

OFFICIAL STATEMENT

Dated: June 20, 2024

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

THE OBLIGATIONS **WILL NOT** BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

TOWN OF FLOWER MOUND, TEXAS

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

\$ 5,335,000
General Obligation Refunding Bonds
Series 2024

\$ 7,320,000
Certificates of Obligation
Series 2024

Dated Date: July 1, 2024

Due: As shown on Inside Cover

The Town of Flower Mound, Texas (the "Town" or "Issuer"), is issuing two series of obligations as shown above, to wit: \$5,335,000 General Obligation Refunding Bonds, Series 2024 (the "Bonds") and \$7,320,000 Certificates of Obligation, Series 2024 (the "Certificates", and together with the Bonds, the "Obligations"). The Bonds are issued in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Texas Government Code, Chapters 1207 and 1371, as amended, and the ordinance authorizing the issuance of the Bonds (the "Bond Ordinance") adopted by the Town Council of the Town on June 17, 2024. The Certificates are issued in accordance with the Constitution and laws of the State, particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and Chapter 1371, Texas Government Code, as amended, and the ordinance authorizing the issuance of the Certificates (the "Certificate Ordinance") adopted by the Town Council of the Town on June 17, 2024. In the Bond Ordinance and Certificate Ordinance, the Town Council delegated pricing of the Obligations and certain other matters to a "Pricing Officer" who approved a "Pricing Certificate" related to each series of Obligations which contains the final terms of the sale and completed the sale of the Obligations. The Bond Ordinance, Certificate Ordinance and the respective Pricing Certificates are collectively referred to herein as the "Ordinances". (See "THE BONDS - Authority for Issuance" and "THE CERTIFICATES - Authority for Issuance" herein.)

The Obligations constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law, and the Certificates are additionally secured by a limited pledge (not to exceed \$1,000) of the Net Revenues derived from the operation of the Town's combined Waterworks and Sewer System (the "System"). (See "THE BONDS - Security for Payment" and "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Bonds will accrue from the Date of Delivery, (as hereinafter defined) and will be payable March 1 and September 1 of each year, commencing March 1, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Certificates will accrue from Date of Delivery, and will be payable March 1 and September 1 of each year, commencing March 1, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Obligations will be issued as fully-registered Obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Obligations will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Obligations ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Obligations purchased. So long as DTC or its nominee is the registered owner of the Obligations, the principal of and interest on the Obligations will be payable by U.S. Bank Trust Company, National Association, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Obligations. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding a portion of the Town's outstanding debt to achieve debt service savings (see SCHEDULE I attached hereto), and (ii) paying costs associated with the issuance of the Bonds. (See "PLAN OF FINANCING FOR THE BONDS - Purpose" herein.) Proceeds from the sale of the Certificates will be used for paying all or a portion of the Town's contractual obligations to be incurred in connection with (i) constructing waterworks and sewer system improvements and extensions, including the acquisition of land and rights-of-way therefor, (ii) constructing and improving streets, including drainage, landscaping, curbs, gutters, sidewalks, entryways, pedestrian pathways, signage, traffic signalization and the acquisition of land and rights-of-way therefor, and (iii) professional services rendered in connection therewith, including costs of issuance of the Certificates. (See "THE CERTIFICATES - Purpose" herein.)

The Town reserves the right, at its option, to redeem the Certificates having stated maturities on and after March 1, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Certificates maturing on March 1, 2044 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE CERTIFICATES - Redemption Provisions"). (See "THE CERTIFICATES - Redemption Provisions" herein.)

The Town reserves the right, at its option, to redeem the Bonds having stated maturities on and after March 1, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE BONDS - Redemption Provisions" herein.)

The Bonds and the Certificates are being offered concurrently by the Issuer under a common Official Statement, and are separate and distinct securities offerings being issued and sold independently except for this common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of holders and other features.

MATURITY SCHEDULE

(See Inside Cover Page) *The Obligations are offered for delivery when, as and if issued and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as counsel to the Underwriters. The legal opinion of Bond Counsel will be printed on, or attached to, the Obligations. (See Appendix C - Forms of Opinions of Bond Counsel). It is expected that the Obligations will be available for delivery through DTC on or about July 11, 2024 (the "Date of Delivery").*

**TOWN OF FLOWER MOUND
MATURITY SCHEDULE
Base CUSIP Number: 34348P ⁽¹⁾**

\$ 5,335,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Rate (%)</u>	<u>Yield (%)⁽²⁾</u>	<u>CUSIP Suffix ⁽¹⁾</u>
3/1/2025	\$ 2,285,000	5.000	3.400	CU6
3/1/2026	375,000	5.000	3.370	CV4
3/1/2027	390,000	5.000	3.310	CW2
***	***			
3/1/2031	410,000	5.000	3.240	CX0
3/1/2032	435,000	5.000	3.250	CY8
3/1/2033	455,000	5.000	3.240	CZ5
3/1/2034	480,000	5.000	3.240 ⁽³⁾	DA9
3/1/2035	505,000	5.000	3.250 ⁽³⁾	DB7

(Interest to accrue from the Date of Delivery)

The Town reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

\$ 7,320,000 CERTIFICATES OF OBLIGATION, SERIES 2024

\$4,790,000 Serial Certificates ⁽¹⁾

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Rate (%)</u>	<u>Yield (%)⁽²⁾</u>	<u>CUSIP Suffix ⁽¹⁾</u>
3/1/2025	\$ 175,000	5.000	3.400	DC5
3/1/2026	230,000	5.000	3.370	DD3
3/1/2027	245,000	5.000	3.310	DE1
3/1/2028	260,000	5.000	3.280	DF8
3/1/2029	270,000	5.000	3.250	DG6
3/1/2030	285,000	5.000	3.240	DH4
3/1/2031	300,000	5.000	3.240	DJ0
3/1/2032	315,000	5.000	3.250	DK7
3/1/2033	335,000	5.000	3.240	DL5
3/1/2034	350,000	5.000	3.240 ⁽³⁾	DM3
3/1/2035	365,000	5.000	3.250 ⁽³⁾	DN1
3/1/2036	385,000	5.000	3.290 ⁽³⁾	DP6
3/1/2037	405,000	5.000	3.350 ⁽³⁾	DQ4
3/1/2038	420,000	5.000	3.440 ⁽³⁾	DR2
3/1/2039	450,000	5.000	3.500 ⁽³⁾	DS0

(Interest to accrue from the Date of Delivery)

\$2,530,000 Term Certificate

\$2,530,000 4.000% Term Certificate due 3/1/2044, Price to Yield 4.170%⁽²⁾, CUSIP Suffix DX9⁽¹⁾

(Interest to accrue from the Date of Delivery)

The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Certificates maturing on March 1, 2044 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE CERTIFICATES – Redemption Provisions"). (See "THE CERTIFICATES – Redemption Provisions" herein.)

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⁽²⁾ The initial yields and prices were established by, and are the sole responsibility of, the Underwriters.

⁽³⁾ Yield shown to first optional redemption date of March 1, 2033.

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

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Occupation</u>
Cheryl Moore	Mayor	May, 2027	Healthcare
Adam Schiestel	Deputy Mayor Pro Tem, Place 1	May, 2025	Software Engineer
Chris Drew	Councilmember, Place 2	May, 2026	Program Manager, Automotive Industry
Brian Taylor	Councilmember, Place 3	May, 2025	Vice President/Aircraft Modification
Janvier Werner	Councilmember, Place 4	May, 2027	Software Engineer
Ann Martin	Mayor Pro Tem, Place 5	May, 2026	Retired

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Length of Service With the Town</u>	<u>Total Years of Service</u>
James Childers	Town Manager	2 years	22 years
John Zagurski	Chief Financial Officer	Newly Hired	11 years
Theresa Scott	Town Secretary	16 years	22 years
David Coulon	Police Chief	Newly Hired	30 years
Paul Henley	Fire Chief	2 year	22 years
Tommy Dalton	Assistant Town Manager	21 years	22 years
Tiffany Bruce	Assistant Town Manager / Town Engineer	20 years	27 years

CONSULTANTS AND ADVISORS

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

For Additional Information Please Contact:

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 Mr. Michael Martin
 Hilltop Securities Inc.
 717 N. Harwood Street, Suite 3400
 Dallas, Texas 75201
 (214) 953-4000
 john.martin@hilltopsecurities.com
 michael.martin@hilltopsecurities.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

The Underwriters have provided the following statement for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

NEITHER THE TOWN NOR ITS FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BE REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE OBLIGATIONS 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.

The agreements of the Town and others related to the Obligations are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer nor sale of the Obligations is to be construed as constituting an agreement with the purchasers of the Obligations. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING SCHEDULE I AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The Town of Flower Mound, Texas (the "Town" or "Issuer"), is located in Denton and Tarrant Counties and is a Home Rule municipal corporation governed by a Mayor and a five-member council. The Mayor and five council members are elected by place number and at-large for three-year staggered terms. (See "APPENDIX B - General Information Regarding Town of Flower Mound and Denton and Tarrant Counties" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C, Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, and an ordinance (the "Certificate Ordinance") adopted by the Town Council on June 17, 2024. In the Certificate Ordinance, the Town delegated pricing of the Certificates and certain other matters to a "Pricing Officer" who approved a "Pricing Certificate" which contains final pricing information for the Certificates and completed the sale of the Certificates. (See "THE CERTIFICATES - Authority for Issuance" herein.)
The Bonds	<p>The Bonds are being issued pursuant the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapters 1207 and 1371, as amended, and an ordinance (the "Bond Ordinance") adopted by the Town Council on June 17, 2024. In the Bond Ordinance, the Town delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved a "Pricing Certificate" which contains final pricing information for the Bonds and completed the sale of the Bonds. (See "THE BONDS - Authority for Issuance" herein.)</p> <p>The Bonds and the Certificates are sometimes collectively referred to herein as the "Obligations." The Certificate Ordinance, the Bond Ordinance and the respective Pricing Certificates are sometimes collectively referred to herein as the "Ordinances."</p>
Paying Agent/Registrar	The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas.
Security	The Obligations constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law. (See "THE BONDS - Security for Payment" herein.) The Certificates are additionally secured by a limited pledge (not to exceed \$1,000) of the Net Revenues derived from the operation of the Town's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)
Redemption Provisions	<p>The Certificates maturing on and after March 1, 2034, are subject to redemption at the option of the Issuer on March 1, 2033, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, as further described herein. Additionally, the Certificates maturing on March 1, 2044 are subject to the mandatory sinking fund redemption provisions, as further described herein (See "THE CERTIFICATES - Redemption Provisions" herein.)</p> <p>The Bonds maturing on and after March 1, 2034, are subject to redemption at the option of the Issuer on March 1, 2033, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, as further described herein. (See "THE BONDS - Redemption Provisions" herein.)</p>
Use of Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding a portion of the Town's outstanding debt to achieve debt service savings (see SCHEDULE I attached hereto) and (ii) paying costs associated with the issuance of the Bonds. (See "PLAN OF FINANCING – Purpose"). Proceeds from the sale of the Certificates will be used for paying all or a portion of the Town's contractual obligations to be incurred in connection with (i) constructing waterworks and sewer system improvements and extensions, including the acquisition of land and rights-of-way therefor, (ii) constructing and improving streets, including drainage, landscaping, curbs, gutters, sidewalks, entryways, pedestrian pathways, signage, traffic signalization and the acquisition of land and rights-of-way therefor, and (iii) professional services rendered in connection therewith, including costs of issuance of the Certificates. (See "THE CERTIFICATES - Purpose" herein.)

Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), New York, New York described herein. No physical delivery of the Obligations will be made to the beneficial owners of the Obligations. Such Book-Entry-Only System may affect the method and timing of payments on the Obligations and the manner the Obligations may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Rating	S&P Global Ratings, a division of S&P Global Inc. ("S&P"), and Fitch Ratings ("Fitch") have assigned their credit ratings of "AAA" and "AAA", respectively, to the Obligations without regard to any credit enhancement. An explanation of the significance of any rating may be obtained from the rating agencies. (See "OTHER PERTINENT INFORMATION-Ratings" herein.)
Tax Exemption	In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law subject to the matters described under "Tax Matters" herein.
Payment Record	The Town has never defaulted in the payment of its debt.
Issuance of Additional Debt	The Town does not anticipate the issuance of additional general obligation debt in the next year.
Delivery	When issued, anticipated on or about July 11, 2024.
Legality	Delivery of the Obligations is subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to legality by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel.

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the Town of Flower Mound, Texas (the "Town" or "Issuer") of its \$5,335,000 General Obligation Refunding Bonds, Series 2024 (the "Bonds") and its \$7,320,000 Certificates of Obligation, Series 2024 (the "Certificates" and collectively with the Bonds, the "Obligations") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates under the statutes and the Constitution of the State of Texas and the home-rule Charter of the Town. The Obligations are being issued pursuant to the Constitution and general laws of the State, and the respective ordinances authorizing the issuance of the respective Obligations adopted by the Town Council. (See "THE CERTIFICATES- Authority for Issuance" and "THE BONDS – Authority for Issuance" herein.)

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

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

The Bonds and the Certificates are being offered concurrently by the Issuer under this common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for this common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of holders and other features.

PLAN OF FINANCING FOR THE BONDS

Purpose

The Bonds are being issued (i) to refund all or a portion of the outstanding debt obligations described in SCHEDULE I to this Official Statement (the "Refunded Obligations") to achieve debt service savings (see "SCHEDULE I - SCHEDULE OF REFUNDED OBLIGATIONS") and (ii) to pay the costs related to the issuance of the Bonds.

Refunded Obligations

The principal and interest due on the Refunded Obligations are to be paid on the redemption date of such Refunded Obligations as set forth in Schedule I, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the Town and the paying agent/registrar for the Refunded Obligations. The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, and a cash contribution from the Town, the Town will deposit with the paying agent/registrar for the Refunded Obligations the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their redemption date. Such funds will be held in cash, uninvested by the paying agent/registrar for the Refunded Obligations in an account used to defease and redeem the Refunded Obligations on their redemption date (the "Escrow Account").

The Town's financial advisor or the paying agent/registrar for the Refunded Obligations will execute a certificate verifying that the funds on deposit pursuant to the Escrow Agreement will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their redemption dates (the "Sufficiency Certificate").

By the deposit of cash with the paying agent/registrar for the Refunded Obligations pursuant to the Escrow Agreement, the Town will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Sufficiency Certificate, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Account and such Refunded Obligations will not be deemed as being outstanding obligations of the Town payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

THE BONDS

General Description

The Bonds will be dated July 1, 2024 (the "Dated Date"). The Bonds are stated to mature on March 1 in the years and in the principal amounts and will bear interest at per annum rates as set forth on page ii hereof. The Bonds will be issued only in fully registered form and in denominations of \$5,000 or any integral multiple thereof within a maturity. The Bonds shall bear interest from the Date of Delivery on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on March 1 and September 1 of each year commencing March 1, 2025, until maturity or prior redemption; 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 "Book-Entry-

Only System” herein. Principal is payable at the designated office of the Paying Agent/Registrar, initially U.S. Bank Trust Company, National Association, Dallas, Texas. Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the registration books or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. which will distribute the amounts received to the Beneficial Owners of the Bonds. Such Book-Entry-Only System may change the method and timing of payment for the Bonds and the method of transfer. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Authority for Issuance

The Bonds are being issued pursuant to Texas Government Code, Chapters 1207 and 1371, as amended, and the Bond Ordinance adopted by the Town Council. In the Bond Ordinance, the Town Council of the Town delegated authority to certain authorized officials of the Town to finalize the pricing of the Bonds.

Security for Payment

The Bonds constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law. (See “AD VALOREM PROPERTY TAXATION – Tax Rate Limitations” herein.)

Redemption Provisions

Optional Redemption: The Town reserves the right to redeem the Bonds maturing on and after March 1, 2034, on March 1, 2033, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

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

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

DTC Notices

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

indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

THE CERTIFICATES

Purpose

Proceeds from the sale of the Certificates will be used for paying all or a portion of the Town's contractual obligations to be incurred in connection with (i) constructing waterworks and sewer system improvements and extensions, including the acquisition of land and rights-of-way therefor, (ii) constructing and improving streets, including drainage, landscaping, curbs, gutters, sidewalks, entryways, pedestrian pathways, signage, traffic signalization and the acquisition of land and rights-of-way therefor, and (iii) professional services rendered in connection therewith, including costs of issuance of the Certificates.

General Description

The Certificates will be dated July 1, 2024 (the "Dated Date"). The Certificates are stated to mature on March 1 in the years and in the principal amounts and will bear interest at per annum rates as set forth on page ii hereof. The Certificates will be issued only in fully registered form and in denominations of \$5,000 or any integral multiple thereof within a maturity. The Certificates shall bear interest from the Date of Delivery on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Certificates will be payable on March 1 and September 1 of each year commencing March 1, 2025, until maturity or prior redemption; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "Book-Entry-Only System" herein. Principal is payable at the designated office of the Paying Agent/Registrar, initially U.S. Bank Trust Company, National Association, Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the registration books or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co. which will distribute the amounts received to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code, as amended and the Certificate Ordinance adopted by the Town Council. In the Certificate Ordinance, the Town Council of the Town delegated authority to certain authorized officials of the Town to finalize the pricing of the Certificates.

Security for Payment

The Certificates constitute direct obligations of the Town payable from an annual ad valorem tax levied against all taxable property in the Town, within the limits prescribed by law and are further secured by and payable from a limited pledge (not to exceed \$1,000), of the Net Revenues derived from the operation of the Town's combined Waterworks and Sewer System (the "System"). (See "AD VALOREM PROPERTY TAXATION – Debt Rate Limitations" herein).

Redemption Provisions

Optional Redemption: The Town reserves the right to redeem the Certificates maturing on and after March 1, 2034, on March 1, 2033, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption: In addition, the Certificates maturing on March 1, 2044 are subject to the mandatory sinking fund redemption provisions, as further described herein (the "Term Certificates") are subject to mandatory sinking fund redemption as described further herein by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Certificates, on March 1 in the years and in the respective principal amounts, set forth in the following schedule:

Term Certificates Maturing March 1, 2044	
Date	Principal Amount
3/1/2040	\$ 465,000
3/1/2041	485,000
3/1/2042	505,000
3/1/2043	525,000
3/1/2044*	550,000

* Stated Maturity

The principal amount of Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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

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

DTC Notices

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

SOURCES AND USES OF FUNDS

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

<u>Sources of Funds</u>	<u>The Bonds</u>	<u>The Certificates</u>
Par Amount:	\$ 5,335,000.00	\$ 7,320,000.00
Net Premium:	332,013.30	425,327.35
Issuer Contribution:	139,375.00	--
Total Sources of Funds	\$ 5,806,388.30	\$ 7,745,327.35

<u>Uses of Funds</u>		
Deposit to Escrow Fund:	\$ 5,686,500.00	--
Deposit to Project Fund:	--	\$ 7,610,000.00
Deposit to Debt Service Fund:	2,069.97	422.28
Cost of Issuance:	88,000.00	85,000.00
Underwriter's Discount:	29,818.33	49,905.07
Total Uses of Funds	\$ 5,806,388.30	\$ 7,745,327.35

THE OBLIGATIONS

Payment Record

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

Legality

The Obligations are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel to the Town. The legal opinion of Bond Counsel will accompany the global certificates to be deposited with DTC or will be printed on the respective Obligations should the Book-Entry-Only System be discontinued. The forms of the legal opinions of Bond Counsel appear in Appendix C attached hereto.

Defeasance

The Ordinances provide for the defeasance of the Obligations when the payment of the principal of and premium, if any, on the Obligations, 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 other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations. The Ordinances provide that "Government Securities" means: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are on the date of their acquisition or purchase rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Obligations under the then applicable laws of the State of Texas . The Town has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government 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 Obligations. Because the Ordinances do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. The Town has reserved the option, to be exercised at the time of the defeasance of the Obligations, to call for redemption, at an earlier date, those Obligations which have been defeased to their maturity date, if the Town: (i) in the proceeding providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations 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.

Amendments to the Ordinances

The Town reserves the right to amend the Ordinances without the consent of any holder for the purpose of amending or supplementing the Ordinances to in any manner not detrimental to the interest of the holders of the Obligations including the curing of any ambiguity, inconsistency or formal defect or omission therein.

The Ordinances further provide that the holders of the respective Obligations aggregating a majority in principal amount of the outstanding Obligations, as applicable, will have the right from time to time to approve any amendment; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding and applicable Obligations subject to amendment, no amendment shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Obligations, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Obligations (2) give any preference to any

Obligations over any other Obligations, or (3) reduce the aggregate principal amount of Obligations required to be held by Holders for consent to any such amendment any such amendment, addition or recession.

Default and Remedies

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

On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the Town's sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the Town for breach of the covenants in the Obligations or in the Ordinances. 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 Obligations. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("Wasson II", and together with *Wasson I* "Wasson"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. As noted above, the Ordinances provide that holders of the Obligations may exercise the remedy of mandamus to enforce the Obligations of the Town under the Ordinances. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the Town is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Obligations of an entity which has sought protection under Chapter 9. Therefore, should the Town avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas. In the Ordinances, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, must be a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Obligations, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Obligations by United States mail, first-class, postage prepaid.

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

Record Date

The record date ("Record Date") for determining the person to whom interest is payable, on any interest payment date, means the fifteenth day of the month next preceding such interest payment date.

Special Record Date for Interest Payment

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

Registration

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

Limitation on Transfer or Exchange of Certificates

Neither the Town nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Certificate called for redemption in part.

Replacement Obligations

In the Ordinances, provision is made for the replacement of mutilated, destroyed, lost, or stolen Obligations issued under such Ordinances upon surrender of the mutilated Obligations to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by DTC while the Obligations 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, the Financial Advisor, and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Town, the Underwriters and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or any 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 Obligations), or any notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit

notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Obligations 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 Obligations, 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 Ordinances will be given only to DTC.

INVESTMENT POLICIES

Legal Investments

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

clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for Town deposits, or (ii) where (a) the funds are invested by the Town through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Town as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the Town; (b) the broker or the depository institution selected by the Town arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Town; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Town appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party selected and approved by the Town and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Town, held in the Town's name and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the Town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Investment Policies

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

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

Additional Provisions

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

Current Investments

On April 30, 2024, the Town’s investable funds were invested in the following categories:

Description	Percent	Book Value	Market Value
Investment Pools	60.0	\$ 160,200,663	\$ 160,200,663
Federal Agency	17.4	46,540,718	46,495,138
Treasury Obligations	22.2	59,200,840	59,129,000
Cash	0.4	1,197,107	1,197,107
Totals	100.0	\$ 267,139,328	\$ 267,021,908

DEFINED BENEFIT PENSION PLAN

The Town participates as one of more than 919 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Title 8, Subtitle G (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

All eligible employees of the Town are required to participate in TMRS. For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, “Notes to the Basic Financial Statements from the Town’s Annual Financial Report”, Note 11, Page 67.

