The purpose of the PVEDC is to promote economic development within the Town and in order to enhance employment and public welfare for, and on behalf of, the Town. The PVEDC does not provide services entirely, or almost entirely to the Town, nor does it maintain debt of any type that are repaid using Town resources. Accordingly, the PVEDC is reported as a discretely presented component unit. The PVEDC collects a half cent sales tax to support its activities. The nature and significance of the relationship between the primary government and the PVEDC is such that exclusion would cause the Town’s financial statements to be misleading or incomplete. The PVEDC does not issue separate financial statements.

C. Basis of Presentation Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government’s funds, including its blended component units. Separate statements for each fund category—governmental, fiduciary and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

The government reports the following major governmental funds:

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

General Fund

The general fund is the general operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Debt Service Fund

The debt service fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the Town. The fund balance of the debt service fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Improvements Projects Fund

The Town's capital improvement projects fund accounts for funds designated for capital improvement projects and to account for unspent bond proceeds.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the Town accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the Town include enterprise funds.

The government reports the following major enterprise fund:

Water, Sewer, & Sanitation Fund

This fund is used to account for the operation of the Town's water and sewer system for which a fee is charged to external customers for goods and services and the activity is (1) financed with debt secured by a pledge of the net revenues and (2) has the requirement that the cost of providing services, including capital costs, be recovered by user fees and charges.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

The Town also accounts for sanitation and public works functions as part of the water and sewer fund.

Fiduciary Funds

The Town acts as an agent for the Public Improvement Districts (PID). There is one active PID Agency Fund that accounts for the special assessments and bond proceeds.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

1. Deposits 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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the Town reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

The Town has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the Town is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

The Town has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government”.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) and are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 20 years
Furniture and equipment	5 to 10 years
Infrastructure	20 - 40 years
Water and sewer system	40 years
Buildings and improvements	40 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town reports a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Town also reports deferred pension and OPEB expenses that arise from payments made to the pension trustee applicable to subsequent periods and changes in assumptions. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City reports deferred charges on refunding and deferred inflows related to leases, as well as, pension and OPEB amounts that arise from differences in expected versus actual experience and projected versus actual earnings. An example which arises only under a modified accrual basis of accounting, relates to the accounting for uncollected property taxes. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and court fines. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumptions used within the pension actuarial valuation model.

8. Net Position Flow Assumption

Sometimes the government 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.

9. Fund Balance Flow Assumptions

Sometimes the government 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 government'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.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Non-spendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned fund balance – amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council by resolution authorized the finance division to assign fund balance.

Unassigned fund balance – the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other words, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. According to the Town's fund balance policy, it is the goal of council to achieve and maintain an unassigned fund balance in the general fund of 60-90 days of operating revenues or expenses.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds and leases payable, net pension liability, total OPEB liability, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

The net pension liability is included within long term debt. This liability is valued using an actuarial model and represents the difference between the plan fiduciary net position and the net pension liability consistent with GASB statement no. 68. The portion of this liability presented as a current liability is based on actuarially calculations for estimated future payments of benefits and refunds over the twelve months following yearend.

13. Leases – Lessee

The Town is a lessee for noncancellable leases of property and equipment. The Town recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The Town recognizes lease liabilities with an initial, individual value of \$25,000 or more.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life. Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Other Postemployment Benefits ("OPEB")

The Town has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits plan (SDBP), with retiree coverage. The TMRS SDBP covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBP is considered to be an unfunded OPEB plan.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

For purposes of reporting under GASB 75, the retiree portion of the SDBP is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death.

The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB (total OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

16. Estimates

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

GASB Pronouncements Implemented by the City

The GASB has issued the following statements:

GASB Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain provisions of Statement No 99 are effective upon issuance, while other provisions are effective for fiscal years beginning after June 15, 2022, or 2023. The City has determined that the provisions applicable to the City have no impact on the City's financial statements. GASB issued Statement No. 100, "Accounting Changes and Error Corrections-Amendment of GASB Statement No. 62," which prescribes the accounting and financial reporting for each type of accounting change and error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating the prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The City has implemented this statement.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

GASB issued Implementation Guide No. 2023-1, "Implementation Guidance Update—2023" to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer. This Implementation Guide amends Implementation Guide No. 2019-3, Leases, Question 4.16, and Implementation Guide No. 2021-1, Implementation Guidance Update—2021, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and reporting periods thereafter. The City has seen no impact from implementing this statement.

GASB issued Statement No. 101, "Compensated Absences," that clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City is evaluating the impact that adoption of this Statement on its financial statements.

GASB issued Statement No. 102, "Certain Risk Disclosures," that clarifies the definitions & disclosure guidance for risks due to concentration or constraint. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources and a constraint as a limitation imposed by an external party or formal action of the government's highest level of decision-making authority. The Statement requires the government to assess whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact, and whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin within the 12 months after the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 103, "Financial Reporting Model Improvements," that attempts to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement expands requirements for the management discussion & analysis, presentation of proprietary fund statement of revenues, expenses & changes in fund net position, and information related to major component units & budgetary comparisons. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

GASB issued Statement No. 104, “Disclosure of Certain Capital Assets,” to clarify the disclosure requirements related to capital assets. This Statement requires separate disclosure of capital assets arising from leases, public-private & public-public partnerships & availability payment arrangements, and subscription-based information technology arrangements, and additional disclosures for capital assets held for sale. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, capital improvement projects fund, and water & sewer fund. The appropriated budget is prepared by fund, function, and department. The legal level of control as defined by the town Charter is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. The City amended the budget, through Council ordinances, during the year.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2024, the primary government had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
External investment pools			
TexPool	<u>10,038,093</u>	26	AAAm
<u>Total value</u>	<u>\$ 10,038,093</u>		

Interest rate risk – In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk – The Town’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2023, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the Town’s safekeeping account prior to the

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. As of September 30, 2024, the fair value of the portion in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

B. Fair Value Measurement

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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The investments of the Town consist of certificates of deposit and investment pool assets, which are both exempted from presentation within a fair value hierarchy table. As a result, no such table is presented.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Town's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

C. Receivables

The following comprise receivable balances of the primary government and the Providence Village EDC at year end:

	General	Debt Service	Water, Sewer, & Sanitation	Providence Village EDC	Total
Property taxes	\$ 32,824	\$ 33,957	\$ -	\$ -	\$ 66,781
Sales tax	105,070	-	-	35,023	140,093
Franchise tax	174,929	-	-	-	174,929
Court	401,178	-	-	-	401,178
Accounts	-	-	669,328	-	669,328
Grants	-	-	-	-	-
Other	11,746	-	-	-	11,746
Allowance	(200,589)	-	(13,663)	-	(214,252)
	<u>\$ 525,158</u>	<u>\$ 33,957</u>	<u>\$ 655,665</u>	<u>\$ 35,023</u>	<u>\$ 1,249,803</u>

D. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassification	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 965,481	\$ -	\$ -	\$ 965,481
Construction in progress	-	37,272	-	37,272
Total capital assets not being depreciated	<u>965,481</u>	<u>37,272</u>	<u>-</u>	<u>1,002,753</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	2,799,621	-	-	2,799,621
Equipment	348,314	208,209	-	556,523
Parks	128,384	-	-	128,384
Infrastructure- Roads	13,838,597	9,082,164	-	22,920,761
Right-to-use leased assets	51,217	-	(51,217)	-
Total capital assets, being depreciated/amortized	<u>17,166,133</u>	<u>9,290,373</u>	<u>(51,217)</u>	<u>26,405,289</u>
Less accumulated depreciation/amortization:				
Buildings and improvements	(682,169)	(142,376)	-	(824,545)
Equipment	(169,417)	(67,478)	-	(236,895)
Parks	(26,227)	(8,559)	-	(34,786)
Infrastructure- Roads	(7,817,815)	(571,259)	-	(8,389,074)
Right-to-use leased assets	(38,545)	(12,672)	51,217	-
Total accumulated depreciation/amortization	<u>(8,734,173)</u>	<u>(802,344)</u>	<u>51,217</u>	<u>(9,485,300)</u>
Net capital assets being depreciated/amortized	<u>8,431,960</u>	<u>8,488,029</u>	<u>-</u>	<u>16,919,989</u>
Governmental Capital Assets	<u><u>\$ 9,397,441</u></u>	<u><u>\$ 8,525,301</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,922,742</u></u>

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

Depreciation/amortization expense was charged to governmental functions as follows:

General government	\$ (677,964)
Public safety	<u>(124,380)</u>
Total governmental activities depreciation/amortization expense	<u><u>\$ (802,344)</u></u>

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,871,084	\$ -	\$ -	\$ 1,871,084
Water rights	1,000,000	-	-	1,000,000
Construction in progress	159,533	265,582	-	425,115
Total capital assets not being depreciated	<u>3,030,617</u>	<u>265,582</u>	<u>-</u>	<u>3,296,199</u>
Capital assets, being depreciated:				
Infrastructure - water and sewer system	19,598,635	39,540	-	19,638,175
Total capital assets being depreciated	<u>19,598,635</u>	<u>39,540</u>	<u>-</u>	<u>19,638,175</u>
Less accumulated depreciation				
Infrastructure - water and sewer system	(10,858,695)	(653,525)	-	(11,512,220)
Total accumulated depreciation	<u>(10,858,695)</u>	<u>(653,525)</u>	<u>-</u>	<u>(11,512,220)</u>
Net capital assets being depreciated	<u>8,739,940</u>	<u>(613,985)</u>	<u>-</u>	<u>8,125,955</u>
Total capital assets	<u><u>\$ 11,770,557</u></u>	<u><u>\$ (348,403)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,422,154</u></u>