OTHER POST EMPLOYMENT BENEFITS

The Town provides health care benefits through a single-employer defined benefit healthcare plan for all regular full-time employees who retire after December 31, 2006 and meet minimum retirement age of 60 and have been employed by the Town for five years continuously prior to retirement or have twenty years or more of service at any age. For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, “Notes to the Basic Financial Statements from the Town’s Annual Financial Report”, Note 12, Page 71.

SUPPLEMENTAL DEATH BENEFITS FUND

In addition to its participation in the Texas Municipal Retirement System (TMRS) and a retiree health care plan, the Town also provides group-term life insurance to Town employees who are active members in TMRS, including or not including retirees. The Town Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, "Notes to the Basic Financial Statements from the Town's Annual Financial Report", Note 12, Page 72.

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

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

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Town, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – Town and Taxpayer Remedies."

State Mandated Homestead Exemptions

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

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

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

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

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

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

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

Town and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

Town's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the Town may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Town must join other taxing units that have claims for delinquent taxes against all or part of the same property.

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

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

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

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

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2021 foregone revenue amount, the 2022 foregone revenue amount, and 2023 foregone revenue amount divided by the current total value.

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

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

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

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

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

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

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

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

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

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

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

Town Application of Tax Code

The Town grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$150,000; the disabled are also granted an exemption of \$100,000.

The Town has granted an additional exemption of 12.5% of the market value of residence homesteads; minimum exemption of \$5,000.

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

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

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

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

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

Tax Abatement Policy and Economic Development Programs

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

The Town currently has twelve active Chapter 380 agreements, one active tax abatement agreements, and six active combination (Chapter 380 and tax abatement) agreements. Those agreements and their respective terms are outlined below.

Active Chapter 380 agreements:

- Icarus Investments III, Ltd. (Flower Mound Business Park) (executed February 2005) – consists of a developer incentive to be passed down to tenants. This agreement provides permit fee waivers, 75% reduction in impact fees, and 5-year, 50% rebate of real and business personal property taxes.

- RiverWalk750, LLC (Courtyard by Marriott Flower Mound) (executed October 2014) – provides permit and impact fee waivers, an 8-year, 100% hotel occupancy tax rebate, 7-year, 75% rebate of real and business personal property taxes, 7-year, 50% sales tax rebate, and \$1,000,000 in financial assistance from the Town's TIRZ #1 to construct the parking structure.
- Stryker Corporation (executed January 2016) – provides permit and impact fee waivers, 10-year, 100% sales tax rebate, 10-year, and 75% rebate of real and business personal property taxes.
- Lisanti Foodservice of Texas, Inc. (executed April 2016) – provides for 5-year, 50% rebate of ad valorem taxes, beginning on January 1 of the year following the date on which the agreement between the Town of Flower Mound and Huntington Industrial Partners-Texas, LLC expires (January 1, 2022).
- Duke Realty Limited Partnership (executed April 2018) – provides a grant equal to 75% of impact fees, permit fee waivers for the initial construction of the development, and 5-year, 50% real property rebate.
- FM 2499 Office Venture, LLC (executed May 2018 and amended June 2019) – provides for a grant equal to 100% of impact fees, permit fee waivers, 5-year, 50% real property grant, off-site infrastructure grant not to exceed \$100,000, and a maximum of 3-years, monthly debt service guarantee in an amount not to exceed \$1,194,375 within any fiscal year.
- Duke Realty Limited Partnership (LR #21) (executed March 2019) – provides a grant equal to 75% of impact fees, permit fee waivers for the initial construction of the development, and 5-year, 50% real property grant.
- Gerault Office Warehouse I, LP (executed June 2020) – provides a grant equal to 75% of impact fees, permit fee waivers, 5-year, 50% property tax rebate, and sidewalk construction at the time the traffic signal is installed at the intersection of Old Gerault Road and Gerault Road.
- Communications Test Design, Inc. (CTDI) (executed February 2021) – provides for permit fee waivers, 7-year, 75% tangible personal property grant, and 3 expansion grants each in an amount equal to \$25,000.
- Restaurant Ventures Unlimited, LLC (Tycoon) (executed April 2022) – provides for a new business grant equal to 100% of the Town's roadway impact fees, permit fee waivers, 60% sales tax rebate for the first 3 years, and 50% sales tax rebate for the following 4 years, and 5-year, 75% tangible personal property grant
- Sunset Boulevard Partners, LLC (executed May 2022) – provides 7-year, 50% real property grants and TPP grants for the hotel/office, each restaurant, and wedding chapel, 7-year, 75% hotel occupancy tax grants, 7-year, 50% sales tax grants for the hotel/office, each restaurant, and wedding chapel, 3 annual new business grants each in an amount equal to 75% of the impact fees paid to the Town, a 50% permit fee waiver for permit and related fees for initial construction of the development, and 7 annual cash grants each in the amount of \$714,285.71.

Active tax abatement agreement:

- CustomInk, LLC (executed October 2013) – provides a 10-year, 100% tax abatement for business personal property, and 10-year, 54% sales tax rebate

Active combination agreements (Chapter 380 and tax abatement):

- Huntington Industrial Partners (HIP DFW North) (executed April 2018) – provides a grant equal to 25% of impact fees, permit fee waivers, 5-year, and 50% real and business personal property tax abatement.
- Lakeside Parkway Distribution Center, LLC and MIWD Holding Company, LLC (executed October 2013 and amended December 2014) – provides for impact fee reduction to 25%, permit fee waivers, 10-year, 75% real and business personal property tax abatement, and a \$50,000 relocation grant.
- Thirty-One Gifts, LLC (executed May 2019) – provides a grant equal to 100% of impact fees, 50% permit fee reduction, 5-year, 50% real and business personal property tax abatement, and 5-year 50% sales and use tax grants.
- CNW II Flower Mound, LLC (previously Caddo Holdings, LLC) (executed September 2020) – provides for a grant equal to the greater of \$20,000 or 25% of the Town's impact fees, permit fee waivers, and 7-year, 75% taxable value of improvements abatement, with an abatement of 38% in year 8.
- Deus, LLC (Niagara Conservation) (executed June 2021) – provides permit fee waivers, an expansion grant equal to \$171,848.60, and 8-year, 75% taxable value of improvements abatement.
- Los Caminos FM Property Ltd. (executed August 7, 2023) – provides permit fee waivers, a new business grant equal to 100% of the Town impact fees (water, wastewater, public infrastructure, and roadway) paid by owner, 65% sales tax rebate for the first 3 years, and 50% sales tax rebate for the following 2 years, a tax abatement of 65% of the taxable value of the improvements for the first 3 years, and 50% abatement for the following 2 years.

The amount of one-time economic development grant payments, which includes grants equal to a portion of assessed impact fees, in fiscal year 2023-24 totals approximately \$196,850.00, to date. The Town budgeted \$381,850.00. The amount of future grants will depend on the rate of development and the value of improvements constructed.

The incentive payments provided in fiscal year 2023-24 are approximately \$417,865.00, to date, which includes all real and business personal property annual tax rebates, sales tax rebates, and hotel occupancy tax rebates. The Town budgeted approximately \$879,685.00 for fiscal year 23-24. The amount of future rebates will depend on the rate of development and the improvements constructed.

Tax Increment Reinvestment Zone No. 1

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

The project plan for the TIRZ includes improvements to infrastructure, the addition of a Town Hall (completed in winter 2018), improvements to the Library facilities (completed in November 2020), and the construction of a new Senior Center (completed and opened in May 2015). The Town's tax increment base value for the TIRZ is \$228,290,889 and the captured appraised value for tax year 2023 was \$1,433,079,339 as of September 30, 2023. The audited ending fund balance for the fiscal year ending September 30, 2023, was \$20,643,351, an increase of \$1,619,079 from the prior fiscal year.

The TIRZ will expire in 2025, at which time the full taxable value of the zone will be taxed at the annual tax rate approved by the Town Council. The Town has agreed to contribute 100% of the tax increment collected by the Town, back into the zone fund, to be used for such projects, while Denton County has agreed to contribute a sliding scale percentage of increment collected within the zone. Denton County currently contributes 80% of their portion. Such tax revenues will not be available to pay debt service on the Obligations.

Tax Increment Reinvestment Zone No. 2

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

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

The stated term of the Zone shall commence on the creation of the Zone, and shall continue for thirty (30) years, with the last payment being due by January 31, 2054, unless otherwise terminated in accordance with the Creation Ordinance. The Town has agreed to contribute 50% of the tax increment collected by the town, back into the zone fund, to be used for such projects. The Town is in discussions with Denton County to contribute a percentage of the incremented collected within the zone but specifies that the proceeds are to be utilized for parks.

River Walk Public Improvement District No. 1

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

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

TAX MATTERS

Tax Exemption

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

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

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

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

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

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

Tax Accounting Treatment of Discount and Premium on Certain Obligations

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

compounding of accrued interest, at the yield to maturity on such Discount Obligation and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Obligation by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Obligation was held) is includable in gross income.

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

The purchase price of certain Obligations (the "Premium Obligations") paid by an owner may be greater than the amount payable on such Obligations at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Obligation over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Obligation 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 Obligation. The amount of premium which is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Obligation, the yield based on a call date that results in the lowest yield on the Obligation).

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

LEGAL MATTERS

The Town will furnish a complete transcript of proceedings incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Obligations are valid and legally binding obligations of the Town, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that interest on the Obligations 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 forms of the opinions of Bond Counsel are attached hereto as Appendix C.

Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "PLAN OF FINANCING FOR THE BONDS", "THE BONDS" (except the subcaption "DTC Notices"), "THE CERTIFICATES" (except the subcaption "DTC Notices"), "THE OBLIGATIONS" (except under the subcaptions "Payment Record" and "Default and Remedies,") "REGISTRATION, TRANSFER AND EXCHANGE," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Agreements"), "LEGAL MATTERS", and the subcaptions "Registration and Qualification of Obligations for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER PERTINENT INFORMATION", and such firm is of the opinion that the information relating to the Obligations and legal matters contained in the Official Statement under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on or attached to the Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

The various legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinion 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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Town will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the Electronic Municipal Market Access System ("EMMA") at www.emma.msrb.org. The information to be updated includes all quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under Tables numbered 1, 2, 4, 5, 6, 8, 10, 11, 12, 14, 18 and 19 in Appendix A (the "Updated Tables"), and the information in Appendix D. The Town will update and provide the information in the Updated Tables within six months after the end of each fiscal year ending in and after 2024. If the Town does not provide audited financial statements with such financial information and operating data, the Town will provide audited financial statements when and if available, within 12 months after the end of each fiscal year ending in or after 2024. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

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

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

Notice of Certain Events

The Town will also provide timely notices of certain events to the MSRB. The Town will provide notice of any of the following events with respect to the Obligations 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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Town, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the Town, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the Town, any of which reflect financial difficulties. In addition, the Town will provide timely notice of any failure by the Town to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, (A) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town and (B) the Town intends the words used in clauses (15) and (16) in the immediately preceding paragraph and the definition of financial obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

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

Limitations and Amendments

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

The Town may amend its continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Town, but only if (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Obligations in the primary offering of the Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the ordinances that authorize such an amendment) of the outstanding Obligations subject to the proposed amendment, as the case may be, consent to such amendment or (b) a person that is unaffiliated with the Town (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Obligations subject to the proposed amendment. The Town may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the Town amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreements described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Obligations for Sale

The sale of the Obligations 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 Obligations have not been qualified under the Securities Act of Texas, as amended in reliance upon various exemptions contained therein, nor have the Obligations been qualified under the securities acts of any jurisdiction. The Town assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

determine whether the Obligations are legal investments for various institutions in those states.

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

Ratings

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

Financial Advisor

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

Underwriting

The Underwriters have agreed, subject to certain conditions to purchase the Bonds from the Issuer at a price of \$5,637,194.97 (representing the par amount of the Bonds of \$5,335,000.00, plus an original issue premium of \$332,013.30, less an Underwriters' discount of \$29,818.33).

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the Issuer at a price of \$7,695,422.28 (representing the par amount of the Certificates of \$7,320,000.00, plus an original issue premium of \$425,327.35, less an Underwriters' discount of \$49,905.07).

One of the Underwriters of the Obligations is BOK Financial Securities, Inc., which is not a bank, and the Obligations are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

The Underwriters' obligation is subject to certain conditions precedent. The Obligations may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following statement for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Forward-Looking Statements Disclaimer

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials.

Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Town. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

CONCLUDING STATEMENT

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

In the Ordinances, the Town Council authorized the Pricing Officer to approve, for and on behalf of the Town, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriters' use of this Official Statement in connection with the public offering and the sale of the Obligations in accordance with the provisions of the Rule.

The Pricing Certificates approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorize its further use in the reoffering of the Obligations by the Underwriters.

TOWN OF FLOWER MOUND, TEXAS

John Zagurski
Pricing Officer

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

**Certificates of Obligation, Series 2015A
Date of Redemption: 7/25/2024**

Maturity March 1	Principal Amount Outstanding	Amount to be Refunded	Amount Remaining
2025	\$ 545,000	\$ 545,000	\$ -
2026	575,000	575,000	-
2027	600,000	600,000	-
2028	625,000	-	625,000
2029	645,000	-	645,000
2030	665,000	-	665,000
2031	695,000	695,000	-
2032	730,000	730,000	-
2033	770,000	770,000	-
2034	810,000	810,000	-
2035	850,000	850,000	-
	<u>\$ 7,510,000</u>	<u>\$ 5,575,000</u>	<u>\$ 1,935,000</u>

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE TOWN

ASSESSED VALUATION

TABLE 1

2023 Actual Market Value of Taxable Property		\$ 22,242,889,532
Less Exemptions:		
Homestead	\$ 3,905,226,735	
65 Years and Over	700,429,493	
Disabled/Deceased Veterans	142,395,156	
Productivity Loss	387,749,724	
House Bill 366	245,004	
Freeport Exemption	518,818,499	
Exempt Property	508,301,752	
Pollution Control	175,738	
Member Armed Services Surviving Spouse	1,042,362	
Deferred Special Use Value Loss - Agriculture	10,743,368	
Absolute/Abatement	89,999,652	
Personal Property	719,888	
First Responder Surviving Spouse	1,521,631	
Total Exemptions	\$ 6,267,369,002	
2023 Net Taxable Assessed Valuation		\$ 15,975,520,530

Source: The Town.

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Principal Outstanding (as of April 30, 2024):		
Outstanding Debt		\$ 132,210,000
Refunded Debt		(5,575,000)
General Obligation Refunding Bonds, Series 2024 (the "Bonds")		5,335,000
Certificates of Obligation, Series 2024 (the "Certificates")		7,320,000
Total Gross General Obligation Debt Outstanding:		\$ 139,290,000
Less: Self-Supporting General Obligation Debt (See Table 7)		\$ 104,895,000
Total Net General Obligation Debt Outstanding:		\$ 34,395,000
Ratio of Net General Obligation Debt to 2023 Net Assessed Valuation		0.22%
2023 Net Assessed Valuation		\$ 15,975,520,530

Population: 2000-50,702 ; 2010-64,669; 2020-75,956; Current Estimate -	81,270
Per Capita 2023 Net Assessed Valuation -	\$196,573
Per Capita Gross General Obligation Debt -	\$1,714
Per Capita Net General Obligation Debt -	\$423

Source: The Town Development Services.

OTHER OBLIGATIONS

TABLE 3

(As of April 30, 2024)

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

Source: The Town.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 4

Fisc Year 30-Sep	Current Total Debt Service	Refunded Debt	The Bonds			The Certificates			Combined Debt Service	Less: Self- Supporting Debt ^(a)	Net General Obligation Debt Service
			Principal	Interest	Total	Principal	Interest	Total			
2024	\$ 19,144,843	\$ (139,375)							\$ 19,005,468	\$ (12,918,979)	\$ 6,086,489
2025	18,286,550	(810,125)	\$ 2,285,000	\$ 246,674	\$ 2,531,674	\$ 175,000	\$ 383,644	\$ 558,644	20,566,743	(13,079,830)	7,486,913
2026	17,536,134	(812,125)	375,000	143,125	518,125	230,000	326,200	556,200	17,798,334	(12,992,722)	4,805,613
2027	13,858,700	(807,750)	390,000	124,000	514,000	245,000	314,325	559,325	14,124,275	(10,231,506)	3,892,769
2028	12,285,006	(192,750)	-	114,250	114,250	260,000	301,700	561,700	12,768,206	(9,605,938)	3,162,269
2029	11,771,503	(192,750)	-	114,250	114,250	270,000	288,450	558,450	12,251,453	(9,216,600)	3,034,853
2030	11,588,219	(192,750)	-	114,250	114,250	285,000	274,575	559,575	12,069,294	(9,218,994)	2,850,300
2031	10,994,119	(870,375)	410,000	104,000	514,000	300,000	259,950	559,950	11,197,694	(8,744,175)	2,453,519
2032	10,768,625	(869,750)	435,000	82,875	517,875	315,000	244,575	559,575	10,976,325	(8,527,588)	2,448,738
2033	10,323,113	(872,250)	455,000	60,625	515,625	335,000	228,325	563,325	10,529,813	(8,070,900)	2,458,913
2034	9,490,475	(872,750)	480,000	37,250	517,250	350,000	211,200	561,200	9,696,175	(7,450,675)	2,245,500
2035	8,466,550	(871,250)	505,000	12,625	517,625	365,000	193,325	558,325	8,671,250	(6,454,900)	2,216,350
2036	7,592,800	-	-	-	-	385,000	174,575	559,575	8,152,375	(5,935,775)	2,216,600
2037	6,701,225	-	-	-	-	405,000	154,825	559,825	7,261,050	(5,324,825)	1,936,225
2038	5,063,225	-	-	-	-	420,000	134,200	554,200	5,617,425	(4,686,900)	930,525
2039	4,317,050	-	-	-	-	450,000	112,450	562,450	4,879,500	(4,402,075)	477,425
2040	2,363,100	-	-	-	-	465,000	91,900	556,900	2,920,000	(2,890,300)	29,700
2041	1,808,750	-	-	-	-	485,000	72,900	557,900	2,366,650	(2,337,950)	28,700
2042	1,184,800	-	-	-	-	505,000	53,100	558,100	1,742,900	(1,715,200)	27,700
2043	561,000	-	-	-	-	525,000	32,500	557,500	1,118,500	(1,091,800)	26,700
2044	-	-	-	-	-	550,000	11,000	561,000	561,000	(530,400)	30,600
	<u>\$ 184,105,786</u>	<u>\$ (7,504,000)</u>	<u>\$ 5,335,000</u>	<u>\$ 1,153,924</u>	<u>\$ 6,488,924</u>	<u>\$ 7,320,000</u>	<u>\$ 3,863,719</u>	<u>\$ 11,183,719</u>	<u>\$ 194,274,430</u>	<u>\$ (145,428,031)</u>	<u>\$ 48,846,399</u>

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

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

Source: The Town.

Excluding Self-Supporting Debt

2023 Net Assessed Valuation	\$	15,975,520,530
Maximum Annual Debt Service Requirements (Fiscal Year Ending 2025) ^(a)	\$	7,486,913
Indicated Maximum Interest and Sinking Fund Tax Rate at 99% Collections	\$	0.047338

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

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

Including Self-Supporting Debt

2023 Net Assessed Valuation	\$	15,975,520,530
Maximum Annual Debt Service Requirements(Fiscal Year Ending 2025) ^(a)	\$	20,566,743
Indicated Maximum Interest and Sinking Fund Tax Rate at 99% Collections	\$	0.130040

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

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

Source: The Town.

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CLASSIFICATION OF ASSESSED VALUATION

TABLE 6

Category	2023	% of Total	2022	% of Total	2021	% of Total	2020	% of Total	2019	% of Total
Single-Family Residential	\$ 16,290,575,386	73.24%	\$ 13,335,630,829	71.22%	\$ 10,731,126,020	69.28%	\$ 9,890,952,467	68.18%	\$ 9,349,943,155	69.00%
Multi-Family Residential	672,515,653	3.02%	624,976,112	3.34%	512,343,233	3.31%	472,105,672	3.25%	383,161,946	2.83%
Vacant Lots/Tracts	193,508,571	0.87%	190,116,213	1.02%	145,603,903	0.94%	152,872,877	1.05%	133,041,625	0.98%
Acreage (Land Only)	404,299,694	1.82%	304,452,230	1.63%	249,113,256	1.61%	266,982,848	1.84%	255,776,312	1.89%
Farm & Ranch Improvements	216,347,209	0.97%	166,250,424	0.89%	132,877,408	0.86%	115,313,499	0.79%	111,198,266	0.82%
Commercial and Industrial	2,478,382,601	11.14%	2,247,619,261	12.00%	2,050,319,231	13.24%	2,021,504,353	13.93%	1,946,129,581	14.36%
Real, Oil, Gas & Other Mineral Reserves	1,593,795	0.01%	1,042,865	0.01%	1,177,940	0.01%	1,438,665	0.01%	5,430,805	0.04%
Real, Inventory & Special Inventory	89,130,755	0.40%	67,186,960	0.36%	72,341,413	0.47%	106,376,075	0.73%	134,931,842	1.00%
Real & Tangible Personal, Utilities	267,955,949	1.20%	127,887,541	0.68%	123,142,855	0.79%	117,619,168	0.81%	103,071,070	0.76%
Totally Exempt Property	508,646,317	2.29%	432,110,410	2.31%	406,497,247	2.62%	340,975,454	2.35%	295,349,376	2.18%
Tangible Personal, Business	1,118,155,170	5.03%	1,225,624,037	6.55%	1,063,336,164	6.86%	1,019,699,505	7.03%	830,091,342	6.13%
Tangible Personal, Other	1,778,432	0.01%	1,812,592	0.01%	1,899,051	0.01%	1,805,567	0.01%	1,768,169	0.01%
Total Appraised Value	\$ 22,242,889,532	100.00%	\$ 18,724,709,474	100.00%	\$ 15,489,777,721	100.00%	\$ 14,507,646,150	100.00%	\$ 13,549,893,489	100.00%
Less Exemptions/Value Loss:										
Homestead	\$ 3,905,226,735		\$ 2,226,212,846		\$ 524,044,813		\$ 247,911,162		\$ 281,071,948	
65 Years and Over	700,429,493		468,394,323		432,355,021		407,987,829		383,818,268	
Disabled/Deceased Veterans	142,395,156		95,189,170		80,079,688		64,065,765		54,339,456	
Productivity Loss	387,749,724		294,712,913		239,636,657		257,375,451		246,859,661	
House Bill 366	245,004		324,291		77,597		16,494		88,313	
Freeport Exemption	518,818,499		430,578,159		278,773,051		287,226,260		240,881,843	
Exempt Property	508,301,752		431,662,222		406,341,080		341,146,723		295,179,525	
Pollution Control	175,738		286,308		286,308		225,693		254,273	
Member Armed Services Surviving Spouse	1,042,362		947,602		426,456		404,885		399,314	
Deferred Special Use Value Loss - Ag	10,743,368		4,197,927		4,457,154		4,456,637		4,456,637	
Absolute	89,999,652		90,803,893		107,495,561		174,093,151		150,160,635	
Personal Property	719,888		483,635		397,584		200,968		154,434	
First Responder Surviving Spouse	1,521,631		1,383,300		931,182		239,617		226,600	
Total Exemptions	\$ 6,267,369,002		\$ 4,045,176,589		\$ 2,075,302,152		\$ 1,785,350,635		\$ 1,657,890,907	
Net Taxable Valuation	\$ 15,975,520,530		\$ 14,679,532,885		\$ 13,414,475,569		\$ 12,722,295,515		\$ 11,892,002,582	

Source: The Town.

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

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

(Following issuance of the Obligations.)

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

Certificates of Obligation, Series 2012		
Gross Balance Outstanding	\$	3,240,000
% of Self Supporting Utility System		100.00%
Balance Supported by Utility System	\$	3,240,000
General Obligation Refunding Bonds, Series 2014		
Gross Balance Outstanding	\$	715,000
% of Self Supporting Utility System		13.99%
Balance Supported by Utility System	\$	100,000
Certificates of Obligation, Series 2014		
Gross Balance Outstanding	\$	8,740,000
% of Self Supporting Utility System		96.91%
Balance Supported by Utility System	\$	8,470,000
General Obligation Refunding Bonds, Series 2014A		
Gross Balance Outstanding	\$	1,920,000
% of Self Supporting Utility System		11.20%
Balance Supported by Utility System	\$	215,000
Certificates of Obligation, Series 2015		
Gross Balance Outstanding	\$	1,490,000
% of Self Supporting Community Development Corporation ("CDC")		100.00%
Balance Supported by Community Development Corporation ("CDC")	\$	1,490,000
Certificates of Obligation, Series 2015A		
Gross Balance Outstanding	\$	1,935,000
% of Self Supporting Utility System		65.00%
Balance Supported by Utility System	\$	1,260,000
General Obligation Refunding Bonds, Series 2016		
Gross Balance Outstanding	\$	6,260,000
% of Self Supporting Utility System		51.28%
Balance Supported by Utility System	\$	3,210,000
Certificates of Obligation, Series 2016		
Gross Balance Outstanding	\$	8,550,000
% of Self Supporting Utility System		68.48%
Balance Supported by Utility System	\$	5,855,000
Certificates of Obligation, Series 2017		
Gross Balance Outstanding	\$	3,445,000
% of Self Supporting from Tax Increment Reinvestment Zone ("TIRZ")		100.00%
Balance Supported by Tax Increment Reinvestment Zone ("TIRZ")	\$	3,445,000
Certificates of Obligation, Series 2017A		
Gross Balance Outstanding	\$	16,080,000
% of Self Supporting Utility System		38.87%
Balance Supported by Utility System	\$	6,250,000
Certificates of Obligation, Series 2018		
Gross Balance Outstanding	\$	3,920,000
% of Self Supporting from Tax Increment Reinvestment Zone ("TIRZ")		100.00%
Balance Supported by Tax Increment Reinvestment Zone ("TIRZ")	\$	3,920,000

COMPUTATION OF SELF-SUPPORTING DEBT BY SOURCE (CONTINUED)

TABLE 7

(Following issuance of the Obligations.)

Certificates of Obligation, Series 2018A		
Gross Balance Outstanding	\$	7,900,000
% of Self Supporting Utility System		38.67%
Balance Supported by Utility System	\$	3,055,000
Certificates of Obligation, Series 2019		
Gross Balance Outstanding	\$	22,030,000
% of Self Supporting Utility System		77.19%
Balance Supported by Utility System	\$	17,005,000
Certificates of Obligation, Series 2020		
Gross Balance Outstanding	\$	6,800,000
% of Self Supporting Utility System		100.00%
Balance Supported by Utility System	\$	6,800,000
General Obligation Refunding Bonds, Series 2020		
Gross Balance Outstanding	\$	2,725,000
% of Self Supporting Utility System		33.03%
Balance Supported by Utility System	\$	900,000
Certificates of Obligation, Series 2021		
Gross Balance Outstanding	\$	8,135,000
% of Self Supporting Utility System		100.00%
Balance Supported by Utility System	\$	8,135,000
General Obligation Refunding Bonds, Series 2021		
Gross Balance Outstanding	\$	1,540,000
% of Self Supporting Utility System		100.00%
Balance Supported by Utility System	\$	1,540,000
Certificates of Obligation, Series 2022		
Gross Balance Outstanding	\$	8,020,000
% of Self Supporting Utility System		100.00%
Balance Supported by Utility System	\$	8,020,000
Certificates of Obligation, Series 2023		
Gross Balance Outstanding	\$	7,200,000
% of Self Supporting Utility System		100.00%
Balance Supported by Utility System	\$	7,200,000
General Obligation Refunding Bonds, Series 2023		
Gross Balance Outstanding	\$	5,990,000
% of Self Supporting Utility System		75.00%
Balance Supported by Utility System	\$	4,470,000
Certificates of Obligation, Series 2024 ("the Certificates")*		
Gross Balance Outstanding	\$	7,320,000
% of Self Supporting Utility System		94.74%
Balance Supported by Utility System	\$	6,935,000
General Obligation Refunding Bonds, Series 2024 ("the Bonds")		
Gross Balance Outstanding	\$	5,335,000
% of Self Supporting Utility System		63.36%
Balance Supported by Utility System	\$	3,380,000
Combined Totals:		
Gross Balance Outstanding:	\$	139,290,000
Balance Supported by Utility System:	\$	96,040,000
% Self Supporting from Utility System:		68.95%
Balance Supported by CDC:	\$	1,490,000
% Self Supporting from CDC:		1.07%
Balance Supported by TIRZ:	\$	7,365,000
% Self Supporting from TIRZ:		5.29%

Source: The Town.

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

Net System Revenues Available, Fiscal Year End September 30, 2023	\$ 24,262,382
Debt Service on Utility System Revenue Bonds:	-
Balance Available for Other Purposes	<u>\$ 24,262,382</u>
 Maximum Annual Debt Service for Self-Supporting Utility System Debt (2025)	 \$ 10,156,723

Source: The Town.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**TABLE 9**

Fiscal Year Ending 9/30	Outstanding Debt	Refunded Debt	The Bonds	The Certificates	Total	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2024	\$ 2,555,000				\$ 2,555,000	\$ 136,735,000	1.83%
2025	13,195,000	\$ (545,000)	\$ 2,285,000	\$ 175,000	15,110,000	121,625,000	12.68%
2026	12,975,000	(575,000)	375,000	230,000	13,005,000	108,620,000	22.02%
2027	9,825,000	(600,000)	390,000	245,000	9,860,000	98,760,000	29.10%
2028	8,635,000			260,000	8,895,000	89,865,000	35.48%
2029	8,480,000			270,000	8,750,000	81,115,000	41.77%
2030	8,655,000			285,000	8,940,000	72,175,000	48.18%
2031	8,425,000	(695,000)	410,000	300,000	8,440,000	63,735,000	54.24%
2032	8,570,000	(730,000)	435,000	315,000	8,590,000	55,145,000	60.41%
2033	8,490,000	(770,000)	455,000	335,000	8,510,000	46,635,000	66.52%
2034	8,010,000	(810,000)	480,000	350,000	8,030,000	38,605,000	72.28%
2035	7,305,000	(850,000)	505,000	365,000	7,325,000	31,280,000	77.54%
2036	6,720,000			385,000	7,105,000	24,175,000	82.64%
2037	6,085,000			405,000	6,490,000	17,685,000	87.30%
2038	4,645,000			420,000	5,065,000	12,620,000	90.94%
2039	4,045,000			450,000	4,495,000	8,125,000	94.17%
2040	2,195,000			465,000	2,660,000	5,465,000	96.08%
2041	1,710,000			485,000	2,195,000	3,270,000	97.65%
2042	1,140,000			505,000	1,645,000	1,625,000	98.83%
2043	550,000			525,000	1,075,000	550,000	99.61%
2044				550,000	550,000		100.00%
	<u>\$ 132,210,000</u>	<u>\$ (5,575,000)</u>	<u>\$ 5,335,000</u>	<u>\$ 7,320,000</u>	<u>\$ 139,290,000</u>		

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2020-2024

TABLE 10

Fiscal Year Ending	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
9/30/2020	\$ 11,892,002,582	\$ 689,497,909	6.15%
9/30/2021	12,722,295,515	830,292,933	6.98%
9/30/2022	13,414,475,569	692,180,054	5.44%
9/30/2023	14,679,532,885	1,265,057,316	9.43%
9/30/2024	15,975,520,530	1,295,987,645	8.83%

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

PRINCIPAL TAXPAYERS 2023

TABLE 11

Name	Type of Business	Assessed	
		Valuation	Valuation
Elan Flower Mound Phase II Venture LLC	Apartments with Retail/Lakeside	\$ 103,333,964	0.65%
Avalon Lakeside LP	Apartments	97,400,000	0.61%
CPF PC Riverwalk LLC	Apartments	70,835,000	0.44%
Duke Realty LP	Real Estate	70,085,375	0.44%
WMCi Dallas I LLC	Apartments/The River Walk at Central Park	70,000,000	0.44%
Flower Mound Hospital Partners LLC	Hospital	64,000,000	0.40%
LIT HW1 LP/LIT LP	Commercial Property	62,585,900	0.39%
IPT Dallas Distribution Portfolio	Real Estate	61,695,105	0.39%
WOP 301 Flower Mound LLC	Apartments	60,754,900	0.38%
LIT HW1 LP/LIT LP	Commercial Property	57,028,671	0.36%
		<u>\$ 717,718,915</u>	<u>4.50%</u>

Information based on a 2023 Net Taxable Assessed Valuation of

\$ 15,975,520,530

Source: Denton County and Tarrant Appraisal Districts.

PROPERTY TAX RATES AND COLLECTIONS

TABLE 12

Tax Year	Net Taxable Valuation	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
2019	\$ 11,892,002,582	0.4365	\$ 52,111,627	99.95%	99.87%	9/30/2020
2020	12,722,295,515	0.4365	54,512,333	100.01%	99.93%	9/30/2021
2021	13,414,475,569	0.4050	53,168,451	99.83%	99.91%	9/30/2022
2022	14,679,532,885	0.4050	58,333,039	99.74%	99.74%	9/30/2023
2023	15,975,520,530	0.3873	60,965,577	(in process of collections)		9/30/2024

* As of May 31, 2024
 Source: The Town.

TAX RATE DISTRIBUTION

TABLE 13

	2023-24	2022-23	2021-22	2020-21	2019-20
General Fund	\$ 0.3483	\$ 0.3609	\$ 0.3506	\$ 0.3478	\$ 0.3540
I & S Fund	0.0390	0.0441	0.0544	0.0887	0.0825
TOTAL	\$ 0.3873	\$ 0.4050	\$ 0.4050	\$ 0.4365	\$ 0.4365

Source: The Town.

MUNICIPAL SALES TAX

TABLE 14

In November 2007, voters approved four separate one-fourth of one percent dedicated sales taxes as follows: for park and recreation improvements; street maintenance; a Crime Control and Prevention District; and a Fire Control, Prevention and Emergency Medical Services District. The increased sales tax rate began April 1, 2008. The total local sales and use tax rate for the Town is 2.0%. Such tax collections are not pledged to payment on the Obligations. Collections and enforcements are effected 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 30-Sep	Total Collected	% of Ad Valorem Levy	Equivalent of Ad Valorem Tax Rate
2020	12,712,513	24.4%	0.106
2021	14,469,038	26.5%	0.115
2022	17,505,884	32.9%	0.133
2023	18,752,087	32.1%	0.130
2024	9,508,884 ⁽¹⁾	(in process of collections)	

Source: The Town.

⁽¹⁾ Unaudited, through May 31, 2024, excluding dedicated sales tax.

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 15

<u>Taxing Body</u>	<u>As of</u>	<u>Amount</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Argyle ISD	5/31/2024	\$ 408,721,443	19.32%	\$ 78,964,983
Denton County	5/31/2024	725,605,000	9.45%	68,569,673
Denton ISD	5/31/2024	2,142,646,665	0.15%	3,213,970
Grapevine-Colleyville ISD	5/31/2024	289,240,590	**	-
Lewisville ISD	5/31/2024	1,492,300,000	27.10%	404,413,300
Northwest ISD	5/31/2024	1,909,537,569	0.28%	5,346,705
Tarrant County	5/31/2024	376,120,000	0.19%	714,628
Tarrant County College District	5/31/2024	591,230,000	0.19%	1,123,337
Tarrant County Hospital District	5/31/2024	446,660,000	0.19%	848,654
Total Gross Overlapping Debt		\$ 8,382,061,267		\$ 563,195,249
Town of Flower Mound	with this issue	\$ 34,395,000 ⁽¹⁾⁽²⁾	100.00%	34,395,000
Total Net Direct and Overlapping Debt				\$ 597,590,249

Ratio of Net Direct and Overlapping Debt to 2023 Assessed Valuation 3.74%
 Ratio of Net Direct and Overlapping Debt to 2023 Actual Value 2.69%
 Per Capita Net Direct and Overlapping Debt \$7,353.15

⁽¹⁾ The Town of Flower Mound's total bonded debt is \$139,290,000 which includes tax supported debt funded by the revenues of the (i) Utility System (ii) Town's Community Development Corporation and (iii) Tax Increment Reinvestment Zone. See Table 7 for such self-supported debt. The Town may change this policy at any time.

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

The Issuer's Gross General Obligation Debt is \$ 139,290,000 ⁽¹⁾⁽²⁾

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

Total Direct and Overlapping Debt	\$ 702,485,249
Ratio of Direct and Overlapping Debt to 2023 Assessed Valuation	4.40%
Ratio of Direct and Overlapping Debt to 2023 Actual Value	3.16%
Per Capita Direct and Overlapping Debt	\$ 8,643.84

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

** Less than 0.01%

Source: Town and Municipal Advisory Council of Texas.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES

TABLE 16

<u>Governmental Entity</u>	<u>2023 Valuation</u>	<u>2023 Tax Rate</u>
Lewisville ISD	\$ 54,716,508,620	\$ 1.1301
Argyle ISD	4,537,253,532	1.2122
Denton ISD	29,902,555,740	1.1592
Northwest ISD	35,583,578,983	1.0902
Denton County	117,207,954,441	0.1894
Grapevine-Colleyville ISD	20,716,703,685	0.9247
Tarrant County Hospital Dist.	287,594,945,024	0.1945
Tarrant County College Dist.	310,866,090,441	0.1122
Tarrant County	287,630,145,281	0.1945

Source: Municipal Advisory Council of Texas.

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

TABLE 17

<u>Taxing Body</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Issued To Date</u>	<u>Unissued</u>
Argyle ISD	5/4/2024	\$ 6,500,000	\$ -	\$ 6,500,000
	5/7/2022	267,885,000	212,905,000	54,980,000
Northwest ISD	5/6/2023	1,995,500,000	400,000,000	1,595,500,000
Denton County	11/8/2022	650,000,000	213,309,375	436,690,625
	5/15/2004	206,870,000	204,870,000	2,000,000
Tarrant County	11/2/2021	400,000,000	225,000,000	175,000,000
	5/13/2006	433,120,000	418,120,000	15,000,000
	8/8/1998	94,300,000	78,700,000	15,600,000
Tarrant County College Dist	11/5/2019	825,000,000	700,000,000	125,000,000
Tarrant County Hospital Dist	11/6/2018	800,000,000	450,000,000	350,000,000

Source: Municipal Advisory Council of Texas.

CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES

TABLE 18

	Fiscal Year Ending September 30				
	2023	2022	2021	2020	2019
Revenues:					
Program Revenues:					
Charges for Services	\$ 13,295,744	\$ 12,107,013	\$ 10,731,281	\$ 8,886,067	\$ 10,039,853
Operating Grants & Contributions	1,239,871	3,601,013	2,313,000	2,239,746	183,013
Capital Grants & Contributions	10,647,484	8,643,597	12,039,573	8,183,369	13,214,793
General Revenue					
Property Tax	60,960,971	55,478,487	56,852,372	54,639,637	51,056,486
Sales Tax	37,369,199	34,929,500	28,861,624	25,360,411	25,286,435
Occupancy Tax	573,356	419,080	302,908	251,204	348,307
Other Taxes	7,706,605	7,376,337	5,843,467	5,905,293	6,615,705
Unrestricted Investment Earnings	6,373,438	940,523	114,893	1,417,681	2,791,043
Miscellaneous	841,192	600,368	1,011,374	787,908	1,120,705
Total Revenues	\$ 139,007,860	\$ 124,095,918	\$ 118,070,492	\$ 107,671,316	\$ 110,656,340
Expenses:					
Town Manager's Office	\$ 3,388,706	\$ 3,680,978	\$ 4,298,875	\$ 3,454,566	\$ 3,273,180
Legislative Services	667,367	513,592	535,517	506,395	524,126
Development Services	2,511,730	2,192,825	2,218,168	2,187,528	1,983,306
Parks & Recreational Services	16,575,189	18,144,574	15,329,914	7,053,088	12,344,192
Library Services ⁽¹⁾	2,322,283	2,049,541	1,997,725	1,943,000	1,896,889
Police Services	24,667,709	21,880,685	19,575,430	17,946,700	18,964,282
Financial Services	5,098,691	4,728,707	3,181,737	4,392,826	4,000,678
Administrative Services	7,655,684	7,055,671	6,278,393	6,508,843	6,038,018
Fire & Emergency Services	28,810,186	23,173,628	23,087,386	20,719,163	20,916,756
Communications	1,022,276	753,285	749,660	784,176	806,512
Public Works	15,174,383	10,213,207	15,315,949	24,568,733	10,155,359
Environmental Services	1,511,256	1,543,131	1,491,166	1,509,345	1,487,918
Interest on Long Term Debt	1,489,993	1,741,793	2,015,265	2,332,467	2,449,547
Total Expenses	\$ 110,895,453	\$ 97,671,617	\$ 96,075,185	\$ 93,906,830	\$ 84,840,763
Increase (Decrease) in Net					
Assets Before Transfers	\$ 28,112,407	\$ 26,424,301	\$ 21,995,307	\$ 13,764,486	\$ 25,815,577
Transfers	2,816,837	2,802,185	2,602,600	1,888,815	1,218,430
Increase (Decrease) in Net Assets	\$ 30,929,244	\$ 29,226,486	\$ 24,597,907	\$ 15,653,301	\$ 27,034,007
Net Assets at Beginning of Year	\$ 417,070,464	\$ 387,843,978	\$ 363,246,071	\$ 347,592,770	\$ 320,558,763
Prior Period Adjustment	-	-	-	-	-
Net Assets at End of Year	\$ 447,999,708	\$ 417,070,464	\$ 387,843,978	\$ 363,246,071	\$ 347,592,770

Source: The Town's Financial Statements.

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

TABLE 19

	Fiscal Year Ending September 30				
	2023	2022	2021	2020	2019
Fund Balance - Beginning of Year	\$ 34,983,172	\$ 27,857,003	\$ 22,764,655	\$ 21,471,030	\$ 18,944,214
Revenues:					
Taxes	\$ 72,830,205	\$ 66,669,062	\$ 59,776,061	\$ 57,394,847	\$ 54,756,851
Licenses, Permits and Fees	2,401,404	3,238,852	2,825,866	2,694,880	2,436,656
Intergovernmental	4,146,350	1,747,483	1,196,666	1,127,880	1,112,493
Charges for services	4,950,966	4,613,906	4,030,222	3,234,904	4,234,588
Fines and Forfeits	1,169,923	1,139,842	1,014,069	736,476	1,114,362
Investment Earnings	2,079,698	271,883	36,653	363,901	682,680
Memorials and Contributions	-	-	-	24,000	23,849
Other Revenues	828,762	562,155	1,012,379	733,768	845,003
Total Revenues	<u>\$ 88,407,308</u>	<u>\$ 78,243,183</u>	<u>\$ 69,891,916</u>	<u>\$ 66,310,656</u>	<u>\$ 65,206,482</u>
Expenditures:					
Current					
Town Manager's Office	\$ 3,261,563	\$ 3,733,802	\$ 4,249,212	\$ 3,431,410	\$ 3,210,344
Legislative Services	628,400	513,223	535,784	496,250	500,810
Development Services	2,390,820	2,212,896	2,162,182	2,075,770	1,954,622
Parks & Recreational Services	10,826,328	9,229,602	7,843,632	7,116,775	7,886,669
Library Services (1)	2,133,400	2,079,638	1,960,418	1,771,235	1,822,047
Police Services	19,284,211	17,842,652	15,998,254	14,616,514	14,715,420
Financial Services	4,052,862	3,598,928	3,673,030	3,686,956	3,631,668
Administrative Services	7,761,807	7,144,902	6,197,054	6,396,212	5,966,431
Fire and Emergency Services	23,866,877	17,947,527	16,826,829	15,812,837	15,505,951
Communications	830,070	697,477	659,462	677,246	668,503
Public Works	6,104,002	5,713,683	5,427,928	4,856,957	4,765,807
Environmental Services	1,459,091	1,562,986	1,443,788	1,482,847	1,458,742
Total Expenditures	<u>\$ 82,599,431</u>	<u>\$ 72,277,316</u>	<u>\$ 66,977,573</u>	<u>\$ 62,421,009</u>	<u>\$ 62,087,014</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 5,807,877	\$ 5,965,867	\$ 2,914,343	\$ 3,889,647	\$ 3,119,468
Other Financing Sources (Uses)					
Subscription Financing	\$ 179,728	\$ -	\$ -	\$ -	\$ -
Operating transfer in	3,091,837	3,077,185	2,865,960	2,608,842	2,007,480
Operating transfer out	<u>(2,128,785)</u>	<u>(1,916,883)</u>	<u>(687,955)</u>	<u>(5,204,864)</u>	<u>(2,600,132)</u>
Total Other Financing Sources	\$ 1,142,780	\$ 1,160,302	\$ 2,178,005	\$ (2,596,022)	\$ (592,652)
Net Change in Fund Balances	\$ 6,950,657	\$ 7,126,169	\$ 5,092,348	\$ 1,293,625	\$ 2,526,816
Fund Balance - End of Year	<u>\$ 41,933,829</u>	<u>\$ 34,983,172</u>	<u>\$ 27,857,003</u>	<u>\$ 22,764,655</u>	<u>\$ 21,471,030</u>

Source: The Town's Financial Statements.