Depreciation expense was charged to business-type activities as follows:

Water	<u>\$ 653,525</u>
Total Business-Type Activities Depreciation Expense	<u><u>\$ 653,525</u></u>

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

E. Long-term Debt

The following is a summary of changes in the Town's total governmental long-term liabilities for the year ended September 30, 2024. In general, the Town uses the Debt Service Fund to liquidate governmental long-term liabilities.

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation refunding bonds	\$ 7,901,550	\$ -	\$ (828,500)	\$ 7,073,050	\$ 865,800
Bond premium	289,505	-	(36,134)	253,371	36,134
Total Bonds Payable	8,191,055	-	(864,634)	7,326,421	901,934
Right-to-use lease liability	13,372	-	(13,372)	-	-
Net pension liability	72,183	-	(11,142)	61,041	-
Total OPEB liability	12,901	2,045	-	14,946	-
Compensated absences	28,946	18,309	(28,946)	18,309	18,309
Total Governmental Activities	\$ 8,318,457	\$ 20,354	\$ (918,094)	\$ 7,420,717	\$ 920,243
Business-Type Activities:					
Bonds payable:					
General obligation refunding bonds	\$ 9,477,450	\$ -	\$ (897,500)	\$ 8,579,950	\$ 925,200
Bond premium	357,114	-	(44,604)	312,510	44,604
Total Bonds Payable	9,834,564	-	(942,104)	8,892,460	969,804
Total Business-Type Activities	\$ 9,834,564	\$ -	\$ (942,104)	\$ 8,892,460	\$ 969,804

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities			
2014 Tax Refunding Bonds (60%)	2.00 - 4.00%	\$ 5,430,000	\$ 2,510,000
2014 Tax Road Bonds (100%)	3.00%	2,820,000	2,470,000
2017 Tax Refunding Bonds (41%)	4.00%	3,601,850	2,093,050
Total Governmental Activities		11,851,850	7,073,050
Business-Type Activities			
2014 Tax Refunding Bonds (40%)	2.00 - 4.00%	3,800,000	1,670,000
2016 General Obligation Refunding Bonds (100%)	3.85%	3,505,000	2,665,000
2017 Tax Refunding Bonds (59%)	4.00%	5,183,150	3,011,950
2020 General Obligation Refunding Bonds (100%)	2.29%	1,294,000	1,233,000
Total Business-type Activities		13,782,150	8,579,950

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

Total Long-Term Debt			
2014 Tax Refunding Bonds (60%)	2.00 - 4.00%	9,230,000	4,180,000
2014 Tax Road Bonds (100%)	3.00%	2,820,000	2,470,000
2016 General Obligation Refunding Bonds (100%)	3.85%	3,505,000	2,665,000
2017 Tax Refunding Bonds (41%)	4.00%	8,785,000	5,105,000
2020 General Obligation Refunding Bonds (100%)	2.29%	1,294,000	1,233,000
Total Primary Government		\$ 25,634,000	\$ 15,653,000

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Governmental Activities						
	2014 Refunding Bonds		2014 Road Bonds		2017 GO Refunding		Premium
	Principal	Interest	Principal	Interest	Principal	Interest	Amortization
2025	\$ 405,000	\$ 97,288	\$ 100,000	\$ 85,244	\$ 360,800	\$ 76,506	\$ 36,134
2026	410,000	81,088	100,000	82,244	387,450	61,541	36,134
2027	415,000	64,688	100,000	79,244	250,100	48,790	36,134
2028	420,000	51,200	125,000	76,244	256,250	38,663	36,134
2029	430,000	34,400	150,000	72,494	264,450	28,249	36,134
2030-2034	430,000	25,800	1,145,000	271,020	574,000	22,878	72,701
2035-2039	-	-	750,000	60,000	-	-	-
Total	\$ 2,510,000	\$ 354,464	\$ 2,470,000	\$ 726,490	\$ 2,093,050	\$ 276,627	\$ 253,371

The 2014 Tax Refunding Bonds issued October 1, 2014, due in annual installments through September 1, 2031, bearing interest ranging from 2.0% to 4.0% payable September 1. The governmental activities portion is 60% or \$5,430,000 of the total \$9,550,000 issue.

The 2014 Tax Road Bonds issued December 1, 2014, due in annual installments through September 1, 2037, bearing interest ranging from 2.0% payable September 1. The governmental activities portion is 100% of the total issue of \$2,820,000.

The 2017 Tax Refunding Bonds issued March 1, 2018, due in annual installments through September 1, 2032, bearing interest of 4.00% payable March 1 and September 1. The governmental activities portion is 41% or \$3,601,850 of the total \$8,785,000 issue.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Business-Type Activities								
	2014 Refunding		2016 Series		2017 GO Refunding		2020 GO Refunding		Premium
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Amortization
2025	\$ 245,000	\$ 65,000	\$ 150,000	\$ 99,715	\$ 519,200	\$ 110,094	\$ 11,000	\$ 28,110	\$ 44,604
2026	245,000	55,200	145,000	94,036	557,550	88,559	16,000	27,801	44,604
2027	240,000	45,400	180,000	87,780	359,900	70,210	390,000	23,152	44,604
2028	240,000	37,600	185,000	80,754	368,750	55,637	401,000	14,095	44,604
2029	235,000	28,000	195,000	73,439	380,550	40,651	415,000	4,752	44,604
2030-2034	465,000	27,800	1,810,000	75,652	826,000	32,922	-	-	89,490
Total	\$ 1,670,000	\$ 259,000	\$ 2,665,000	\$ 511,376	\$ 3,011,950	\$ 398,073	\$ 1,233,000	\$ 97,910	\$ 312,510

The 2014 Tax Refunding Bonds issued October 1, 2014, due in annual installments through September 1, 2031, bearing interest ranging from 2.0% to 4.0% payable September 1. The business-type activities portion is 40% or \$3,800,000 of the total \$9,550,000 issue.

The 2016 General Obligation Refunding Bonds issued January 1, 2016, due in annual installments through September 30, 2032, bearing interest ranging of 3.85% payable September 30. The business-type activities portion is 100% of the total \$3,505,000 issue.

The 2017 Tax Refunding Bonds issued March 1, 2018, due in semi-annual installments through September 1, 2032, bearing interest of 4.00% payable March 1 and September 1. The business-type activities portion is 59% or \$5,183,150 of the total \$8,785,000 issue.

The 2020 General Obligation Refunding Bonds issued March 1, 2020, due in semi-annual installments through March 1, 2029, bearing interest of 2.29% payable March 1 and September 1. The business-type activities portion is 100% of the total \$1,276,000 issue.

General obligation bonds are direct obligations of the Town for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the Town. The Town is not obligated in any manner for special assessment debt.

Right-to-Use Lease Liability

The Town had entered into a lease agreement as the lessee. The lease allowed the right-to-use a building over the term of the lease. The Town is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the lease.

The lease expired without renewal during the year ended September 30, 2024.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

F. Deferred Charge on Refunding

Deferred charges resulting from the issuance of series 2017 General Obligation Refunding Bonds and 2020 General Obligation Refunding Bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding certificates of obligation. The end of year balances totaled \$33,864 for governmental activities and \$132,198 for business-type activities. Current year amortization expense for governmental activities totaled \$4,838. For business-type activities amortization expense was \$25,173.

G. Customer Deposits

The Town had customer deposits of \$156,820 in the Water, Sewer, & Sanitation fund as of yearend. The Town requires a refundable deposit for all new home building permits. This amount will be refunded upon completion of the project and by meeting certain criteria set by the Town. In addition, the General Fund maintained building permit deposits of \$2,300 as of yearend.

H. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2024 were as follows:

	Due From Other Funds	Due To Other Funds	Internal Balances
Governmental Funds:			
General Fund	\$ 1,515,323	\$ -	\$ 1,515,323
Debt Service Fund	-	119,464	(119,464)
CIP Fund	-	224,209	(224,209)
	<u>\$ 1,515,323</u>	<u>\$ 343,673</u>	<u>\$ 1,171,650</u>
Proprietary Funds:			
Water, Sewer, & Sanitation Fund	\$ 110,002	\$ 1,281,652	\$ (1,171,650)
	<u>\$ 110,002</u>	<u>\$ 1,281,652</u>	<u>\$ (1,171,650)</u>

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

The summary of interfund transfers for the year ended September 30, 2024 was as follows:

	Transfers To Other Funds	Transfers From Other Funds	Net Transfers
Governmental Funds:			
General Fund	\$ 900,000	\$ 103,630	\$ 796,370
CIP Fund	103,630	900,000	(796,370)
Debt Service Fund	1,096,466	-	1,096,466
	<u>\$ 2,100,096</u>	<u>\$ 1,003,630</u>	<u>\$ 1,096,466</u>
Proprietary Funds:			
Water, Sewer, & Sanitation Fund	\$ -	\$ 1,136,006	\$ (1,136,006)
Utility Capital Projects	39,540	-	39,540
	<u>\$ 39,540</u>	<u>\$ 1,136,006</u>	<u>\$ (1,096,466)</u>