The Town purchases treated water from the City of Dallas, Texas ("Dallas") and from the Upper Trinity Regional Water District (the "District"). The Town began receiving additional treated water from the District in 1997 which expires when the bonds issued by the District for the system have been paid in full, whichever is later. Under the current terms of the contracts with these entities, the Town can receive up to 30 million gallons of water per day (MGD) from the District and 11 MGD from Dallas. The Town is currently paying \$550,155 per million gallons of peak daily demand and a rate of \$1.49 per thousand gallons for actual water usage from the District and \$328,362 per million gallons of peak daily demand and a rate of \$.515 per thousand gallons for actual water usage from Dallas. The Town made \$20,010,328 in expenditures to the District and \$4,413,474 to Dallas during Fiscal Year 22-23.

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

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

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

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

The Town maintains 484 miles of water lines, 4,497 fire hydrants,12,070 water valves, and 26,367 water connections.

HISTORICAL WATER CONSUMPTION (GALLONS)

TABLE 21

Fiscal Year Ending 9/30	Total Usage	Average Daily Usage	Peak Day Usage	Actual Peak Day	Total Water & Sewer Revenues Received
2019	3,766,163,465	10,318,256	27,987,000	08/25/19	40,110,410
2020	4,523,696,675	12,393,690	30,750,000	08/13/20	44,149,258
2021	4,349,260,475	11,915,782	27,158,000	08/11/21	46,052,555
2022	5,259,997,856	14,410,953	34,728,000	07/18/22	53,657,056
2023	5,327,701,344	14,596,442	31,884,000	07/30/23	57,485,155

Source: The Town.

PRINCIPAL WATER CUSTOMERS (BASED ON GALLONS CONSUMED)

TABLE 22

<u>Customer</u>	<u>Type of Industry</u>	<u>Water Usage</u>	<u>% of Total Water Usage</u>	<u>Water Revenue</u>
Town of Flower Mound	Municipality	113,406,670	2.13%	\$ 592,126
LISD	School District	106,747,920	2.00%	1,038,561
HOA Wellington of FM	Home Owners Association	27,271,020	0.51%	255,913
The Park at Flower Mound	Apartments	26,548,030	0.50%	229,993
Avalon Lakeside LP	Apartments	21,448,310	0.40%	182,473
LIT Industrial Limited Partnership/HW1 LP	Commercial Warehouse	19,163,100	0.36%	165,042
Texas Health Presbyterian Hospital	Hospital	18,838,690	0.35%	157,506
CWS Apartments	Apartments	18,533,300	0.35%	171,856
HOA Bridlewood	Home Owners Association	16,624,630	0.31%	150,555
CPF PC Riverwalk LLC	Apartments	14,879,050	0.28%	122,582
Total		383,460,720	7.19%	\$ 3,066,607
TOTAL GALLONS BILLED	5,327,701,344			

Source: The Town.

WATER RATES

TABLE 23

(Effective October 1, 2023)

Meter Size	Minimum Bill (Includes 2,000 Gallons)
3/4" or 5/8"	\$ 42.10
1"	69.29
1 1/2"	114.56
2"	168.92
3"	313.85
4"	476.89
6"	902.70

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

(Volume rates effective October 1, 2023)

2,000-10,000 gallons	\$4.79	per thousand gallons
10,001-15,000 gallons	\$6.48	per thousand gallons
15,001-50,000 gallons	\$7.37	per thousand gallons
50,000+ gallons	\$8.27	per thousand gallons
Town Meters	\$2.49	per thousand gallons
Fire Hydrants	\$8.27	per thousand gallons

WATER IMPACT FEES:

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

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

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

Source: The Town.

WASTEWATER SYSTEM**TABLE 24**

Sanitary sewer service within Flower Mound is provided by one of two agencies. The eastern third of Flower Mound is provided sewer service through a Town owned and operated collection and treatment system that includes 20 lift stations, and an 8.7 million gallon a day wastewater treatment plant. The Flower Mound treatment plant utilizes an aerobic wastewater treatment process, followed by filtration, and ultra-violet disinfection to produce a superior effluent quality. Sewer services for an area located in western Flower Mound near US HWY 377 and Texas FM 1171 is provided by the Trinity River Authority (TRA), Denton Creek system. Flower Mound contractually reserved 30,000 gallons per day in the existing TRA wastewater treatment facility to serve the area. The lift stations collect and transport sewage to the treatment plant through 329 miles of sewer mains, 5,012 manholes and 23,017 sanitary sewer connections as part of the sanitary sewer system.

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

Source: The Town.

WASTEWATER USAGE (GALLONS)**TABLE 25**

Fiscal Year Ending 9/30	Total Usage	Average Daily Usage
2019	1,963,459,930	5,379,342
2020	1,955,347,134	5,357,115
2021	2,053,358,690	5,625,640
2022	2,203,076,834	6,035,827
2023	2,334,829,312	6,396,793

Source: The Town.

SEWER RATES

(Effective October 1, 2023)

All size meters:

First 2,000 gallons	\$	23.85	(Minimum)
Over 2,000 gallons - Residential		4.85	per 1,000 gallons
Over 2,000 gallons - Non-Residential		5.34	per 1,000 gallons

Residential: Monthly bill based on average consumption during months of December, January and February. If no average has been determined, the customer will be charged based on the rates above, not to exceed \$52.95 per month, until average water usage is determined.

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

SEWER IMPACT FEES:

Meter Size	Platted Prior to 10/17/94		Platted 10/17/94 - 12/18/00		Platted 12/19/2000 - 1/31/2010*			Platted After 2/1/2010
	Res./Non-Res.		Res./Non-Res.		Lakeside Business District	Denton Creek District	Long Prairie District	See Chart B
	Residential	Non-Residential	Residential	Non-Residential	Residential	Residential	Residential	
5/8" x 3/4"	\$ 1,413	\$ 1,396	\$ 978	\$ 1,254	\$ 4,204			
1"	2,515	3,490	2,445	3,135	10,510			
1 1/2"	5,652	6,980	4,890	6,270	21,020			
2"	10,047	11,168	7,824	10,033	33,632			
3"	22,608	24,430	15,648	20,066	67,264			
4"	40,186	41,880	24,450	31,352	105,100			
6"	90,433	87,250	48,900	62,705	210,200			
8"	160,772	125,640	78,240	100,328	336,320			
10"	251,205	202,420	112,470	144,221	483,460			

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

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

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

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

STORM WATER UTILITY FEES (Effective October 1, 2021)

Residential

< 1 Acre	\$4.69
1-5 Acres	\$4.05
> 5 Acres	\$3.40

Residential- w/ Detention credit

< 1 Acre	\$3.89
1-5 Acres	\$3.36
> 5 Acres	\$2.83

Non-residential

1-25,000 sq ft.	\$35.32
25,000-50,000 sq. ft.	\$48.17
> 50,000 sq. ft.	\$61.01

Non-residential- w/ Detention credit

1-25,000 sq ft.	\$29.32
25,000-50,000 sq. ft.	\$39.98
> 50,000 sq. ft.	\$50.64

Source: The Town.

CONDENSED UTILITY SYSTEM OPERATING STATEMENTS

TABLE 27

Revenues	Fiscal Year Ended September 30,										
	2023		2022		2021		2020		2019		
Charges for Services	\$	57,815,286	\$	54,048,407	\$	46,434,226	\$	44,522,120	\$	43,501,848	
Penalties, Fines and Forfeits		435,157		407,636		334,890		342,001		305,665	
Interest Income		2,959,963		464,855		37,199		635,963		1,081,335	
Other		263,964		387,673		392,570		378,378		389,126	
Total Revenues		61,474,370		55,308,571		47,198,885		45,878,462		45,277,974	
Expenses											
Administration		6,695,868		6,217,507		6,067,590		5,662,449		5,024,964	
Maintenance and Operations		30,516,120		31,289,877		28,812,306		28,136,699		26,862,646	
Total Expenses		37,211,988		37,507,384		34,879,896		33,799,148		31,887,610	
Net Available for Debt Service	\$	24,262,382	\$	17,801,187	\$	12,318,989	\$	12,079,314	\$	13,390,364	
Debt Service on Revenue Bonds	\$	-	\$	-	\$	-	\$	-	\$	-	
Debt Service Coverage		n/a	x	n/a	x	n/a	x	n/a	x	n/a	x
Water Customers		26,367		26,222		25,896		25,391		24,977	
Sewer Customers		23,017		22,901		22,651		22,246		21,883	

Source: The Town's Financial Statements.

UTILITY SYSTEM REVENUE BOND SERVICE REQUIREMENTS

TABLE 28

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

Source: The Town.

APPENDIX B

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

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

GENERAL

The Town of Flower Mound, Texas is located primarily in southern Denton County, with a portion in Tarrant County, approximately 28 miles northwest of downtown Dallas and 8 miles south of Denton. The Town's corporate boundary is comprised of approximately 45 square miles. The Town's 2020 Census population was 75,956, and the 2024 estimated population is 81,270.

Currently the development in the Town consists of planned communities that are comprised of residential housing with adjacent retail and commercial components. Estate zoned lots also comprise a significant portion of the residential development. Also, the Town has been enhanced by its infrastructure development. Services are provided by three utility companies, a cable franchise, a superior water supply and two internationally renowned airports. The Town is a rapidly growing area with an average age of 39.8 years and an average household income of \$189,356.

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

Denton County is one of the more diversified agricultural areas in Texas. With soil types ranging from rich black to deep sandy loam, and good, soft artesian water, it is ideal for diversified farming and livestock. Principal crops are corn, wheat, oats, hay grain sorghums and peanuts. Beef cattle, sheep, chickens and turkeys contribute a substantial and steady income every year to the farmers and ranchers of the County. A very significant concentration of valuable world champion horses and horse ranches, located immediately to the north and east of the Town's corporate boundaries, provide a prosperous economic resource for the Town and area. Products significant to the economy are horses, beef, eggs, wheat, grain sorghums, hay, and nursery crops.



POPULATION TRENDS

Year	Town of Flower Mound	Denton County
2024 Estimate	81,270	976,720
2020 Census	75,956	903,422
2010 Census	64,669	662,614
2000 Census	50,702	432,976
1990 Census	15,527	273,525

Source: United States Census Bureau and the Town Development Services.

LEADING EMPLOYERS

2023
Approximate Number of
Employees

<u>Employer</u>	<u>Principal Line of Business</u>	
Communication Test Design, Inc. (CTDI)	Engineering, Repair & Logistics	1,400
MI Windows & Doors	Manufacturing & Distribution	710
Texas Health Presbyterian Hospital Flower Mound	Hospital	700
Stryker Communications	Medical Technology	480
Likewise	Wireless Company	400
Thirty-One Gifts	Manufacturing & Distribution	350
Best Buy Distribution & Service Center	Distribution	250
HD Supply	Industrial Distribution	200
Ivie & Associates	Marketing	190
BOHM Technologies	Refurhishment of electronics	175

Source: Town Economic Development Division
Note: Listing includes only private sector employers for 2023.

EMPLOYMENT STATISTICS

	<u>Denton County</u>		<u>State of Texas</u>	
	April 2023	April 2024	April 2023	April 2024
Total Civilian Labor Force	565,988	576,060	15,001,944	15,305,019
Total Employed	548,442	557,701	14,473,233	14,762,482
Total Unemployed	17,546	18,359	528,711	542,537

Source: Texas Workforce Commission

UNEMPLOYMENT RATES

	April 2023	April 2024
Denton County	3.1	3.2
State of Texas	3.5	3.5
United States of America	3.1	3.5

Source: Texas Workforce Commission

GROWTH INDICES

Fiscal Year	<u>Commercial Construction</u>		<u>Residential Construction</u>		Total Value	<u>Utility Connections</u>	
	Number of Permits	Value	Number of Permits	Value		Water	Sewer
2019	46	74,466,756	500	156,432,776	230,899,532	24,977	21,883
2020	59	-	423	-	-	25,391	22,246
2021	12	-	458	-	-	25,896	22,651
2022	32	-	396	-	-	26,222	22,901
2023	13	-	117	-	-	26,367	23,017

Source: The Town's Financial Statements.
Note: Due to Section 214.907, Texas Local Government Code, as amended, permit values are no longer obtained during the permit process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 1 The District has authorized the issuance of its tax-exempt Regional Treated Water Supply System Revenue Commercial Paper Notes, Series A in an aggregate principal amount not to exceed \$75,000,000, effective October 1, 2019. The Commercial Paper Notes are short-term obligations with a maturity of up to 270 days which are authorized to be issued for the acquisition or construction of improvements, additions or extensions to the System. As of September 30, 2022, the District has \$8.5 million of Commercial Paper Notes outstanding. Repayment of the Commercial Paper Notes is secured by a letter of credit with Bank of America, N.A., the sale of a series of additional Parity Bonds if issued to pay outstanding Commercial Paper Notes and a pledge of the Pledged Revenues of the System, such pledge being subordinate to the prior and superior lien and pledge securing the payment of the Parity Bonds. Unless extended, the expiration date of the Letter of Credit is December 30, 2022. During the year ended September 30, 2023, the District used the LOC to pay principal and interest amounts on the Variable-Rate Commercial Paper program.

Table 1
Upper Trinity Regional Water District - Debt Service Requirements

Fiscal Year Ended 9/30	Outstanding Parity Debt Service Requirements (1)		Total Outstanding Debt Service Requirements	% of Principal Retired (1)
	Principal	Interest		
	2024	\$ 16,575,000		
2025	16,715,000	9,133,755	25,848,755	
2026	15,090,000	8,485,273	23,575,273	
2027	13,245,000	7,905,947	21,150,947	
2028	12,615,000	7,399,571	20,014,571	4.62%
2029	12,735,000	7,285,986	20,020,986	
2030	10,465,000	6,807,859	17,272,859	
2031	9,410,000	6,444,162	15,854,162	
2032	9,755,000	6,096,685	15,851,685	
2033	9,560,000	5,735,913	15,295,913	46.21%
2034	9,925,000	5,376,415	15,301,415	
2035	8,800,000	4,999,977	13,799,977	
2036	9,130,000	4,683,164	13,813,164	
2037	9,475,000	4,346,981	13,821,981	
2038	8,960,000	4,007,332	12,967,332	63.16%
2039	9,290,000	3,694,758	12,984,758	
2040	8,825,000	3,379,174	12,204,174	
2041	9,115,000	3,075,946	12,190,946	
2042	9,440,000	2,753,667	12,193,667	
2043	9,190,000	2,419,166	11,609,166	79.95%
2044	9,080,000	2,100,003	11,180,003	
2045	8,180,000	1,781,892	9,961,892	
2046	5,700,000	1,485,196	7,185,196	
2047	5,920,000	1,274,930	7,194,930	
2048	5,650,000	1,056,142	6,706,142	92.60%
2049	5,860,000	846,077	6,706,077	
2050	5,080,000	623,927	5,703,927	
2051	4,350,000	422,900	4,772,900	
2052	3,045,000	242,225	3,287,225	
2053	1,870,000	98,175	1,968,177	
	<u>\$ 273,050,000</u>	<u>\$ 122,818,198</u>	<u>\$ 395,868,200</u>	100.00%

Source: Texas Municipal Reports, Upper Trinity Regional Water District, Regional Treated Water Supply System as of last revision date December 14, 2023.

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

Table 2
Proportional Debt of Members and Customers of the District

	Subscribed Capacities	Proportional Percent	Current Debt (1)
Argyle WSC	2.00	2.26%	\$ 8,946,621
City of Aubrey	0.10	0.11%	435,455
City of Celina	7.20	8.12%	32,144,498
City of Corinth	7.50	8.46%	33,490,450
Cross Timbers WSC	2.50	2.82%	11,163,483
DCFWS D #7	4.00	4.51%	17,853,656
DCFWS D #8A	1.87	2.11%	8,352,819
DCFWS D #11A	3.30	3.72%	14,726,297
Elm Ridge (Formerly DCFWS D #10)	1.02	1.15%	4,552,484
Double Oak			
Town of Flower Mound	30.00	33.84%	133,961,799
City of Highland Village	3.00	3.38%	13,380,345
City of Justin	1.45	1.66%	6,571,412
City of Krum	0.40	0.45%	1,781,407
Lake Cities MUA	3.80	4.29%	16,982,746
Lewisville (Acquired DCFWS D #1A)	4.00	4.51%	17,853,656
Mustang SUD	7.80	8.80%	34,836,402
Town of Northlake	5.80	6.54%	25,889,780
Providence Village (DCFWS D #9)	2.40	2.71%	10,728,028
City of Sanger	0.50	0.56%	2,216,862
<i>Total Members and Customers</i>	88.64	100.00%	\$ 395,868,200

Source: Texas Municipal Reports, Upper Trinity Regional Water District, Regional Treated Water Supply System as of last revision date December 14, 2023.

APPENDIX C

FORMS OF OPINIONS OF BOND COUNSEL

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[Closing Date]

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

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

IN REGARD to the authorization and issuance of the “Town of Flower Mound, Texas, Certificates of Obligation, Series 2024,” dated July 1, 2024, in the principal amount of \$7,320,000 (the “Certificates”), we have examined into their issuance by the Town of Flower Mound, Texas (the “Town”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Town, the disclosure of any financial or statistical information or data pertaining to the Town and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

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

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

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

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

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

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

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

[Closing Date]

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

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nortonrosefulbright.com

IN REGARD to the authorization and issuance of the “Town of Flower Mound, Texas, General Obligation Refunding Bonds, Series 2024,” dated July 1, 2024, in the principal amount of \$5,335,000 (the “Bonds”), we have examined into their issuance by the Town of Flower Mound, Texas (the “Town”), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the Town’s outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Town, the disclosure of any financial or statistical information or data pertaining to the Town and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

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

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

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

1. The Bonds have been duly authorized by the Town and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the Town payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Town, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held by the paying agent for the outstanding obligations being refunded (the “Refunded Obligations Paying agent”) and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "Town of Flower Mound, Texas, General Obligation Refunding Bonds, Series 2024"

certificate of the Refunded Obligations Paying agent as to the sufficiency of cash and investments deposited with the Refunded Obligations Paying agent for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

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

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. 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, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

APPENDIX D

**EXCERPTS FROM THE TOWN OF FLOWER MOUND AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023**

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

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ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023



Town of Flower Mound, Texas
Annual Comprehensive Financial Report

For the fiscal year ended September 30, 2023

Town Manager
James Childers

Chief Financial Officer
Tammy Wilson, CPA

Prepared By:

Tammy Wilson, CPA
Chief Financial Officer

Mary Huning, CPA
Director of Accounting Services

Julie Taylor, CPA
Director of Treasury Operations

Sharon Roberts
Accounting Supervisor

Vacant
Director of Budget Services

Brittni Barnett
Grants and Financial Analyst

Carolyn Brewer
Senior Accounting Technician

Tina Adkins
Accounting Technician

Rosemarie Hill
Accounting Technician

Judy Watson
Payroll Technician



**TOWN OF FLOWER MOUND, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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COMPLIANCE

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March 13, 2024

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

It is with great pleasure we present to you a copy of the Annual Comprehensive Financial Report (ACFR) of the Town of Flower Mound for the fiscal year ended September 30, 2023. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the end results of the operation of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

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

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

General Information – The Town of Flower Mound, Texas

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

The majority of Flower Mound is served by the Lewisville Independent School District (LISD), with the Argyle, Denton, Grapevine-Colleyville, and Northwest Independent School Districts also providing educational services for smaller areas of the Town. LISD encompasses more than 127 square miles and serves more than 50,000 students in 13 North Texas communities. There are 21 LISD schools located in Flower Mound: 2 high schools, 2 9th grade campuses, 5 middle

schools, and 12 elementary schools. Most of these campuses are rated 'Exemplary' or 'Recognized' by the State of Texas.

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

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

Local Economy

More than 1,350 businesses call Flower Mound home and provide a balanced mix of retailers, restaurants, office, and manufacturing/distribution facilities. Flower Mound's unemployment rate as of September 2023 was 3.3 percent, compared to a 4.1 percent rate for Texas and 3.8 percent nationally for the same month. Economic conditions in Flower Mound have been greatly influenced by its proximity to two major airports: Dallas/Fort Worth International Airport located three miles south of the Town, and Alliance Airport located five miles to the southwest. DFW International Airport serves an average of 200,000 customers per day and is known as the economic engine of the North Central Texas region. The airport produces over \$37 billion in economic impact across north Texas each year, with 228,000 full-time jobs.

Transportation

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

The Texas Department of Transportation (TxDOT) started work in 2018 on the next phase of the DFW Connector Project which includes direct connections between FM 2499 and I 635, SH 114 and SH 121; and a new I 635 interchange. The new I 635/SH 121 interchange is a part of the Texas Clear Lanes Initiative provide by Governor Abbott and the Texas Legislature to reduce gridlock in some of the state's most congested area. The project reached substantial completion in August 2021, six months ahead of schedule.

Medical-Related Development

Flower Mound has benefitted from a healthy and steady medical and healthcare sector which offers many widely needed services to the Town and to Denton County. Texas Health Presbyterian Hospital Flower Mound opened in 2010 in the central, mixed-use development. The River Walk at Central Park. In December of 2015, the hospital completed construction of a 19,000-sq. ft. expansion which included 4 new operating rooms and 28 prep and recovery beds. A 3,275 sq. ft. Women's Imaging Center expansion opened in November 2014, which provides some of the most technologically-advanced 3-D breast cancer screening options available in North Texas



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

continue to provide outstanding care to the community.

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



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

Commercial Development

Great care was taken to develop the southeastern portion of Flower Mound into a thriving commercial business district, taking advantage of the 3-mile proximity to DFW International Airport and major infrastructure. The Town of Flower Mound invested \$25 million in public improvements into the Lakeside Business District, including water and sewer extensions and new road construction. The District ended 2023 with an occupancy rate of approximately 92%, a rate consistent with quarters' past.

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

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



The Eastgroup had significant activity on its **Lakeport Project, Phase I**. Lakeport has finished its fifth of five flex-space office/warehouse buildings, totaling almost 370,000 square feet on 30-acres within the Lakeside Business District and at the visible southern entrance into Flower Mound at 2499 and the Gerault flyover.

They are currently 90% leased as of December 2023.

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



CTDI has been a longtime corporate resident of Flower Mound, with many of their employees living in and around the Town. CTDI keeps choosing Flower Mound for the benefits of a well-maintained business park and central location. This allows the company to draw employees from a large area and easy access to DFW International Airport, as the company often brings in their various clients. The largest private employer in Flower Mound, CTDI has grown from 600 employees to over 1,300 through the years. The telecom industry firm grew by nearly 200 employees with the new location.