I. Fund Balance Restrictions

The Town records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted/committed by the Town:

	Governmental Funds	Business-Type Activities
Restricted for:		
Child safety	\$ 41,869	\$ -
Municipal court	51,202	-
Debt service	1,700,114	-
Capital projects	2,186,051	-
Total	<u>\$ 3,979,236</u>	<u>\$ -</u>

* Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of damage to and destruction of assets, errors and omissions; and natural disasters for which the Town participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The Town has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The Town has not significantly reduced insurance coverage or had settlements which exceeded

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting 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 amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders.

Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the Town could result. The Town does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The Town will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Pension and OPEB Plans

Texas Municipal Retirement Systems

1. Plan Description

The Town of Providence Village participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

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

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

	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>
Employee deposit rate	5%	5%
Matching ratio (city to employer)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers

Employees Covered by Benefit Terms:

At the December 31, 2023 and 2022 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Inactive employees or beneficiaries currently receiving benefits	2	2
Inactive employees entitled to but not yet receiving benefits	7	4
Active employees	13	11
Total	<u>22</u>	<u>17</u>

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

3. Contributions

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

Employees for the Town of Providence Village were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Providence Village were 8.83% and 8.25% in calendar years 2023 and 2024, respectively. The Town's contributions to TMRS for the year ended September 30, 2024, were \$68,324, and were equal to the required contributions.

4. 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%
Overall payroll growth	3.6% to 11.85%, including inflation
Investment Rate of Return	6.75%

Salary increases were based on a service-related table. The retirement age is based on the experience-based table of rates that are specific to the Town's plan of benefits.

It was last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018. Mortality rates for post-retirement are based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. The pre-retirement members is based on the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2015 through 2017 and dated December 31, 2019.

Effective December 31, 2015, the long-term expected rate of return on TMRS pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and the production of income in order to satisfy the short-term and long-term funding needs of TMRS. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%.

The target allocation and best estimates of real rates of 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 Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Other Public and Private Markets	12.0%	8.0%
Real Estate	12.0%	7.6%
Hedge Funds	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	<u>100.0%</u>	

Discount Rate:

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

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase 7.75%
\$151,766	\$61,041	(\$15,447)

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/22	\$ 513,425	\$ 441,242	\$ 72,183
Changes for the year:			
Service Cost	102,237	-	102,237
Interest	38,374	-	38,374
Change in benefit terms	24,118		24,118
Difference between expected and actual experience	(27,448)	-	(27,448)
Changes of assumptions	(3,711)	-	(3,711)
Contributions - employer	-	52,097	(52,097)
Contributions - employee	-	41,236	(41,236)
Net investment income	-	51,706	(51,706)
Benefit payments, including refunds or emp. contributions	(40,314)	(40,314)	-
Administrative expense	-	(325)	325
Other changes	-	(2)	2
Net changes	93,256	104,398	(11,142)
Balance at 12/31/23	<u>\$ 606,681</u>	<u>\$ 545,640</u>	<u>\$ 61,041</u>

Pension Plan Fiduciary Net Position:

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

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

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

For the year ended September 30, 2024, the Town recognized pension expense of \$45,761.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	\$ (16,229)
Changes in actuarial assumptions	-	(3,721)
Difference between projected and investment earnings	8,558	-
Contributions subsequent to the measurement date	51,180	-
Total	\$ 59,738	\$ (19,950)

The Town reported \$51,180 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that 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:

Year ended December 31:	Deferred Outflow/(Inflow) of Resources
2024	\$ 631
2025	716
2026	4,016
2027	(7,985)
2028	(4,618)
Thereafter	(4,152)
Total	\$ (11,392)

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

Other Postemployment Benefits (OPEB)

1. Plan Description

The Town also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBP). The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town may terminate coverage under and discontinue participation in the SDBP by adopting an ordinance before November 1 of any year to be effective the following January 1.

2. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City offers supplemental death to:	Plan Year 2023	Plan Year 2022
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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

Employees Covered by Benefit Terms:

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

	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>13</u>
Total	<u>17</u>

3. Contributions

The Town's contributions to the TMRS SDBP for the fiscal years ended 2024 and 2023 were \$1,794 and \$1,431, respectively, which equaled the required contributions each year.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

Schedule of Contribution Rates (Retiree-only portion of the rate)

Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2023	0.22%	0.22%	100.00%
2024	0.22%	0.22%	100.00%

4. Total OPEB Liability

The Town's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.6% to 11.85%, including inflation per year.
Discount rate	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis with scale UMP to account for future mortality improvements. For disabled annuitants, the 2019 Municipal Retirees of Texas mortality tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

1% Decrease 2.77%	Current Discount Rate 3.77%	1% Increase 4.77%
\$ 18,446	\$ 14,946	\$ 12,311

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/22	\$ 12,901
Changes for the year:	
Service Cost	1,507
Interest	550
Difference between expected and actual experience	(702)
Changes in assumptions	841
Benefit payments	(151)
Net changes	<u>2,045</u>
Balance at 12/31/23	<u>\$ 14,946</u>

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

For the year ended September 30, 2024, the Town recognized OPEB expense of \$1,695. At September 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in actuarial assumptions	\$ 2,489	\$ -
Difference between projected and investment earnings	-	(2,390)
Contributions subsequent to the measurement date	1,402	-
Total	\$ 3,891	\$ (2,390)

The Town reported \$1,402 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in expense as follows:

Year ended December 31:	Deferred Outflow (Inflow) of Resources
2024	\$ 86
2025	86
2026	75
2027	245
2028	(21)
Thereafter	(372)
Total	\$ 99

E. Public Improvement Districts

On September 7, 2022, the Town Council passed Resolution No. 2022-253 authorizing the establishment of Public Improvement District No. 1 for Foree Ranch (PID #1) in accordance with Chapter 372 of the Texas Tax Code. PID #1 consists of approximately 419.130 acres of land located entirely within the corporate boundaries of the Town of Providence Village, Denton County, Texas that were created to finance certain public improvement projects for the benefit of the property in PID #1. The Town will act as the property owner's agent by collecting any special assessments tax collections and forwarding them to the developers. These collections have not yet begun. The monies that the Town handles for the PID are reported in the fiduciary fund financial statements.

PID #1 issued bonds for the development of the district on August 6, 2024, in the total amount of \$7,027,000. These bonds are divided into three tranches, as below:

Town of Providence Village, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

Description	Interest Rates	Maturity Dates	Original Balance	Current Balance
Fiduciary Activities				
2024 Term Bonds, Tranch 1	4.38%	9/1/2031	\$ 770,000	\$ 725,215
2024 Term Bonds, Tranch 2	5.00%	9/1/2044	2,600,000	2,600,000
2024 Term Bonds, Tranch 3	5.25%	9/1/2054	3,657,000	3,657,000
Total Fiduciary Activities			<u>7,027,000</u>	<u>6,982,215</u>

These bonds were authorized in order to finance the projects benefiting the PID #1 including certain roadways and improvements. Proceeds of the bonds were deposited into trust accounts with US Bank for the purpose of funding improvements in the projects described above. US Bank serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time-to-time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned or transferred to Trustee. The Town is not obligated in any manner for this special assessment debt but merely acts as the property owner's agent in handling the debt service transactions by collecting any special assessments tax collections and forwarding them to the Trustee and the bondholders. These collections have not begun.

F. Subsequent Events

Management has evaluated subsequent events through April 1, 2025, the date the financial statements were available to be issued. There are no matters to disclose.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Town of Providence Village, Texas
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended September 30, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes:				
Property	\$ 5,459,225	\$ 5,459,225	\$ 3,128,870	\$ (2,330,355)
Sales and mixed beverage taxes	806,960	806,960	607,693	(199,267)
Franchise and local taxes	430,739	430,739	561,630	130,891
Hotel occupancy taxes	5,000	5,000	13,948	8,948
Licenses and permits	1,054,032	2,399,032	3,030,845	631,813
Fines and forfeitures	141,300	141,300	208,195	66,895
Investment income	50,630	50,630	3,095	(47,535)
Other revenue	-	-	-	-
Total Revenues	7,947,886	9,292,886	7,676,157	(1,616,729)
Expenditures				
Current operating:				
General government	2,671,645	3,263,794	2,524,491	739,303
Police department	2,108,006	2,265,506	2,329,347	(63,841)
Municipal court	170,446	207,446	134,078	73,368
Debt service:				
Principal retirement	1,747,000	1,747,000	13,372	1,733,628
Interest and fiscal charges	634,390	634,390	7,541	626,849
Capital outlay	57,000	132,250	208,209	(75,959)
Total Expenditures	7,388,487	8,250,386	5,217,038	3,033,348
Excess of Revenues Over (Under) Expenditures	559,399	1,042,500	2,459,119	1,416,619
Other Financing Sources (Uses)				
Transfers in	86,349	473,651	103,630	(370,021)
Transfers out	-	(1,240,000)	(900,000)	340,000
Proceeds from the sale of capital assets	-	-	53,741	-
Total Other Financing Sources (Uses)	86,349	(766,349)	(742,629)	(30,021)
Net Change in Fund Balances	645,748	276,151	1,716,490	\$ 1,386,598
Fund Balances, Beginning	4,240,091	4,240,091	4,240,091	
Fund Balances, Ending	\$ 4,885,839	\$ 4,516,242	\$ 5,956,581	