The **Lakeside International Office Center** development contains two office buildings on the site, a four story-120,000 sq. ft. building and two story-18,500 sq. ft. building. Both buildings are served by surface and structured parking. **IntelliCentrics**, an existing Flower Mound healthcare company that has the largest trusted healthcare technology platform, occupies the top floor of the larger building. The site contains a trail system that connects patrons to the nearby Shops at Lakeside. Additional corporate leases within the Lakeside International Office Center include CrowdFunding Real Estate, Medigent

Health Services Healthcare, and The Qt Technology Company, CD Consultants Construction. They are currently 100% leased.



The **Lakeside Crossing** development came on-line in 2021, with tenants such as Outlaw FitCamp by Jesse James, Honeybird Sandwiches and Donuts, The UPS Store, Texas Health Family Care, and Smoothie King. In 2022 the Town granted approval of a fine-dining cocktail restaurant named Tycoon. Tycoon opened in the spring of 2023.

In addition to the south end of Town, Flower Mound has designated approximately 1,500 acres in the west end of Town for mixed-use residential and commercial development. The Denton Creek District is located along I-35W, U.S. 377 and FM 1171. The Denton Creek District emphasizes high quality, regional commercial and industrial development, as well as mixed office, retail, and residential uses. The main property in the district is the Furst Ranch which gained its Zoning approval from Council in 2022. This will allow an almost \$6 billion dollar development to move forward on the 4 corners of 377 and 1171.

Progress also continues to be made on the Canyon Falls development to the far west side of Flower Mound. Canyon Falls is a 1,242-acre master-planned community within the Denton Creek District, located in Flower Mound, Northlake, and Argyle. Approximately 626 acres of the development are in Flower Mound. Tentative plans for the project include different village types based on the natural features prominent in that area. Commercial and retail space will be available toward the west and northwest part of the property near Interstate 35W. Plans are currently being drawn to extend Denton Creek Blvd to the northwest of Canyon Falls out to IH-35. This will be met by a new exit ramp off IH-35 and open another 230+ acres for commercial development giving Flower Mound its first Interstate accessible land.

Commercial Permit Activity

In 2023, 176 certificates of occupancy were issued. Notable commercial permits throughout the year included Michael's, Barnes and Noble, Pei Wei, and Uniden America (corporate relocation).

The River Walk at Central Park – Central Business District. The River Walk at Central Park is a 158-acre mixed-use development that integrates commercial, office, retail, restaurant, medical, and residential uses in a variety of building types. Easily accessible from any part of the DFW

Metroplex, The River Walk at Central Park is anchored by Texas Health Presbyterian Hospital Flower Mound and located along the major north/south development corridor in Town.



The River Walk will offer walkable shopping, dining, art, entertainment, and more along a majestic flowing river. A restaurant row will feature unique and varied dining options, all with a shared patio right on the waterfront. In 2014, highly-requested restaurants La Madeleine and Luna Grill were added to the nearby River Walk Market. Residential offerings in the development have continued completion over the past year and have experienced significant

demand; pre-leasing quickly and receiving stellar reviews to the point that the residential acreage is almost complete.

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

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



A second hotel, **Home2Suites** purchased land within the River Walk development. The almost 70,000 sq. ft. hotel includes 100 rooms, a small dining area, exercise room, pool, small meeting area, and a small retail space from which a separate retailer may operate. They opened in the spring of 2023.

Lakeside DFW. Success of the \$1 billion, 150-acre, mixed-use development continues, while construction of the development moves to Lakeside Village. This past year brought continued activity with the construction start of the residential tower of Lakeside Village which will be the beginning of a \$1 billion addition to the development. On top of that the almost 30 retailers and restaurants now operating at **The Shops at Lakeside** (in Lakeside DFW) offer a wide variety of dining, entertainment, and shopping options, creating a modern and vibrant area.



The opening of **Lakeside Tower** and a full-service spa, SpaVela, in 2020 has since brought much activity to Lakeside DFW. The 16-story condominium tower includes 48 residences, four villas at ground level, and two bungalows that sit on the pool and amenity terrace. Each of the residence's ranges in size from 1,400 square feet to over 6,200 square feet. Private elevators provide residents with direct elevator access into their home. Building amenities include a wine room, yoga room, club room, private dining room, private cinema, a full-service spa, guest suites, gym, steam rooms, golf simulator, and a pool terrace. Residents of the Lakeside Tower also have access to 24-hour concierge, valet, and private

parking garages enclosed within the main parking garage. The Tower is fully occupied.

The completion of Lakeside DFW will pave the way for developer, Realty Capital, to embark upon another endeavor, Lakeside Village. The developer broke ground on the project in 2020, commencing construction of the extensive infrastructure needed to support the project. **Lakeside Village** is located immediately south of the existing Lakeside DFW. The approximately 40-acre mixed use development on the north shore of Grapevine Lake will bring new residences of every kind, office, hotel, retail, and restaurant uses, as well as an amphitheater, community greens and trails.



This environment will be unique to the Metroplex, attracting patrons from well beyond our borders. For example, the proposed six restaurant sites will be located on elevated terrain on the southernmost tip of the property, offering breathtaking views of Grapevine Lake. Lakeside Village will offer a number of amenities to its residents and visitors, but with an estimated build out value of over \$1 billion, the economic impact is far reaching. All of this was reliant on an economic development grant negotiated in 2022 between Realty Capital and the Town.

Retail Development

In 2023, the Town of Flower Mound welcomed 98 new businesses to the community, creating approximately 1,260 new jobs. With moderate population growth, an average household income of \$189,356, and several residential developments under construction or planned for the future, Flower Mound is an ideal location for business. Almost 400 retailers and restaurants already call Flower Mound home.

Tax Increment Reinvestment Zone (TIRZ #1)

TIRZ #1 encompasses approximately 1,465 acres located along FM 2499, one-half mile south of FM 1171 and north to FM 407. The estimated revenue of the zone over its 20-year life is conservatively \$78,600,000, representing an anticipated \$55,020,000 from the Town and \$23,580,000 from Denton County. The TIRZ #1 2023 Annual Report identified an ending fund balance of \$20,643,351.

Town Awards/Accolades

- No. 1 Best Place to Live in the Southwest by Livability (**Published on 9/13/2023**)
- No. 1 Best Place to Live in Texas by Rocket
- No. 4 Most Livable Small City in the US by Smart Asset
- No. 1 Safest Place in Texas by GoodHire
- No. 1 Best Place to Live in Denton County by Niche
- No. 4 Best Suburb to Buy a House in the DFW Area by Niche
- No. 10 Best Suburb to Raise a Family in Texas by Niche
- And many more at www.flower-mound.com/awards

Employee Compensation

The salary pay ranges in the Town's pay plans shall be reviewed annually with the objective to maintain all pay ranges at the 65th percentile of the market. In the FY 2022-2023 budget, the Town Council approved a two percent market increase for general government employees, a market increase for public safety employees in step pay plans that varies by position, and a three percent merit increase for all Town employees meeting performance standards.

Long-term Financial Planning

As part of the budgeting process, the Town develops a multi-year financial forecast. Over the past few years, the Town has seen steady residential and commercial growth which has allowed for balanced budgets that meet the needs of citizens, while maintaining a high level of reserves, as well. In November 2007, voters approved four, one-fourth-of-one-percent, dedicated sales tax votes for: park and recreation improvements, street maintenance, a Crime Control and Prevention District (CCPD), and a Fire Control, Prevention, and Emergency Medical Services District. The resulting increased sales tax rate went into effect on April 1, 2008. These dedicated sales tax funds have provided the Town with the needed resources to create two new police beats, build and staff two new fire stations, exceptionally maintain the Town's streets, and to improve and expand the Town's park system. The Town Charter requires a General Fund unreserved fund balance of at least 10%. In addition, the Financial Policies of the Town require a balance of at least 20%. Between Fiscal Year 2018-2019 and Fiscal Year 2021-2022, the balance has ranged from a low of 33.09%, to a high of 47.15%. The General Fund reserve level at the 2022-2023 Fiscal Year-End was projected to be 37.59%.

Tax Rates

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

The allocation of property tax levy by purpose (maintenance and operation vs. debt service) for Fiscal Year 2021-2022 and the preceding three years is reflected in the following table (amounts per \$100 of assessed value):

<u>Purpose</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2019-2020</u>
Maintenance & Operation	\$.3609	\$.3506	\$.3478	\$.3540
Debt Service	<u>.0441</u>	<u>.0544</u>	<u>.0887</u>	<u>.0825</u>
Total Tax Rate	<u>\$.4050</u>	<u>\$.4050</u>	<u>\$.4365</u>	<u>\$.4365</u>

Tax Appraisal/Collection Responsibilities

Under Texas law enacted in 1979, and subsequent revisions to the Texas Property Tax Code, the appraised value of taxable property in Flower Mound is established by the Denton Central Appraisal District and the Tarrant Appraisal District. The Town of Flower Mound, and other taxing jurisdictions, provides a pro-rata share of the budgeted expenditures incurred by the Denton Central Appraisal District and the Tarrant Appraisal District each year. In Fiscal Year 2022-2023, the Town's payment for appraisal services was \$327,718 to Denton Central Appraisal District, and \$8,712 to Tarrant Appraisal District. The Town contracted with the Denton County Tax Office for the collection of ad valorem taxes for the year beginning October 1, 2022 and ending September 30, 2023. The Town paid \$32,815 for these services.

Independent Audit

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

Budgetary Control

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

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

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Flower Mound,

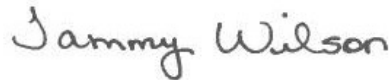
Texas for its annual comprehensive financial report for fiscal year ended September 30, 2022. The Town of Flower Mound, Texas has received a Certificate of Achievement for the last thirty-six consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

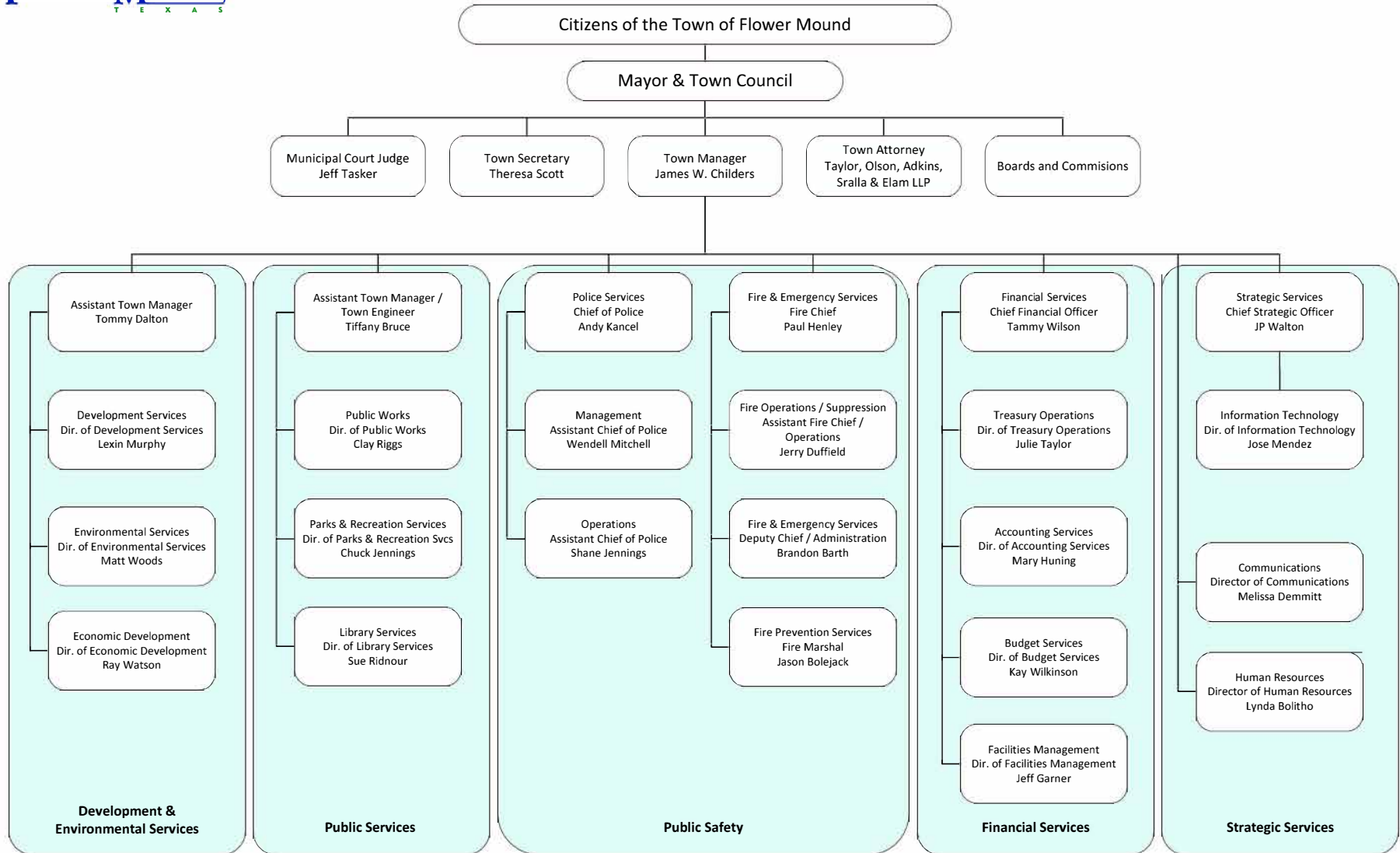
Respectfully submitted,

A handwritten signature in black ink that reads "Tammy Wilson". The signature is written in a cursive, flowing style.

Tammy Wilson
Chief Financial Officer



Town of Flower Mound Organizational Chart



Communications: Customer Relations

Parks and Recreation Services: Community Activity Center, Senior Center

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

Public Works: Engineering Services, CIP Engineering

Development Services: Planning Services, Building Inspections

**Town of Flower Mound
PRINCIPAL OFFICIALS
September 30, 2023**

<u>TOWN OFFICIAL</u>	<u>ELECTIVE POSITION</u>	<u>TERM EXPIRES</u>
Derek France	Mayor	2024
Adam Schiestel	Council Member, Place 1	2025
Chris Drew	Council Member, Place 2	2026
Brian Taylor	Council Member, Place 3	2025
Jim Engel	Mayor Pro Tem Council Member, Place 4	2024
Ann Martin	Deputy Mayor Pro Tem Council Member, Place 5	2026

<u>ADMINISTRATIVE STAFF</u>	<u>ADDRESS</u>	<u>POSITION</u>
James Childers	2121 Cross Timbers Road	Town Manager
Tommy Dalton	2121 Cross Timbers Road	Assistant Town Manager
Tiffany Bruce	2121 Cross Timbers Road	Assistant Town Manager/Town Engineer
Tammy Wilson	2121 Cross Timbers Road	Chief Financial Officer
Theresa Scott	2121 Cross Timbers Road	Town Secretary
Andy Kancel	2121 Cross Timbers Road	Chief of Police
Paul Henley	2121 Cross Timbers Road	Fire Chief



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Flower Mound
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO





Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Flower Mound, Texas (the Town) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Flower Mound, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 14 to the financial statements, the Town has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended September 30, 2023. As a result of implementing the standard, there was no effect on the governmental activities beginning net position as of October 1, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information of the general fund, and pension and OPEB schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town’s basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.



Abilene, Texas
March 13, 2024



Town of Flower Mound, Texas
Management's Discussion and Analysis
September 30, 2023

The management of the Town of Flower Mound offers readers of the financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Flower Mound exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$660,668,118. Of this amount, \$83,419,228 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$44,016,666. The majority of this increase is attributable to development in both governmental funds and business-type activities.
- As of September 30, 2023, the Town of Flower Mound's governmental funds reported combined ending fund balances of \$132,722,510, an increase of \$19,458,056 in comparison with the prior year. 30.61% of this total amount, \$40,627,948, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$40,627,948, or 49.19% of total general fund expenditures.
- The Town of Flower Mound's bonded debt decreased by \$6,280,000 during the current fiscal year. The key factors in this decrease were a net of debt payments in the amount of \$13,110,000, refunding of outstanding debt in the amount of \$6,995,000 and the issuance of \$7,370,000 in certificates of obligation and \$6,455,000 in general obligation refunding bonds.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, other non-financial factors should also be considered.

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2023

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

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

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

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

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

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2023

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

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

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

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

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

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

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2023

Government-wide Financial Analysis

The Town's combined net position is \$660,668,118 as of September 30, 2023. Analyzing the net position and net expenses of governmental and business-type activities separately, business-type activities' net position is \$212,668,410. This analysis focuses on the net position and changes in general revenues and significant expenses of the Town's governmental and business-type activities.

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

The following table summarizes the Town's net position:

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 164,304,836	\$ 143,487,182	\$ 98,386,970	\$ 82,415,477	\$ 262,691,806	\$ 225,902,659
Capital assets	371,116,934	364,767,509	227,032,167	227,650,235	598,149,101	592,417,744
Total assets	<u>535,421,770</u>	<u>508,254,691</u>	<u>325,419,137</u>	<u>310,065,712</u>	<u>860,840,907</u>	<u>818,320,403</u>
Deferred outflows of resources	16,281,628	6,180,438	2,069,855	1,059,271	18,351,483	7,239,709
Long-term liabilities outstanding	90,521,753	75,751,948	109,449,828	105,418,444	199,971,581	181,170,392
Other liabilities	12,748,938	11,638,853	5,370,754	4,819,931	18,119,692	16,458,784
Total liabilities	<u>103,270,691</u>	<u>87,390,801</u>	<u>114,820,582</u>	<u>110,238,375</u>	<u>218,091,273</u>	<u>197,629,176</u>
Deferred Inflows of resources	432,999	9,973,868	-	1,305,620	432,999	11,279,488
Net investment in capital assets	321,761,029	308,572,131	155,694,087	152,840,348	477,455,116	461,412,479
Restricted	69,602,155	58,614,169	30,191,619	28,893,868	99,793,774	87,508,037
Unrestricted	56,636,524	49,884,164	26,782,704	17,846,772	83,419,228	67,730,936
Total net position	<u>\$ 447,999,708</u>	<u>\$ 417,070,464</u>	<u>\$ 212,668,410</u>	<u>\$ 199,580,988</u>	<u>\$ 660,668,118</u>	<u>\$ 616,651,452</u>

Governmental activities. The following table provides a summary of the Town's operations for the year ended September 30, 2023. Governmental activities increased the Town's net position by \$30,929,244, accounting for 70.27% of the total increase in net position. The majority of governmental activities increase in net position is due to development activity in the Town and controlling expenses.

**Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2023**

Business-type activities. Business-type activities increased the Town's net position by \$13,087,422, accounting for 29.73% of the total increase in net position. Business-type activities net position increased due to a utility rate increase and development activity in the Town.

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 13,295,744	\$ 12,107,013	\$ 59,995,515	\$ 56,273,795	\$ 73,291,259	\$ 68,380,808
Operating grants and contributions	1,239,871	3,601,013	-	-	1,239,871	3,601,013
Capital grants and contributions	10,647,484	8,643,597	4,114,012	7,728,163	14,761,496	16,371,760
General revenues:						
Property taxes	60,960,971	55,478,487	-	-	60,960,971	55,478,487
Sales taxes	37,369,199	34,929,500	-	-	37,369,199	34,929,500
Occupancy taxes	573,356	419,080	-	-	573,356	419,080
Other taxes	7,706,605	7,376,337	-	-	7,706,605	7,376,337
Unrestricted investment earnings	6,373,438	940,523	2,973,332	469,387	9,346,770	1,409,910
Miscellaneous	841,192	600,368	264,877	388,365	1,106,069	988,733
Total revenues	139,007,860	124,095,918	67,347,736	64,859,710	206,355,596	188,955,628
Expenses:						
Town manager's office	3,388,706	3,680,978	-	-	3,388,706	3,680,978
Legislative services	667,367	513,592	-	-	667,367	513,592
Development services	2,511,730	2,192,825	-	-	2,511,730	2,192,825
Parks and recreation services	16,575,189	18,144,574	-	-	16,575,189	18,144,574
Library services	2,322,283	2,049,541	-	-	2,322,283	2,049,541
Police services	24,667,709	21,880,685	-	-	24,667,709	21,880,685
Financial services	5,098,691	4,728,707	-	-	5,098,691	4,728,707
Administrative services	7,655,684	7,055,671	-	-	7,655,684	7,055,671
Fire and emergency services	28,810,186	23,173,628	-	-	28,810,186	23,173,628
Communications	1,022,276	753,285	-	-	1,022,276	753,285
Public works	15,174,383	10,213,207	-	-	15,174,383	10,213,207
Environmental services	1,511,256	1,543,131	-	-	1,511,256	1,543,131
Interest on long-term debt	1,489,993	1,741,793	-	-	1,489,993	1,741,793
Utilities	-	-	51,443,477	51,170,127	51,443,477	51,170,127
Total expenses	110,895,453	97,671,617	51,443,477	51,170,127	162,338,930	148,841,744
Increase (decrease) in net position before transfers	28,112,407	26,424,301	15,904,259	13,689,583	44,016,666	40,113,884
Transfers	2,816,837	2,802,185	(2,816,837)	(2,802,185)	-	-
Increase (decrease) in net position	30,929,244	29,226,486	13,087,422	10,887,398	44,016,666	40,113,884
Net position - 10/01	417,070,464	387,843,978	199,580,988	188,693,590	616,651,452	576,537,568
Net position - 09/30	\$ 447,999,708	\$ 417,070,464	\$ 212,668,410	\$ 199,580,988	\$ 660,668,118	\$ 616,651,452

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$132,722,510, an increase of \$19,458,056 in comparison with the prior year. Approximately \$40,627,948 or 30.61% of the total amount constitutes unassigned fund balance, which is available for spending at the Town's discretion. Committed fund balance totals \$17,043,168 or 12.85%, meaning that the Town by formal action has determined what this amount will be spent on.

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2023

Fund balance of \$73,745,513 or 55.56% is restricted to indicate that it is not available for new spending. The Town also has prepaid items of \$81,893 or 0.06% and inventory of \$1,223,988 or 0.92% which are classified as non-spendable fund balance.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$40,627,948, while total fund balance was \$41,933,829. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 49.19% of total general fund expenditures, while total fund balance represents 50.77% of that same amount.

The fund balance of the Town's general fund increased by \$6,950,657 during the current fiscal year.

Key factors are as follows:

- Property tax revenue increase from the previous year of \$4,880,935.
- Sales tax revenue increase from the previous year of \$1,246,203.
- Expenditures increased due to several one-time transfers for capital projects.

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

The debt service fund has a total fund balance of \$790,363, a decrease of \$626,600. This decrease is due to tax rate calculations and how the debt portion of the TIRZ is handled in the calculation.