Town of Providence Village, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS¹ *TEXAS MUNICIPAL RETIREMENT SYSTEM* Last Ten Measured Years

Measurement Date	12/31/2023	12/31/2022	12/31/2021	12/31/2020
Total Pension Liability				
Service Cost	\$ 102,237	\$ 65,367	\$ 52,137	\$ 51,111
Interest	38,374	30,702	26,343	21,243
Change in benefit terms	24,118	-	-	-
Difference between expected and actual experience	(27,448)	2,158	(11,799)	6,196
Changes of assumptions	(3,711)	-	-	-
Benefit payments, including refunds of participant contributions	(40,314)	(13,924)	(3,512)	(3,512)
Net change in total pension liability	93,256	84,303	63,169	75,038
Total pension liability, beginning	513,425	429,122	365,953	290,915
Total pension liability, ending (a)	<u>\$ 606,681</u>	<u>\$ 513,425</u>	<u>\$ 429,122</u>	<u>\$ 365,953</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 52,097	\$ 46,393	\$ 37,112	\$ 39,644
Contributions - members	41,236	33,660	26,628	26,077
Net investment income	51,706	(29,853)	40,083	17,264
Benefit payments, including refunds of participant contributions	(40,314)	(13,924)	(3,512)	(3,512)
Administrative expenses	(325)	(256)	(184)	(111)
Other	(2)	306	1	(4)
Net change in plan fiduciary net position	104,398	36,326	100,128	79,358
Plan fiduciary net position, beginning	441,242	404,916	304,788	225,430
Plan fiduciary net position, ending (b)	<u>\$ 545,640</u>	<u>\$ 441,242</u>	<u>\$ 404,916</u>	<u>\$ 304,788</u>
Net pension liability/(asset) ending = (a) - (b)	<u>\$ 61,041</u>	<u>\$ 72,183</u>	<u>\$ 24,206</u>	<u>\$ 61,165</u>
Plan fiduciary net position as a % of total pension liability	89.94%	85.94%	94.36%	83.29%
Covered payroll	\$ 753,408	\$ 673,197	\$ 532,558	\$ 521,539
Net pension liability as a % of covered payroll	8.10%	10.72%	4.55%	11.73%

Notes to Schedule:

¹ This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only available information is shown.

<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
\$ 52,872	\$ 47,517	\$ 40,568	\$ 31,310	\$ 3,240
16,442	12,087	8,158	5,157	3,551
-	-	-	-	49,102
11,023	7,620	6,002	3,364	-
(1,189)	-	-	-	4,849
(10,758)	-	-	-	-
68,390	67,224	54,728	39,831	60,742
222,525	155,301	100,573	60,742	-
<u>\$ 290,915</u>	<u>\$ 222,525</u>	<u>\$ 155,301</u>	<u>\$ 100,573</u>	<u>\$ 60,742</u>
\$ 37,059	\$ 35,683	\$ 27,794	\$ 22,252	\$ 3,065
24,706	22,933	19,373	15,097	1,562
23,568	(2,878)	5,889	315	-
(10,758)	-	-	-	-
(132)	(55)	(30)	(4)	-
(4)	(3)	(2)	-	-
74,439	55,680	53,024	37,660	4,627
150,991	95,311	42,287	4,627	-
<u>\$ 225,430</u>	<u>\$ 150,991</u>	<u>\$ 95,311</u>	<u>\$ 42,287</u>	<u>\$ 4,627</u>
<u>\$ 65,485</u>	<u>\$ 71,534</u>	<u>\$ 59,990</u>	<u>\$ 58,286</u>	<u>\$ 56,115</u>
77.49%	67.85%	61.37%	42.05%	7.62%
\$ 494,128	\$ 458,657	\$ 387,467	\$ 301,930	\$ 31,239
13.25%	15.60%	15.48%	19.30%	179.63%

Town of Providence Village, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN¹ TEXAS MUNICIPAL RETIREMENT SYSTEM Last Ten Fiscal Years

	<u>9/30/2024</u>	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>
Actuarially determined employer contributions	\$ 68,324	\$ 49,601	\$ 46,850	\$ 36,233
Contributions in relation to the actuarially determined contribution	<u>68,324</u>	<u>49,601</u>	<u>46,850</u>	<u>36,233</u>
Contribution deficiency (excess)	-	-	-	-
Annual covered payroll	\$ 815,638	\$ 740,866	\$ 669,637	\$ 510,556
Employer contributions as a percentage of covered payroll	8.38%	6.70%	7.00%	7.10%

NOTES TO SCHEDULE OF CONTRIBUCTIONS TO PENSION PLAN

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	15 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes Increased Employee contribution rate from 5% to 7%.