The fund balance of the Town's capital projects fund increased by \$3,217,268 during the current fiscal year due to capital project activity, including interlocal agreements activity and increased investment earnings.

Other governmental funds have a total fund balance of \$63,651,819, an increase of \$9,916,731. The TIRZ Fund, Street Maintenance Fund, and the Parks 4B Fund increased due to less capital project activity and increased tax collections. The Crime District Fund and Fire District Fund increased due to increased tax collections.

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

Net position in the Enterprise Fund totaled \$212,221,854 at the end of the fiscal year 2023, an increase of \$12,921,904 or 6.48%. Included in net position is \$155,694,087 net investment in capital assets and \$30,191,619 restricted for capital projects. The remaining net position balance of \$26,336,148 consists of unrestricted net position. In the current fiscal year, total operating revenues are \$60,260,392 while operating expenses are \$48,072,004. Revenue increased over the prior year due to increased rates. Expenses increased due to the purchase of wholesale water and capital project activity.

**Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2023**

General Fund Budgetary Highlights

During fiscal year 2022-2023, the Town Council of the Town of Flower Mound amended the budget for the General Fund seven times. The original expenditure budget was amended to increase the budget by \$7,337,093.

General Fund budget increased \$1,850,000 to purchase land for a permanent Fire Station 6. A comprehensive compensation and classification study was performed and the budget increased \$394,063 to implement the recommended changes to employee compensation. General Fund budget increased \$450,000 for asbestos abatement and demolition of a Town owned building.

The Facilities budget was increased by \$413,000 to account for projects that were budgeted but not completed in the last fiscal year. Due to time constraints and supply chain issues, eight projects that were budgeted in FY 21-22 were unable to be completed during the fiscal year: Fire Station #6 generator installation for \$60,000, Animal Adoption Center guillotine doors on kennels and kennel tips for \$20,000, Fire Station #1 crew area, watch office, kitchen, and battalion and captain offices for \$150,000, Fire Station #2 crew showers for \$25,000, Fire Station #4 electrical shorelines and reels for \$8,000, Animal Adoption Center walk-in freezer for \$50,000, Animal Adoption Center HVAC upgrade for \$50,000, and Fleet Services wash bay for \$50,000. Facilities budget also increased by \$25,000 for an emergency project fixing the main concrete walkway of the Library.

Fire and Emergency Services Department budget increased \$2,420,337. The Fire Department budget increased \$738,000 due to working with the Texas Division of Emergency Management supporting Operation Lonestar in Del Rio, Texas. The budget was increased \$921,665 for the replacement of self-contained breathing apparatuses (SCBA) and \$760,672 to replace emergency portable radio equipment. The Police Department budget increased \$1,119,333 to replace emergency portable radio equipment.

Town Manager's Office budget increased by \$34,700 to add two positions for Strategic Services. The Parks and Recreation budget was increased by \$7,467 for Community Activity Center equipment and \$1,320 for Senior Center chairs. Public Works Department budget increased \$66,081 to account for maintaining traffic signals outside the Town's boundaries. Town Secretary Office budget increased \$50,740 and the Financial Services Department budget increased \$25,000 due to increased costs of elections. The remaining \$480,052 was an increase to re-appropriate the balances of outstanding purchase orders for items or services ordered but not received by September 30, 2022.

The revenue budget was increased with amendments by \$2,305,401. Intergovernmental revenue increased by \$2,238,000 due to the state reimbursement for the Fire Department working with the Texas Division of Emergency Management supporting Operation Lonestar in Del Rio, Texas. The state reimbursed the Town for employee salary, overtime, and backfill expenses and expenditures such as lodging and food for the employees on deployment. The revenue budget was also increased by \$66,081 to account for maintaining traffic signals outside the Town's boundaries. The Senior Center received a donation of \$1,320 to purchase chairs.

Staff reviewed each supplemental appropriation throughout the year and determined that reserves were sufficient to recommend their increase.

Town of Flower Mound, Texas
Management’s Discussion and Analysis (continued)
September 30, 2023

The original budget reflected the Town would increase fund balance by \$189,489. The fund balance for the general fund increased in the amount of \$6,950,657 during the fiscal year.

For fiscal year 2022-2023, actual expenditures on a budgetary basis were \$85,407,913 compared to the original budget of \$81,150,955. This was a negative \$4,256,958 variance. Actual revenue on a budgetary basis was \$88,407,308 compared to the original budget of \$80,377,392. This was a positive variance of \$8,029,916. This is primarily due to an increase in taxes and investment earnings.

Capital Asset and Debt Administration

Capital assets. The Town’s investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounted to \$598,149,101 (net of accumulated depreciation and amortization). This investment in capital assets includes land, building, park facilities, roads, bridges and water and sewer lines.

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

Description	Amount
Stonecrest Pump Station Ph I	\$ 1,623,720
Lopo Road Reconstruction	1,447,541
Oak Street Ph IV Lift Station & Force Main	1,058,753
Bakersfield Park Imp Ph I	1,053,193
Adaptive Traffic Signal Update	765,180
2022-23 Playground Replacements	622,649
Park Services (formerly Operations)	545,950
Waketon Road	533,874
Wood Creek Circle Reconstruction	513,726
Timber Creek Rd @ College Prkwy Intersection Recon	453,018
Spring Meadow Lane Sewer Line Replacement	420,602
Timber Creek Water Line Replacement Ph 2	388,952
Colonial Drive Reconstruction Ph II (Whitney to Homestead	366,607
Canyon Falls Park	270,597
Upper Timber Interceptor (Morriss to One Place)	253,917
Melody Court Reconstruction	251,031
2021-22 Playground Replacements	246,899
Hillside Water Line Connection	211,528
Infiltration/Inflow Eval & Repair	204,200
Lakeside Parkway Capacity Imp	187,480
FM2499 @ FM407 Intersection Improvements	184,920
Garden Ridge through Lane @ FM 3040	180,685
Glen Chester Lift Station Rehab	170,200
Traffic Detection Rehabilitation	164,809
Timber Creek Road Panel Replacement	154,271
Hillside Lane Reconstruction	144,328
Edgefield Trail Reconstruction (Wood Creek to Timber Valley Dr	132,669
Heritage Park Improvements	127,131
Morriss Road Water Lines Phase IV	121,970
Melody Court Water/Sewer Line	120,000
Street Light Improvements	108,030
Roadway Amenities	102,220
	<u>\$ 13,130,650</u>

Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2023

Capital Assets at Year-end
(Net of Depreciation)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 37,585,797	\$ 35,782,959	\$ 4,419,755	\$ 4,419,755	\$ 42,005,552	\$ 40,202,714
Construction in progress	49,216,623	43,242,394	9,726,155	24,099,750	58,942,778	67,342,144
Buildings	81,911,668	85,100,630	28,600,552	29,779,901	110,512,220	114,880,531
Distribution system	-	-	182,527,194	168,162,036	182,527,194	168,162,036
Equipment	13,475,523	12,577,872	1,715,179	1,188,793	15,190,702	13,766,665
Improvements	26,577,575	28,875,446	-	-	26,577,575	28,875,446
Streets and bridges	161,847,374	159,188,208	-	-	161,847,374	159,188,208
Subscription right-of-use assets	502,374	733,603	43,332	-	545,706	733,603
Totals	<u>\$ 371,116,934</u>	<u>\$ 365,501,112</u>	<u>\$ 227,032,167</u>	<u>\$ 227,650,235</u>	<u>\$ 598,149,101</u>	<u>\$ 593,151,347</u>

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

Long-term debt. At the end of the current fiscal year, the Town had total bonds outstanding of \$143,070,000 in tax supported debt.

Outstanding Debt, at Year-end

	Governmental		Business-type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 11,845,000	\$ 13,405,000	\$ 12,390,000	\$ 9,280,000	\$ 24,235,000	\$ 22,685,000
Certificates of obligation	35,735,000	41,500,000	83,100,000	85,165,000	118,835,000	126,665,000
Totals	<u>\$ 47,580,000</u>	<u>\$ 54,905,000</u>	<u>\$ 95,490,000</u>	<u>\$ 94,445,000</u>	<u>\$ 143,070,000</u>	<u>\$ 149,350,000</u>

The Town of Flower Mound's bonded debt decreased by \$6,280,000 during the current fiscal year. The key factors in this decrease were a net of debt payments in the amount of \$13,110,000, refunding of outstanding debt in the amount of \$6,995,000 and the issuance of \$7,370,000 in certificates of obligation and \$6,455,000 in general obligation refunding bonds.

- On June 21, 2023, the Town issued \$7,370,000 in Certificates of Obligation Series, 2023, which will pay for the contractual obligations incurred for constructing waterworks and sewer system improvements and extensions, including the acquisition of land and rights-of-way therefor and professional services rendered in connection therewith.
- The Town Council authorized an ordinance on June 21, 2023, to issue \$6,455,000 in General Obligation Refunding Bonds Series, 2023, to refund a portion of the Town's outstanding debt in order to reduce the overall debt service requirements of the Town and to pay the costs of issuance. This series refunds Certificates of Obligation Series 2013, for \$6,995,000 for years maturing 2024 through 2033.

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

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

**Town of Flower Mound, Texas
Management's Discussion and Analysis (continued)
September 30, 2023**

payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to assessed value of all taxable property is .36%.

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

Economic Factors and Next Year's Budgets and Rates

Fiscal year 2023-2024 budget lowered the property tax rate from \$.4050 to \$.3873 per \$100 valuation. Homestead exemption was increased from 10% to 12.5%.

The Town increased the base operating budget for fiscal year 2023-2024 primarily by including non-discretionary and decision packages during the budget process. Non-discretionary packages included a variety of one-time replacement and maintenance costs. Decision packages include equipment, 12.00 additional FTE positions, as well as, various improvements and renovations in facilities and infrastructure.

The Town Charter requires that 10.00% of the general fund budget be placed in reserves. The new budget includes an estimated 43.75% unassigned general fund balance.

Requests for Information

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

Town of Flower Mound, Texas
Statement of Net Position
September 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 80,733,859	\$ 12,715,106	\$ 93,448,965
Investments	70,430,270	10,704,750	81,135,020
Receivables (net of allowances for estimated uncollectibles):			
Ad valorem taxes	376,109	-	376,109
Other taxes	6,510,093	-	6,510,093
Unbilled services	-	2,907,839	2,907,839
Accounts	1,962,598	6,279,583	8,242,181
Accrued interest	410,322	-	410,322
Intergovernmental	112,283	-	112,283
Leases	403,952	-	403,952
Internal balances	(446,556)	446,556	-
Franchise fees	2,506,025	-	2,506,025
Prepays	81,893	375	82,268
Inventory	1,223,988	722,310	1,946,298
Restricted:			
Cash and cash equivalents	-	50,469,343	50,469,343
Investments	-	14,141,108	14,141,108
Capital assets			
Land	37,585,797	4,419,755	42,005,552
Buildings	113,185,773	53,765,322	166,951,095
Distribution system	-	290,501,845	290,501,845
Equipment	31,479,851	4,581,248	36,061,099
Construction in progress	49,216,623	9,726,155	58,942,778
Improvements	48,317,130	-	48,317,130
Streets and bridges	467,060,931	-	467,060,931
Subscription right-of-use assets	913,331	73,238	986,569
Accumulated depreciation and amortization	(376,642,502)	(136,035,396)	(512,677,898)
Total Assets	535,421,770	325,419,137	860,840,907
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on refundings	290,028	93,199	383,227
Deferred outflows related to pensions	14,718,644	1,711,918	16,430,562
Deferred outflows related to OPEB	1,272,956	264,738	1,537,694
Total deferred outflow of resources	16,281,628	2,069,855	18,351,483
LIABILITIES			
Accounts payable	6,165,994	4,245,685	10,411,679
Estimated health claims	1,427,837	-	1,427,837
Salaries payable	817,305	49,157	866,462
Accrued interest payable	10,430	915	11,345
Retainage payable	828,251	196,231	1,024,482
Arbitrage payable	49,272	-	49,272
Unearned revenue	3,275,897	-	3,275,897
Meter deposits	-	525,036	525,036
Payables from restricted assets:			
Accrued bond interest	-	353,730	353,730
Accrued bond interest	173,952	-	173,952
Long-term liabilities:			
Due within one year	9,698,528	7,252,333	16,950,861
Due within more than one year	80,823,225	102,197,495	183,020,720
Total Liabilities	103,270,691	114,820,582	218,091,273
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to leases	432,999	-	432,999
Total deferred inflow of resources	432,999	-	432,999
NET POSITION			
Net investment in capital assets	321,761,029	155,694,087	477,455,116
Restricted for:			
Community services	1,250,767	-	1,250,767
Community development	20,636,815	-	20,636,815
Public safety-police	5,004,785	-	5,004,785
Public safety-fire	2,666,440	-	2,666,440
Streets	29,695,234	-	29,695,234
Parks	9,638,117	-	9,638,117
Debt service	709,997	-	709,997
Capital projects	-	30,191,619	30,191,619
Unrestricted	56,636,524	26,782,704	83,419,228
Total Net Position	\$ 447,999,708	\$ 212,668,410	\$ 660,668,118

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

Town of Flower Mound, Texas
Statement of Activities
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Town manager's office	\$ 3,388,706	\$ -	\$ -
Legislative services	667,367	17,579	-
Development services	2,511,730	2,032,237	-
Parks & recreation services	16,575,189	3,575,370	69,492
Library services	2,322,283	64,655	-
Police services	24,667,709	1,403,800	219,730
Financial services	5,098,691	1,198,573	-
Administrative services	7,655,684	-	-
Fire and emergency services	28,810,186	4,347,327	758,699
Communications	1,022,276	-	-
Public works	15,174,383	372,671	-
Environmental services	1,511,256	283,532	191,950
Interest on long-term debt	1,489,993	-	-
Total governmental activities	<u>110,895,453</u>	<u>13,295,744</u>	<u>1,239,871</u>
Business-type activities:			
Utilities-Stormwater	1,302,433	1,745,072	-
Utilities- Water and Wastewater	50,141,044	58,250,443	-
Total business-type activities	<u>51,443,477</u>	<u>59,995,515</u>	<u>-</u>
Total primary government	<u>\$ 162,338,930</u>	<u>\$ 73,291,259</u>	<u>\$ 1,239,871</u>

General Revenues:
Property taxes
Sales taxes
Occupancy taxes
Franchise taxes
Alcoholic beverage taxes
Unrestricted investment earnings
Miscellaneous
Transfers
 Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

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

Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (3,388,706)	\$ -	\$ (3,388,706)
-	(649,788)	-	(649,788)
-	(479,493)	-	(479,493)
37,212	(12,893,115)	-	(12,893,115)
-	(2,257,628)	-	(2,257,628)
-	(23,044,179)	-	(23,044,179)
-	(3,900,118)	-	(3,900,118)
-	(7,655,684)	-	(7,655,684)
-	(23,704,160)	-	(23,704,160)
-	(1,022,276)	-	(1,022,276)
10,610,272	(4,191,440)	-	(4,191,440)
-	(1,035,774)	-	(1,035,774)
-	(1,489,993)	-	(1,489,993)
<u>10,647,484</u>	<u>(85,712,354)</u>	<u>-</u>	<u>(85,712,354)</u>
-	-	442,639	442,639
4,114,012	-	12,223,411	12,223,411
<u>4,114,012</u>	<u>-</u>	<u>12,666,050</u>	<u>12,666,050</u>
<u>\$ 14,761,496</u>	<u>\$ (85,712,354)</u>	<u>\$ 12,666,050</u>	<u>\$ (73,046,304)</u>
	60,960,971	-	60,960,971
	37,369,199	-	37,369,199
	573,356	-	573,356
	7,348,496	-	7,348,496
	358,109	-	358,109
	6,373,438	2,973,332	9,346,770
	841,192	264,877	1,106,069
	2,816,837	(2,816,837)	-
	<u>116,641,598</u>	<u>421,372</u>	<u>117,062,970</u>
	30,929,244	13,087,422	44,016,666
	417,070,464	199,580,988	616,651,452
	<u>\$ 447,999,708</u>	<u>\$ 212,668,410</u>	<u>\$ 660,668,118</u>

Town of Flower Mound, Texas
Balance Sheet
Governmental Funds
September 30, 2023

	General	Debt Service	General Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 17,707,593	\$ 414,631	\$ 20,919,503	\$ 32,358,268	\$ 71,399,995
Investments	22,115,910	388,054	5,815,502	33,282,732	61,602,198
Receivables (net of allowances for estimated uncollectibles):					
Ad valorem taxes	294,845	81,264	-	-	376,109
Other taxes	3,268,809	-	-	3,241,284	6,510,093
Accounts	1,955,159	-	-	7,439	1,962,598
Accrued interest	340,044	-	70,278	-	410,322
Intergovernmental	-	-	28,681	83,602	112,283
Leases	403,952	-	-	-	403,952
Interfund	-	-	-	9,807	9,807
Franchise fees	2,476,672	-	-	29,353	2,506,025
Inventory	1,223,988	-	-	-	1,223,988
Prepaid items	81,893	-	-	-	81,893
Total Assets	\$ 49,868,865	\$ 883,949	\$ 26,833,964	\$ 69,012,485	\$ 146,599,263
LIABILITIES					
Accounts payable	\$ 4,428,259	\$ -	\$ 153,332	\$ 1,433,177	\$ 6,014,768
Accrued interest	-	2,734	-	-	2,734
Retainage payable	-	-	284,861	543,390	828,251
Arbitrage payable	-	-	49,272	-	49,272
Salaries payable	718,910	-	-	98,395	817,305
Interfund	-	-	-	9,807	9,807
Unearned revenue	-	-	-	3,275,897	3,275,897
Total Liabilities	5,147,169	2,734	487,465	5,360,666	10,998,034
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	2,354,868	90,852	-	-	2,445,720
Deferred inflows related to leases	432,999	-	-	-	432,999
Total deferred inflows of resources	2,787,867	90,852	-	-	2,878,719
FUND BALANCES					
Nonspendable for:					
Prepays	81,893	-	-	-	81,893
Inventory	1,223,988	-	-	-	1,223,988
Restricted for:					
Community services	-	-	-	1,250,767	1,250,767
Community development	-	-	-	20,636,815	20,636,815
Public safety-police	-	-	-	5,004,785	5,004,785
Public safety-fire	-	-	-	2,666,440	2,666,440
Streets	-	-	16,858,883	15,716,466	32,575,349
Parks	-	-	502,941	9,638,117	10,141,058
Facilities	-	-	679,936	-	679,936
Debt service	-	790,363	-	-	790,363
Committed for:					
Community services	-	-	-	2,391,591	2,391,591
Public safety-police	-	-	-	263,745	263,745
Parks	-	-	-	6,083,093	6,083,093
Capital projects	-	-	8,304,739	-	8,304,739
Unassigned	40,627,948	-	-	-	40,627,948
Total Fund Balance	41,933,829	790,363	26,346,499	63,651,819	132,722,510
Total liabilities, deferred inflows of resources and fund balances	\$ 49,868,865	\$ 883,949	\$ 26,833,964	\$ 69,012,485	\$ 146,599,263

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

Town of Flower Mound, Texas
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
As of September 30, 2023

Total fund balances - governmental funds	\$ 132,722,510
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation and amortization.	371,116,934
Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenues in the funds.	
Taxes	459,693
Franchise fees	1,097,238
Ambulance fees	292,067
Municipal court fees	130,252
Community activity center services	466,470
Two internal service funds are used by the Town's management. The assets and liabilities of the internal service fund are included with governmental activities, net of internal balances of (\$446,556).	16,136,317
Deferred outflows (inflows) of resources are not reported in the governmental funds:	
Deferred charges on refundings	290,028
Pension contributions after measurement date	3,682,119
Pension difference in actual experience and actuarial assumptions	538,191
Pension investment income	10,454,792
Pension assumption losses	43,542
OPEB contributions after measurement date	66,752
OPEB difference in actual experience and actuarial assumptions	532,791
OPEB investment losses	673,413
Certain assets and liabilities are accrued in the government-wide statements. However, they are not accrued in the governmental fund statements.	
Accrued interest on the bonds	(171,218)
Accrued interest on subscription right-of use	(10,430)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable	(11,845,000)
Certificates of obligation payable	(35,735,000)
Bond premium/discounts	(4,798,300)
Net pension payable	(26,921,233)
Compensated absences	(5,710,749)
OPEB payable	(5,103,745)
Subscription right-of-use	(407,726)
Net position of governmental activities	<u>\$ 447,999,708</u>

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

Town of Flower Mound, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>General Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Ad valorem	\$ 46,878,990	\$ 5,737,284	\$ -	\$ 8,467,146	\$ 61,083,420
Sales	18,752,087	-	-	18,617,112	37,369,199
Franchise	6,841,019	-	-	126,864	6,967,883
Alcoholic beverage	358,109	-	-	-	358,109
Hotel occupancy	-	-	-	573,356	573,356
Licenses, permits and fees	2,401,404	-	-	465,673	2,867,077
Intergovernmental	4,146,350	-	2,060,653	1,204,454	7,411,457
Impact fees	-	-	713,360	-	713,360
Charges for services	4,950,966	-	-	88,032	5,038,998
Fines and forfeits	1,169,923	-	-	278,421	1,448,344
Investment earnings	2,079,698	102,839	1,031,210	2,471,463	5,685,210
Memorials and contributions	-	-	-	78,697	78,697
Other revenue	828,762	-	-	48,430	877,192
Total Revenues	<u>88,407,308</u>	<u>5,840,123</u>	<u>3,805,223</u>	<u>32,419,648</u>	<u>130,472,302</u>
EXPENDITURES					
Current					
Town manager's office	3,261,563	-	-	-	3,261,563
Legislative services	628,400	-	-	-	628,400
Development services	2,390,820	-	-	-	2,390,820
Parks & recreation services	10,826,328	-	-	3,247,006	14,073,334
Library services	2,133,400	-	-	50,220	2,183,620
Police services	19,284,211	-	-	3,796,332	23,080,543
Financial services	4,052,862	-	-	83,187	4,136,049
Administrative services	7,761,807	-	-	-	7,761,807
Fire and emergency services	23,866,877	-	-	4,812,478	28,679,355
Communications	830,070	-	-	104,505	934,575
Public works	6,104,002	-	-	7,785,049	13,889,051
Environmental services	1,459,091	-	-	-	1,459,091
Debt service	-	6,734,101	-	2,640,200	9,374,301
Capital projects	-	-	2,150,455	-	2,150,455
Total Expenditures	<u>82,599,431</u>	<u>6,734,101</u>	<u>2,150,455</u>	<u>22,518,977</u>	<u>114,002,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,807,877</u>	<u>(893,978)</u>	<u>1,654,768</u>	<u>9,900,671</u>	<u>16,469,338</u>
OTHER FINANCING SOURCES (USES)					
Issuance of general debt obligation	-	-	-	-	-
Refunded bonds issued	-	1,640,000	-	-	1,640,000
Premium on bonds	-	162,930	-	-	162,930
Payment to escrow	-	(1,806,502)	-	-	(1,806,502)
Subscription financing	179,728	-	-	-	179,728
Transfers in	3,091,837	270,950	1,562,500	562,010	5,487,297
Transfers out	(2,128,785)	-	-	(545,950)	(2,674,735)
Total Other Financing Sources and Uses	<u>1,142,780</u>	<u>267,378</u>	<u>1,562,500</u>	<u>16,060</u>	<u>2,988,718</u>
Net change in fund balances	<u>6,950,657</u>	<u>(626,600)</u>	<u>3,217,268</u>	<u>9,916,731</u>	<u>19,458,056</u>
Fund balances - beginning	34,983,172	1,416,963	23,129,231	53,735,088	113,264,454
Fund balances - ending	<u>\$ 41,933,829</u>	<u>\$ 790,363</u>	<u>\$ 26,346,499</u>	<u>\$ 63,651,819</u>	<u>\$ 132,722,510</u>