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
\$ 37,611	\$ 39,939	\$ 34,039	\$ 27,030	\$ 19,204
<u>37,611</u>	<u>39,939</u>	<u>34,039</u>	<u>27,030</u>	<u>19,204</u>
-	-	-	-	-
\$ 469,903	\$ 513,312	\$ 435,170	\$ 365,901	\$ 243,942
8.00%	7.78%	7.82%	7.39%	7.87%

Town of Providence Village, Texas
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Ten Measured Years

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Total OPEB Liability			
Service Cost	\$ 1,507	\$ 2,222	\$ 1,385
Interest	550	315	249
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(702)	1,609	2,237
Changes in assumptions or other inputs	841	(7,197)	492
Benefit payments, including refunds of participant contributions	(151)	(135)	(107)
Net Change in Total OPEB Liability	<u>2,045</u>	<u>(3,186)</u>	<u>4,256</u>
Total OPEB Liability - Beginning	<u>12,901</u>	<u>16,087</u>	<u>11,831</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 14,946</u></u>	<u><u>\$ 12,901</u></u>	<u><u>\$ 16,087</u></u>
 Covered Payroll	 \$ 753,408	 \$ 673,197	 \$ 532,558
 Total OPEB Liability as a Percentage of Covered Payroll	 1.98%	 1.92%	 3.02%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plan.

<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
\$ 1,147	\$ 2,224	\$ 1,972	\$ 1,511
272	85	102	40
-	-	-	-
(606)	3,578	(2,800)	-
1,709	2,234	(185)	249
-	-	-	-
<u>2,522</u>	<u>8,121</u>	<u>(911)</u>	<u>1,800</u>
<u>9,309</u>	<u>1,188</u>	<u>2,099</u>	<u>299</u>
<u>\$ 11,831</u>	<u>\$ 9,309</u>	<u>\$ 1,188</u>	<u>\$ 2,099</u>
\$ 458,657	\$ 458,657	\$ 458,657	\$ 387,467
2.58%	2.03%	0.26%	0.54%

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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July 29, 2025

**TOWN OF PROVIDENCE VILLAGE, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2025
IN THE ORIGINAL PRINCIPAL AMOUNT OF \$16,495,000**

We have acted as Bond Counsel to the Town of Providence Village, Texas (the “Town”) in connection with the issuance of the bonds described above (the “Bonds”) for the sole purpose of providing legal advice and traditional legal services to the Town including rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Town or the disclosure thereof in connection with the sale of the Bonds. We have relied solely on information and certifications furnished to us by the Town with respect to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Town.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds that contains certified copies of certain proceedings of the Town Council (the “Town Council”); including an ordinance of the Town Council authorizing the Bonds adopted on July 1, 2025 (the “Ordinance”); the Official Notice of Sale; the awarded bid; the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the Town (including a “Federal Tax Certificate”), and other public officials; and other documents relating to the issuance of the Bonds. In such examination, 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 truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have also examined executed Bond No. T-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The Town is a validly existing political subdivision of the State of Texas with power to adopt the Ordinance, perform its agreements therein, and issue the Bonds.
2. The Bonds have been authorized, sold, and delivered in accordance with law.
3. The Bonds constitute valid and legally binding obligations of the Town enforceable in accordance with their terms except as the enforceability thereof may be limited by principles of

sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally.

4. Ad valorem taxes, within legal limitations, upon all taxable property within the Town, necessary to pay the interest on and principal of the Bonds, have been pledged irrevocably for such purpose.

5. Interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest may be taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

In rendering these opinions, we have relied upon representations and certifications of the Town, the Town's financial advisor, and the initial purchaser of the Bonds with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the Town with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the Town fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as 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, ownership, or disposition of the Bonds.

We call your attention to the fact that the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, taxpayers qualifying for the health insurance premium assistance credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the Town as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the Town has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

The opinions set forth above are based on existing laws of the United States and the State of Texas. Such opinions are further based on our knowledge of facts as of the date hereof. The statutes, regulations, published rulings, and court decisions on which such opinions are based are subject to change. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention, or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds, the sufficiency of the security for the Bonds, or the marketability of the Bonds.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

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