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

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2023**

Net change in fund balances - total governmental funds	\$ 19,458,056
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures and do not reflect sales or transfers of capital assets. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense and gains and losses are recognized as they occur. (Additions of \$17,598,129 and loss on disposals and transfers of \$12,380.)	17,585,749
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the acquisition value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	7,427,716
Depreciation and amortization expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation and amortization expense is not reported as expenditures in the governmental funds.	(19,166,414)
The issuance of long term debt (i.e. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount (bond proceeds of \$1,640,000 less repayments of \$8,965,000, plus amortization of deferred loss of \$160,449, less discount of \$706,008) is the net effect of these differences in the treatment of long-term debt and related items.	7,870,559
Current year changes in the long term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(227,095)
Current year changes in the long term liability and related outflows (inflows) for pensions do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(2,232,147)
Current year changes in the long term liability and related outflows (inflows) for OPEB payables do not require the use of current financials resources; therefore, are not reported as expenditures in governmental funds.	(468,749)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	17,321
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	503,832
Internal service funds are used by management to share the costs of certain activities, such as the purchase of insurance and vehicle and equipment replacements to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities, net of the amount allocated to business-type activities (\$165,518).	160,416
Change in net position of governmental activities	<u>\$ 30,929,244</u>

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

Town of Flower Mound, Texas
Statement of Net Position
Proprietary Funds
September 30, 2023

	Business-type Activities Enterprise Funds	Governmental Activities- Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,715,106	\$ 9,333,864
Investments	10,704,750	8,828,072
Receivables (net of allowances for estimated uncollectibles):		
Accounts	6,279,583	-
Unbilled services	2,907,839	-
Prepays	375	-
Inventories, at cost	722,310	-
Restricted:		
Cash and cash equivalents	50,469,343	-
Investments	14,141,108	-
Total current assets	<u>97,940,414</u>	<u>18,161,936</u>
Capital assets:		
Land	4,419,755	-
Buildings	53,765,322	-
Distribution system	290,501,845	-
Equipment	4,581,248	-
Construction in progress	9,726,155	-
Subscription right-of-use assets	73,238	-
Accumulated depreciation and amortization	(136,035,396)	-
Total capital assets(net of accumulated depreciation and amortization)	<u>227,032,167</u>	<u>-</u>
Total noncurrent assets	<u>227,032,167</u>	<u>-</u>
Total Assets	<u>324,972,581</u>	<u>18,161,936</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred charges on refundings	93,199	-
Deferred outflows related to pensions	1,711,918	-
Deferred outflows related to OPEB	264,738	-
Total deferred outflow of resources	<u>2,069,855</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	4,245,685	151,226
Estimated health claims	-	1,427,837
Meter deposits	525,036	-
Salaries payable	49,157	-
Accrued interest payable	915	-
Accrued bond interest	353,730	-
Subscription liability	36,059	-
Retainage payable	196,231	-
Total current liabilities	<u>5,406,813</u>	<u>1,579,063</u>
Current liabilities payable from restricted assets:		
Current portion of accrued leave benefits	156,503	-
Current portion of contractual obligations	4,612,025	-
Current portion of general obligations	2,447,746	-
Total current liabilities payable from restricted assets	<u>7,216,274</u>	<u>-</u>
Total current liabilities	<u>12,623,087</u>	<u>1,579,063</u>
Noncurrent liabilities		
Accrued leave benefits	371,744	-
Net pension liability	3,388,096	-
OPEB payable	919,642	-
Contractual obligations	86,058,605	-
General obligation bonds	11,459,408	-
Total noncurrent liabilities	<u>102,197,495</u>	<u>-</u>
Total Liabilities	<u>114,820,582</u>	<u>1,579,063</u>
NET POSITION		
Net investment in capital assets	155,694,087	-
Restricted for capital projects	30,191,619	-
Unrestricted	26,336,148	16,582,873
Total Net Position	<u>\$ 212,221,854</u>	<u>\$ 16,582,873</u>

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

Town of Flower Mound, Texas
Reconciliation of the Enterprise Fund Statement of Net Position
to the Government-wide Statement of Net Position
As of September 30, 2023

Total net position- enterprise fund	\$ 212,221,854
Amounts reported for business-type activities in the statement of net position are different because:	
Internal service funds are used by management to charge the costs of health insurance and replacement of vehicles and equipment to individual funds. The net position of certain internal service funds is reported with business-type activities.	<u>446,556</u>
Total net position- business-type activities	<u><u>\$ 212,668,410</u></u>

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

Town of Flower Mound, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2023

	Business-type Activities Enterprise Funds	Governmental Activities- Internal Service Funds
Operating revenues:		
Charges for services	\$ 59,547,581	\$ 16,146,258
Penalties, fines and forfeits	447,934	-
Other	264,877	1,165,576
Total operating revenue	<u>60,260,392</u>	<u>17,311,834</u>
Operating expenses:		
Administration	6,695,868	-
Maintenance and operations	31,818,553	2,119,222
Depreciation and amortization	9,557,583	-
Health insurance and flexible benefits	-	15,569,611
Total operating expenses	<u>48,072,004</u>	<u>17,688,833</u>
Operating income	<u>12,188,388</u>	<u>(376,999)</u>
Nonoperating revenues (expenses):		
Interest income	2,973,332	698,658
Interest expense	(3,536,991)	-
Total nonoperating revenue (expenses)	<u>(563,659)</u>	<u>698,658</u>
Income before contributions and transfers	<u>11,624,729</u>	<u>321,659</u>
Contributions-developers	2,650,507	-
Contributions-impact fees	1,074,898	-
Contributions-other funds	388,607	-
Transfers in	-	4,275
Transfers out	<u>(2,816,837)</u>	<u>-</u>
Change in net position	<u>12,921,904</u>	<u>325,934</u>
Total net position - beginning	<u>199,299,950</u>	<u>16,256,939</u>
Total net position - ending	<u>\$ 212,221,854</u>	<u>\$ 16,582,873</u>

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

Town of Flower Mound, Texas
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund
Net Position of Enterprise Funds to the Statement of Activities
For the Year Ended September 30, 2023

Net change in fund net position- enterprise funds \$ 12,921,904

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

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

165,518

Change in net position of business-type activities

\$ 13,087,422

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

Town of Flower Mound, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2023

	Business-type Activities Enterprise Funds	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 57,506,462	\$ -
Cash received from transactions with other funds	-	17,311,834
Cash paid to employees for services	(8,530,692)	-
Cash paid for goods and services	(29,008,734)	(10,565,824)
Cash paid for claims	-	(6,853,618)
Net cash provided (used) by operating activities	<u>19,967,036</u>	<u>(107,608)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	-	4,275
Transfers to other funds	(2,816,837)	-
Net cash provided (used) by noncapital financing activities	<u>(2,816,837)</u>	<u>4,275</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment on bonds payable and certificates of obligation	(5,925,000)	-
Interest and fiscal charges	(4,106,159)	-
Proceeds from issuance of debt	7,871,399	-
Proceeds from impact fees	1,074,898	-
Bond issuance costs paid	(127,947)	-
Purchase of capital assets	(5,827,163)	-
Net cash provided (used) by capital and related financing activities	<u>(7,039,972)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investment securities	16,777,861	3,947,186
Purchase of investment securities	(19,764,790)	(2,606,000)
Interest received	2,973,332	698,658
Net cash provided (used) by investing activities	<u>(13,597)</u>	<u>2,039,844</u>
Net increase (decrease) in cash and cash equivalents	10,096,630	1,936,511
Cash and cash equivalents, October 1	<u>53,087,819</u>	<u>7,397,353</u>
Cash and cash equivalents, September 30	<u>\$ 63,184,449</u>	<u>\$ 9,333,864</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 12,188,388	\$ (376,999)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	9,557,583	-
Change in assets and liabilities		
Decrease (Increase) in trade receivables	(2,269,370)	-
Decrease (Increase) in prepaids	170	-
Decrease (Increase) in unbilled receivables	(230,075)	-
Decrease (Increase) in inventory	(223,141)	-
Increase (Decrease) in deposits payable	(31,514)	-
Increase (Decrease) in pension liability	272,634	-
Increase (Decrease) in OPEB payable	83,435	-
Increase (Decrease) in accounts payable and accrued liabilities	618,926	269,391
Total adjustments	<u>7,778,648</u>	<u>269,391</u>
Net cash provided (used) by operating activities	<u>\$ 19,967,036</u>	<u>\$ (107,608)</u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets from developers	\$ 2,650,507	\$ -
Transfer of capital assets from other funds	388,607	-

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

Town of Flower Mound, Texas
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2023

	<u>Custodial Fund</u>	
	<u>River Walk Public Improvement District Number 1</u>	
ASSETS		
Cash and cash equivalents	\$	2,187,742
Total Assets		<u>2,187,742</u>
LIABILITIES		
Due to debt holders		-
Total Liabilities		<u>-</u>
NET POSITION		
Restricted for CADG Riverwalk LLC		2,187,742
Total Net Position	\$	<u>2,187,742</u>

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

Town of Flower Mound, Texas
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended September 30, 2023

	<u>Custodial Fund</u>	
	River Walk Public Improvement District Number 1	
	<u>Number 1</u>	
ADDITIONS		
Interest income	\$	96,743
Total Additions		<u>96,743</u>
 DEDUCTIONS		
Disbursements to debt holders		<u>-</u>
Total Deductions		<u>-</u>
Change in net position		96,743
Net position - beginning		<u>2,090,999</u>
Net position - ending	\$	<u><u>2,187,742</u></u>

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

**TOWN OF FLOWER MOUND, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Because the services that the Community Development Corporation provides exclusive benefits to the Town and the Community Development Corporation operations are so intertwined with those of the Town, the Community Development Corporation is in substance a department of the Town and has been blended into the Town's financial statements in the Other Governmental Funds category and reported as a Special Revenue Fund, 4B Parks-Sales Tax Fund.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following non-major governmental funds:

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

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

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

The Town reports the following proprietary funds:

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

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

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

Additionally, the Town reports the following fiduciary fund:

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

- River Walk Public Improvement District Number 1 – accounts for bond proceeds, assessments and related debt associated with the issuance of bonds issued by the Town, as custodian for the Public Improvement District.

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

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

D. Cash, Cash Equivalents and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Town's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

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

E. Receivables and Payables

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

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

F. Property taxes

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

The statutes of the State of Texas do not prescribe a legal limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year ended September 30, 2023, the Town had a tax margin of \$2.095 per \$100 assessed valuation based upon the maximum rates described above.

G. Inventories

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

H. Prepaid Items

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

I. Restricted Assets

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

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. The Town defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

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

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about

the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the Town's total pension liability is obtained from TMRS through a report prepared for the Town by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

L. Compensated Absences

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

M. Long-term Obligations

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

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

N. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For detail of deferred inflows see Note 6.

O. Other Post-Employment Benefits

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

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

P. Net Position Flow Assumption

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

Q. Fund Balance Flow Assumptions

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

R. Fund Equity

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

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

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

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

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

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

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

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

2. CASH AND INVESTMENTS

In order to facilitate effective cash management practices, the cash of all funds is pooled into common accounts for the purpose of increasing income through combined investment activities. At year-end, the carrying amount of the Town’s deposits was \$83,088 and the bank balance was \$1,875,312. Collateral is required for all of the Town’s deposits and shall be secured by pledged collateral with a fair value of no less than 103 percent of the principal, plus accrued interest, less an amount insured by federal deposit insurance. The Town authorized that collateral be in the form of U.S. Treasury obligations (fully and unconditionally guaranteed as to principal and interest by the full faith and credit of the United States), obligations of the Federal Home Loan

Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association or a Federal Home Loan Bank letter of credit and FDIC coverage. Bank deposits are fully insured, or collateralized, with securities held by the Town's agent in the Town's name. The Town had \$145,961,089 invested in public funds investment pools included in this report as cash and cash equivalents.

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

The Town deposits collections from all sources in interest bearing accounts established for each fund. Excess cash may be invested in obligations of the U.S. Treasury, U.S. Agencies, fully collateralized repurchase agreements, eligible municipal investment pools, no-load money market funds (regulated by the Securities and Exchange Commission) and certificates of deposit. The Town's Investment Policy, which is governed by state statutes and Town resolution, authorizes the investment instruments previously listed. The investments reported at September 30, 2023, were similar to those held during the fiscal year.

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

The Town has investments in government pools at September 30, 2023 totaling \$145,961,089, which are recorded at amortized cost.

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

As of September 30, 2023, the Town has investments of \$95,260,901 (Level 2 inputs) valued by a pricing service which uses an estimation process that values securities at the closing price reported on the active market on which the individual securities are traded.

At September 30, 2023, the Town had the following cash equivalents and investments:

	Fair Value	Weighted Avg Maturity (Days)
Primary Government:		
State Wide Investment Pools	\$ 145,961,089	26
Treasuries	29,429,395	317
Federal Agencies	65,913,157	206
Total Primary Government	<u>\$ 241,303,641</u>	97

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

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

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

Concentration of credit risk. With the exception of U.S. Treasury securities and certificates of deposit, the Town's investment policy limits the amount that may be invested in any one issuer to a percentage of the total investment portfolio, 75% in U.S. Agencies, 70% in local government investment pools and 10% in local government obligations. As of September 30, 2023, 5% or more of the Town's total investments are in the following: TexPool (19.44%), TexStar (19.25%), TexasCLASS (20.75%), Federal Agencies (27.39%) and Treasury Securities (12.41%), on a fair value basis.

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

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

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

3. RECEIVABLES

Receivables at September 30, 2023, for the Town's individual major funds and other funds (non-major funds, internal service funds), in the aggregate, including the applicable allowances for uncollectible accounts, are shown below.

	General	Debt Service	Capital Projects	Utilities	Other Funds
Receivables					
Taxes	\$ 310,274	\$ 85,518	\$ -	\$ -	\$ -
Accounts	4,420,054	-	182	7,310,596	7,439
Franchise fees	2,476,672	-	-	-	29,353
Unbilled services	-	-	-	2,907,839	-
Accrued interest	340,044	-	70,278	-	-
Intergovernmental	310,716	-	28,499	-	83,602
Other taxes	3,206,823	-	-	-	3,241,284
Leases	403,952	-	-	-	-
Gross receivables	11,468,535	85,518	98,959	10,218,435	3,361,678
Less: allowance	(2,729,054)	(4,254)	-	(1,031,013)	-
Net total receivables	<u>\$ 8,739,481</u>	<u>\$ 81,264</u>	<u>\$ 98,959</u>	<u>\$ 9,187,422</u>	<u>\$ 3,361,678</u>

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

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue are reported as deferred inflows and unearned revenue are reported as a liability. The details of unavailable are shown below.

	<u>Unavailable</u>
Delinquent property taxes receivable (general fund)	\$ 368,841
Municipal court receivable (general fund)	130,252
Franchise fee receivable (general fund)	1,097,238
Ambulance revenues (general fund)	292,067
Community Activity Center accounts receivable (general fund)	466,470
Delinquent property taxes receivable (debt service fund)	90,852
	<u>\$ 2,445,720</u>

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of interfund receivables and payables at September 30, 2023 is as follows:

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Governmental	Nonmajor Governmental	\$ 9,807	Short-term funding-intergovernmental receivable
	Total	<u>\$ 9,807</u>	

There was an interfund balance at September 30, 2023 between the Street Maintenance Fund and the following funds: SAFER Grant and the Grants Fund for \$9,807. These interfund balances are due to timing of receipts for amounts spent in advance.

Transfers between funds during the year were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Utility Fund	General Fund	\$ 2,816,837	Administrative Cost Allocation
Nonmajor Governmental Fund	General Fund	275,000	CDC operation & maintenance
General Fund	Capital Projects Fund	150,000	Sidewalk links program
General Fund	Capital Projects Fund	75,000	Street Light program
General Fund	Capital Projects Fund	1,000,000	Adaptive Signal Upgrade
General Fund	Capital Projects Fund	82,500	Traffic Signal Preemption Upgrade
General Fund	Capital Projects Fund	90,000	Roadway Amenities project
General Fund	Capital Projects Fund	165,000	Traffic Detection Rehabilitation project
Nonmajor Governmental Fund	General Debt Service Fund	270,950	Twin Coves park
General Fund	Health Insurance Fund	4,275	Animal Services Vaccines
General Fund	Nonmajor Governmental Fund	4,785	Bulletproof Vest Grant match
General Fund	Nonmajor Governmental Fund	557,225	SAFER Grant match
		<u>\$ 5,491,572</u>	

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2023

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended September 30, 2023, are summarized as follows:

Governmental activities:	Balance at October 1, 2022 (as restated)	Additions	Retirements/ Transfers	Balance at September 30, 2023
Capital assets not being depreciated:				
Land	\$ 35,782,959	\$ 1,802,838	\$ -	\$ 37,585,797
Construction in progress	43,242,394	12,176,312	(6,202,083)	49,216,623
Total capital assets not being depreciated	<u>79,025,353</u>	<u>13,979,150</u>	<u>(6,202,083)</u>	<u>86,802,420</u>
Capital assets being depreciated:				
Buildings	112,906,741	279,032	-	113,185,773
Streets and bridges	453,431,132	7,427,716	6,202,083	467,060,931
Improvements	48,317,130	-	-	48,317,130
Equipment	29,281,406	3,339,947	(1,141,502)	31,479,851
Total capital assets being depreciated	<u>643,936,409</u>	<u>11,046,695</u>	<u>5,060,581</u>	<u>660,043,685</u>
Less accumulated depreciation for:				
Buildings	27,806,111	3,467,994	-	31,274,105
Streets and bridges	294,242,924	10,970,633	-	305,213,557
Improvements	19,441,684	2,297,871	-	21,739,555
Equipment	16,703,534	2,429,916	(1,129,122)	18,004,328
Total accumulated depreciation	<u>358,194,253</u>	<u>19,166,414</u>	<u>(1,129,122)</u>	<u>376,231,545</u>
Total capital assets, being depreciated, net	<u>285,742,156</u>	<u>(8,119,719)</u>	<u>6,189,703</u>	<u>283,812,140</u>
Capital assets being amortized:				
Subscription right-of-use assets	733,603	179,728	-	913,331
Total capital assets being amortized	<u>733,603</u>	<u>179,728</u>	<u>-</u>	<u>913,331</u>
Less accumulated amortization for:				
Subscription right-of-use assets	-	410,957	-	410,957
Total accumulated amortization	<u>-</u>	<u>410,957</u>	<u>-</u>	<u>410,957</u>
Total capital assets, being amortized, net	<u>733,603</u>	<u>(231,229)</u>	<u>-</u>	<u>502,374</u>
Governmental activities capital assets, net	<u>\$ 365,501,112</u>	<u>\$ 5,628,202</u>	<u>\$ (12,380)</u>	<u>\$ 371,116,934</u>

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2023

Business-type activities:	Balance at October 1, 2022 (as restated)	Additions	Retirements/ Transfers	Balance at September 30, 2023
Capital assets not being depreciated:				
Land	\$ 4,419,755	\$ -	\$ -	\$ 4,419,755
Construction in progress	24,099,750	5,372,762	(19,746,357)	9,726,155
Total capital assets not being depreciated	<u>28,519,505</u>	<u>5,372,762</u>	<u>(19,746,357)</u>	<u>14,145,910</u>
Capital assets being depreciated:				
Buildings	53,765,322	-	-	53,765,322
Distribution System	268,104,981	2,650,507	19,746,357	290,501,845
Equipment	3,872,703	843,008	(134,463)	4,581,248
Total capital assets being depreciated	<u>325,743,006</u>	<u>3,493,515</u>	<u>19,611,894</u>	<u>348,848,415</u>
Less accumulated depreciation for:				
Buildings	23,985,421	1,179,349	-	25,164,770
Distribution System	99,942,945	8,031,706	-	107,974,651
Equipment	2,683,910	316,622	(134,463)	2,866,069
Total accumulated depreciation	<u>126,612,276</u>	<u>9,527,677</u>	<u>(134,463)</u>	<u>136,005,490</u>
Total capital assets, being depreciated, net	<u>199,130,730</u>	<u>(6,034,162)</u>	<u>19,746,357</u>	<u>212,842,925</u>
Capital assets being amortized:				
Subscription right-of-use assets	-	73,238	-	73,238
Total capital assets being amortized	<u>-</u>	<u>73,238</u>	<u>-</u>	<u>73,238</u>
Less accumulated amortization for:				
Subscription right-of-use assets	-	29,906	-	29,906
Total accumulated amortization	<u>-</u>	<u>29,906</u>	<u>-</u>	<u>29,906</u>
Total capital assets, being amortized, net	<u>-</u>	<u>43,332</u>	<u>-</u>	<u>43,332</u>
Business-type activities capital assets, net	<u>\$ 227,650,235</u>	<u>\$ (618,068)</u>	<u>\$ -</u>	<u>\$ 227,032,167</u>

Business-type activities include \$5,372,762 of the total \$8,866,277 in additions of capital assets acquired through the use of debt.

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Development services	\$ 15,908
Library services	146,876
Parks and recreation services	3,380,063
Police services	987,950
Financial services	1,289,356
Fire and emergency services	1,825,718
Communications	33,250
Infrastructure services	11,487,293
Total depreciation expense-governmental activities	<u>\$ 19,166,414</u>

Amortization expense was charged to functions/programs as follows:

Governmental Activities:	
Administrative services	\$ 300,512
Police services	77,930
Financial services	9,855
Fire and emergency services	<u>22,660</u>
Total amortization expense-governmental activities	<u>\$ 410,957</u>

Outstanding commitments at September 30, 2023, under authorized construction contracts were approximately \$20,147,984. These outstanding commitments are to be financed by available cash and investment balances, which include proceeds from previous bond issuances.

Outstanding Commitments	
TIRZ	\$ 5,885,143
Park Development	67,793
Street Maintenance	226,324
Parks-4B	348,150
ARPA	433,688
General Projects	2,282,273
Utility System Projects	<u>10,904,613</u>
Total outstanding commitments	<u>\$ 20,147,984</u>

6. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

Deferred Charges on Refundings

- Loss on refundings – difference in the carrying value of refunded debt and its reacquisition price. Additions result from any deferred losses on current fiscal year refundings. A reduction is the amount that is amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows and Inflows Related to Pensions and OPEB

- Contributions after measurement date – Town contributions made from the evaluation date, December 31st to the fiscal year end, which are deferred and recognized in the following fiscal year.
- Difference in actual experience and actuarial assumption – difference in the actuarial economic and demographic assumptions and actual experience on liabilities. The loss is deferred and recognized over the remaining estimated average service lives of all members determined as of the measurement date.
- Changes in actuarial assumption – difference arising due to assumption changes. The loss is deferred and recognized over the remaining estimated average service lives of all members determined as of the measurement date.
- Investment gains/losses – difference in projected and actual earning on assets. The loss is deferred and amortized over a closed 5 year period.

Deferred Inflows Related to Leases

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

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Deferred amounts:				
Loss on refundings	\$ 450,477	\$ -	\$ (117,396)	\$ 333,081
Pension contributions after measurement date	3,350,966	3,735,998	(3,404,845)	3,682,119
Pension difference in actual experience and actuarial assumptions	1,284,896	-	(746,705)	538,191
Pension investment gains/losses	(9,137,468)	19,592,260	-	10,454,792
Pension assumption gains/losses	178,495	-	(134,953)	43,542
OPEB contributions after measurement date	307,487	76,380	(317,115)	66,752
OPEB difference in actual experience and actuarial assumptions	(65,993)	608,796	(10,012)	532,791
OPEB assumption gains/losses	608,117	704,486	(639,190)	673,413
Leases	770,407	-	(337,408)	432,999
Business-type activities:				
Deferred amounts:				
Loss on refundings	\$ 217,592	\$ -	\$ (124,393)	\$ 93,199
Pension contributions after measurement date	469,746	456,313	(415,867)	510,192
Pension difference in actual experience and actuarial assumptions	184,039	-	(91,202)	92,837
Pension investment gains/losses	(1,293,563)	2,392,992	-	1,099,429
Pension assumption gains/losses	25,943	-	(16,483)	9,460
OPEB contributions after measurement date	57,899	9,329	(55,919)	11,309
OPEB difference in actual experience and actuarial assumptions	(12,057)	111,593	(1,223)	98,313
OPEB assumption gains/losses	104,052	129,133	(78,069)	155,116

7. LONG TERM DEBT

On June 21, 2023, the Town issued \$7,370,000 in Certificates of Obligation Series, 2023, which will pay for the contractual obligations incurred for constructing waterworks and sewer system improvements and extensions, including the acquisition of land and rights-of-way therefor and professional services rendered in connection therewith.

The Town Council authorized an ordinance on June 21, 2023, to issue \$6,455,000 in General Obligation Refunding Bonds Series, 2023, to refund a portion of the Town's outstanding debt in order to reduce the overall debt service requirements of the Town and to pay the costs of issuance. This series refunds Certificates of Obligation Series 2013 for \$6,995,000 for years maturing 2024 through 2033. Such refunded bonds are no longer payable from the net revenue of the Town of Flower Mound. The net carrying amount of the old debt exceeded the reacquisition price by \$64,191. This refunding was undertaken to reduce total debt service payments by \$294,899 and resulted in an economic gain of \$268,210.

Governmental Activities:

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

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2023

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

<u>Series</u>	<u>Outstanding</u>
2012 Refunding	\$ 395,000
2014 Refunding	1,205,000
2014A Refunding	2,495,000
2016 Refunding	3,950,000
2020 Refunding	2,160,000
2023 Refunding	1,640,000
	<u>\$ 11,845,000</u>

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

<u>Due Fiscal Year Ending</u>	<u>Principal General Obligation Bonds</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,130,000	\$ 482,001	\$ 3,612,001
2025	2,860,000	326,625	3,186,625
2026	2,340,000	204,900	2,544,900
2027	1,500,000	122,250	1,622,250
2028	600,000	78,700	678,700
2029-2033	1,415,000	136,650	1,551,650
Total	<u>\$ 11,845,000</u>	<u>\$ 1,351,126</u>	<u>\$ 13,196,126</u>

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

<u>Series</u>	<u>Outstanding</u>
2014	\$ 295,000
2015	1,710,000
2015A	2,795,000
2016	2,865,000
2017	3,445,000
2017A	10,365,000
2018	3,920,000
2018A	5,085,000
2019	5,255,000
	<u>\$ 35,735,000</u>

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2023

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

Due Fiscal Year Ending	Principal Certificates of Obligation	Interest	Total
2024	\$ 3,980,000	\$ 1,670,938	\$ 5,650,938
2025	4,130,000	1,537,619	5,667,619
2026	4,275,000	1,381,938	5,656,938
2027	1,830,000	1,208,519	3,038,519
2028	1,910,000	1,129,644	3,039,644
2029-2033	10,055,000	3,617,972	13,672,972
2034-2038	9,115,000	889,575	10,004,575
2039	440,000	6,600	446,600
Total	<u>\$ 35,735,000</u>	<u>\$ 11,442,803</u>	<u>\$ 47,177,803</u>

Business-type Activities:

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

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

<u>Series</u>	<u>Outstanding</u>
2012 Refunding	\$ 430,000
2014 Refunding	190,000
2014A Refunding	315,000
2016 Refunding	4,070,000
2020 Refunding	1,030,000
2021 Refunding	1,540,000
2023 Refunding	4,815,000
	<u>\$ 12,390,000</u>

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

Due Fiscal Year Ending	Principal	Interest	Total
2024	\$ 2,130,000	\$ 542,995	\$ 2,672,995
2025	1,830,000	415,700	2,245,700
2026	1,800,000	336,600	2,136,600
2027	1,760,000	264,225	2,024,225
2028	1,195,000	204,450	1,399,450
2029-2033	3,675,000	418,550	4,093,550
Total	<u>\$ 12,390,000</u>	<u>\$ 2,182,520</u>	<u>\$ 14,572,520</u>

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

<u>Series</u>	<u>Outstanding</u>
2012	\$ 3,600,000
2014	9,190,000
2015A	5,235,000
2016	6,225,000
2017A	6,590,000
2018A	3,210,000
2019	17,780,000
2020	7,100,000
2021	8,480,000
2022	8,320,000
2023	7,370,000
	<u>\$ 83,100,000</u>

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

Due Fiscal Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,175,000	\$ 3,253,910	\$ 7,428,910
2025	4,375,000	3,041,606	7,416,606
2026	4,560,000	2,872,697	7,432,697
2027	4,735,000	2,683,706	7,418,706
2028	4,930,000	2,487,213	7,417,213
2029-2033	27,475,000	9,182,406	36,657,406
2034-2038	23,650,000	3,659,700	27,309,700
2039-2042	9,200,000	588,100	9,788,100
Total	<u>\$ 83,100,000</u>	<u>\$ 27,769,338</u>	<u>\$ 110,869,338</u>

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2023

A summary of changes in long-term liabilities for the year ended September 30, 2023 follows:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 13,405,000	\$ 1,640,000	\$ (3,200,000)	\$ 11,845,000	\$ 3,130,000
Certificates of obligations	41,500,000	-	(5,765,000)	35,735,000	3,980,000
Bond premiums/discounts	5,504,308	162,930	(868,938)	4,798,300	820,030
Total bonds payable	<u>60,409,308</u>	<u>1,802,930</u>	<u>(9,833,938)</u>	<u>52,378,300</u>	<u>7,930,030</u>
Compensated absences	5,483,654	526,809	(299,714)	5,710,749	1,577,358
OPEB Liability	4,211,651	1,915,656	(1,023,562)	5,103,745	-
Net pension liability	5,647,331	30,638,206	(9,364,304)	26,921,233	-
Subscription liability	733,603	179,728	(505,605)	407,726	191,140
Governmental activity Long-term liabilities	<u>\$ 76,485,547</u>	<u>\$ 35,063,329</u>	<u>\$ (21,027,123)</u>	<u>\$ 90,521,753</u>	<u>\$ 9,698,528</u>
Business-type activities:					
General obligation bonds	\$ 9,280,000	\$ 4,815,000	\$ (1,705,000)	\$ 12,390,000	\$ 2,130,000
Certificates of obligations	85,165,000	7,370,000	(9,435,000)	83,100,000	4,175,000
Bond premiums/discounts	8,957,395	978,746	(848,357)	9,087,784	754,771
Total bonds payable	<u>103,402,395</u>	<u>13,163,746</u>	<u>(11,988,357)</u>	<u>104,577,784</u>	<u>7,059,771</u>
Compensated absences	504,977	56,791	(33,521)	528,247	156,503
OPEB Liability	721,363	340,482	(142,203)	919,642	-
Net pension liability	789,709	3,742,138	(1,143,751)	3,388,096	-
Subscription liability	-	73,238	(37,179)	36,059	36,059
Business-type activity Long-term liabilities	<u>\$ 105,418,444</u>	<u>\$ 17,376,395</u>	<u>\$ (13,345,011)</u>	<u>\$ 109,449,828</u>	<u>\$ 7,252,333</u>

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

8. RISK MANAGEMENT

Effective January 1, 1993, the Town established a partially self-funded trust plan which offers medical, dental, vision, long-term life insurance and disability coverage to employees and their dependents. The Town maintains excess loss insurance which limits annual claims paid from the plan to a maximum of \$150,000 for any individual claim and an aggregate amount of 125% of expected claims. Blue Cross Blue Shield of Texas, a third-party administrator, is employed by the plan to administer claims. Trustees have been appointed to receive employer and employee contributions and to disburse payments to the providers of the plan. Costs relating to the plan are recorded in an Internal Service Fund. Revenue is recognized from employee payroll deductions and from Town contributions for employee and dependent coverage.

Changes in the claims liability amount were:

	<u>2023</u>	<u>2022</u>
Unpaid claims at beginning of fiscal year	\$ 1,280,490	\$ 1,354,884
Claims incurred and changes in estimates	7,000,965	6,071,958
Payments	<u>(6,853,618)</u>	<u>(6,146,352)</u>
Unpaid claims at end of fiscal year	<u>\$ 1,427,837</u>	<u>\$ 1,280,490</u>

All claims are due within one year.

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

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

9. TAX ABATEMENTS

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

The Town has three categories of economic development agreements:

- Tax Abatements - Property taxes can be abated starting at 20% and is negotiable for up to 10 years. The amount rebated is dependent on the minimum capital investment, the total number of full-time equivalents added to the local workforce, annual salaries of those employees, and environmentally conscious efforts. For fiscal year ending September 30, 2023, the Town abated \$37,114,020 in real and/or personal property value, resulting in \$150,312 in abated taxes.
- General Economic Development – The Town enters into economic development agreements under Chapter 380 of the Texas Local Government code to stimulate economic development. These agreements authorize the rebate of varying percentages of real and/or personal property taxes, a portion impact fees, permit waivers, or other expenses related to relocation costs, tenant finish-outs, and infrastructure. For fiscal year ending September 30, 2023, the Town rebated \$240,795 in property taxes and \$3,350 in sales taxes.

- Tax Increment Financing – The Town has one active Tax Increment Reinvestment Zone (TIRZ #1) under Chapter 311 of the Texas Tax Code. The TIRZ #1 2023 Annual Report identified an ending fund balance of \$20,636,815, after total revenue of \$9,298,656 and total expenditures of \$7,686,113.

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

10. COMMITMENTS AND CONTINGENT LIABILITIES

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e. purchase orders). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year in the General Fund were \$2,694,947.

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

The Town contracts with the Upper Trinity Regional Water District (UTRWD), a conservation and reclamation district whereby the District finances, constructs, operates and maintains water treatment facilities for the benefit of the Town. Under the current contract (which expires May 2022 or when the Bonds issued by UTRWD for the system have been paid in full, whichever is later) the Town agrees to purchase an agreed upon minimum of wholesale treated water service for resale at the rate established annually by UTRWD based on the Town's proportionate share of the annual requirement, and the Town is unconditionally liable to purchase the annual minimum regardless of the needs of the Town. The Town made \$20,010,328 in payments to UTRWD in the current fiscal year.

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

construct, own, and operate the facilities. The Town is responsible to pay monthly installments equal to the annual payment sufficient for TRA to meet its bond service requirements. In addition to these payments the Town is separately contracted to pay operation and maintenance costs of the project. The Town made \$573,432 in payments to TRA in the current fiscal year.

11. DEFINED BENEFIT PENSION PLAN

Plan Description

The Town participates as one of 919 plans in the defined benefit cash-balance plan administered by Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided

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

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

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

A Summary of plan provisions adopted by the Town as of December 31, 2022 is as follows:

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

Employees covered by benefit terms:

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

Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	315
Inactive employees entitled to but not yet receiving benefits	504
Active Employees	624
	<u>1,443</u>

Contributions

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

Employees for the Town of Flower Mound were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 11.31% and 11.25% in calendar years 2022 and 2023, respectively. The Town's contributions to TMRS for the year ended September 30, 2023, were \$5,652,138, and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

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

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2023

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2109, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

Discount rate:

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	\$ 184,617,951	\$ 178,180,910	\$ 6,437,041
Changes for the year:			
Service cost	7,114,585	-	7,114,585
Interest	12,489,034	-	12,489,034
Difference between expected and actual experience	(70,911)	-	(70,911)
Changes of assumptions	-	-	-
Contributions- employer	-	5,326,402	(5,326,402)
Contributions- employee	-	3,331,244	(3,331,244)
Net investment income	-	(13,018,982)	13,018,982
Benefits payments, including refunds of employee contributions	(6,305,025)	(6,305,025)	-
Administrative expense	-	(112,551)	112,551
Other changes	-	134,307	(134,307)
Net Changes	<u>\$ 13,227,683</u>	<u>\$ (10,644,605)</u>	<u>\$ 23,872,288</u>
Balance at 12/31/2022	<u>\$ 197,845,634</u>	<u>\$ 167,536,305</u>	<u>\$ 30,309,329</u>

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

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

	1% Decrease in Discount Rate	Discount Rate (6.75%)	1% Increase in Discount Rate
Town's net pension liability	\$ 59,952,120	\$ 30,309,329	\$ 5,981,386

Pension plan fiduciary net position:

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

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

For the year ended September 30, 2023, the Town recognized pension expense of \$8,202,781.

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2023

At September 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 631,028	\$ -
Difference between projected and actual investment earnings	11,554,221	-
Contributions subsequent to the measurement date	4,192,311	-
Changes in Actuarial assumptions	53,002	-
Total	<u>\$ 16,430,562</u>	<u>\$ -</u>

\$4,192,311 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended September 30,	
2024	\$ 1,143,115
2025	2,999,238
2026	3,089,548
2027	5,006,350
Total	<u>\$ 12,238,251</u>

12. OTHER POST-EMPLOYMENT BENEFITS

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

Aggregate amounts for the two OPEB plans are as follows:

	Healthcare OPEB	TMRS SDBF	Total
Total OPEB Liability	\$ 4,712,392	\$ 1,310,995	\$ 6,023,387
Deferred outflows of resources	1,181,712	355,982	1,537,694
Deferred inflows of resources	-	-	-
OPEB Expense	485,231	109,817	595,048

TMRS Supplemental Death Benefits Fund

Plan Description

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

Benefits Provided

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

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

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

Inactive employees or beneficiaries currently receiving benefits	203
Inactive employees entitled to but not yet receiving benefits	100
Active employees	<u>624</u>
Total	<u><u>927</u></u>

Contributions

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rates were 0.12% and 0.23% for 2022 and 2023, respectively. 0.04% and 0.06% of the contractually required rates for 2022 and 2023, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The Town's contributions to the SDBF for the years ended September 30, 2023 and 2022 were \$102,284 and \$56,087, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions and Other Inputs

The total SDBF OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Actuarial cost method	Entry age normal
Discount rate	4.05 %
Projected salary increases	3.50% to 11.50% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are accounted for under the reporting requirements under GASB Statement No. 68.

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. These were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 4.05% was used to measure the total OPEB liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2022.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.05%) in measuring the total OPEB liability.

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate (4.05%)</u>	<u>1% Increase in Discount Rate</u>
Total OPEB Liability	\$ 1,595,009	\$ 1,310,995	\$ 1,091,850

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

The Town's total OPEB liability of \$1,310,995 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2023, the Town recognized OPEB aggregate expense of \$109,817. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2021	\$ 1,948,708
Changes for the year:	
Service cost	123,732
Interest	36,819
Change of benefit terms	-
Difference between expected and actual experience	(32,118)
Changes of assumptions and other inputs	(747,110)
Benefit payments	<u>(19,036)</u>
Net changes	<u>(637,713)</u>
Balance at 12/31/2022	<u>\$ 1,310,995</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 1.84% to 4.05% and the changes in actuarial assumptions adopted in 2022.

At September 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 82,412	\$ -
Changes in actuarial assumptions	355,982	-
Contributions subsequent to the measurement date	<u>85,709</u>	<u>-</u>
Totals	<u>\$ 524,103</u>	<u>\$ -</u>

\$85,709 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2024	\$(51,750)
2025	(65,183)
2026	(68,653)
2027	(90,346)
2028	(113,764)
Thereafter	<u>(48,698)</u>
Total	<u>\$(438,394)</u>

Retiree Health Care Plan

Plan Description

The Town provides health care benefits through a single-employer defined benefit healthcare plan for all regular full-time employees who retire after December 31, 2006 and meet minimum retirement age of 60 and have been employed by the Town for five years continuously prior to retirement or have twenty years or more of service at any age.

Benefits Provided

The Retiree Health Care Plan provides medical and dental coverage for those employees that meet the eligibility requirements and opt into the plan at retirement. Employees who become disabled are not eligible for retiree health care benefits. The spouse of a current employee can continue to receive coverage when the employee retires if the spouse was covered at the time of retirement, and the retiring employee meets the previously outlined criteria for continued coverage, and the retiring employee continues to elect (and pay for) coverage for the dependent at open enrollments. The spouses of all future retirees can continue to receive coverage under these circumstances, assuming the current policy remains unchanged. Retirees who decide to opt-out of the health care plan are not eligible to opt back in. Survivors of employees who die while actively employed are not eligible for retiree health care benefits, unless the employee was a Public Safety Officer.

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

Retirees and Beneficiaries	13
Inactive, Nonretired Employees	-
Active Employees	<u>544</u>
Total	<u><u>557</u></u>

Contributions

Currently the retiree contributes 100% of the blended healthcare premium for coverage and is also responsible for payment of premiums for any dependent coverage. Beginning January 1, 2015, the contribution rates for retirees and their dependents is based upon the retiree premium rates as developed in the most recent actuarial valuation report of the Town’s retiree health care plan. Retiree contribution rates for fiscal year 2022-2023 ranged from \$795.01 to \$2,603.46 per month depending on coverage levels selected. There is one retiree whose contribution rate is \$114.24 per month for employee plus family dental and vision coverage only and four retirees whose contribution rate is \$40.80 for employee only dental and vision.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50%
Actuarial cost method	Individual Entry Age
Discount rate	4.05
Projected salary increases	3.50% to 11.50% including inflation

Administrative expenses for the Retiree Health Care Plan are recognized on a pay-as you-go basis.

Mortality rates for healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate rates of scale MP-2019 to account for future mortality improvements.

Health Care trend rates were estimated using an initial rate of 7.00% declining to an ultimate rate of 4.25% after 13 years.

Participation rates assumed that 15% of those eligible for a service-based subsidy and 0% of those without a service-based subsidy would elect coverage. It was assumed no employees would maintain their health coverage through the Town’s plan if they retire prior to age 50, except those retiring through TMRS disability retirement. All retirees are assumed to discontinue coverage upon reaching eligibility for Medicare.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018, as conducted for the Texas Municipal Retirement System (TMRS).

Discount Rate

Because the Retiree Health Care plan is essentially a “pay-as-you-go” plan and does not have formal assets, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2022.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.05%) in measuring the total OPEB liability.

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate (4.05%)</u>	<u>1% Increase in Discount Rate</u>
Total OPEB Liability	\$ 5,211,104	\$ 4,712,389	\$ 4,264,181

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the healthcare trend rate used was 1% less than and 1% greater than the healthcare trend rate that was used (7.00%) in measuring the total OPEB liability.

	<u>1% Decrease in Health Care Trend Rate</u>	<u>Current Health Care Trend Rate Assumption</u>	<u>1% Increase in Health Care Trend Rate</u>
Total OPEB Liability	\$ 4,180,559	\$ 4,712,389	\$ 5,346,439

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

The Town's total OPEB liability of \$4,712,389 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2023, the Town recognized OPEB aggregate expense of \$485,231. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2021	\$ 2,984,306
Changes for the year:	
Service cost	215,834
Interest	54,034
Change of benefit terms	-
Difference between expected and actual experience	779,032
Changes of assumptions and other inputs	990,339
Benefit payments	<u>(311,156)</u>
Net changes	<u>1,728,083</u>
Balance at 12/31/2022	<u>\$ 4,712,389</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022.

Town of Flower Mound, Texas
Notes to the Basic Financial Statements (continued)
September 30, 2023

At September 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 716,316	\$ -
Changes in actuarial assumptions	1,181,712	-
Contributions subsequent to the measurement date	(5,646)	-
Totals	<u>\$ 1,892,382</u>	<u>\$ -</u>

\$(5,646) reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2024	\$ 215,363
2025	215,363
2026	215,363
2027	206,511
2028	235,328
Thereafter	<u>810,100</u>
Total	<u>\$ 1,898,028</u>

13. LEASES

Lessor – The Town recognizes a lease receivable and deferred inflow of resources in the government-wide and governmental funds financial statements.

The Town measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts. The Town uses the lessee's rate or the rate disclosed in the agreement. If the rate is not readily available, the Town uses its estimated incremental borrowing rate over a similar term as the discount rate. The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Lease receivable – At the start of the current fiscal year, the Town was leasing cell sites as lessor. These leases all had varying terms between one and four years. The Town recognized \$341,605 in lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2023, the Town’s receivable for lease payments was \$403,952. Also, the Town has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2023, the balance of the deferred inflow of resources was \$432,999.

14. SUBSCRIPTIONS

Effective October 1, 2022, the Town implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements, using the facts and circumstances that existed at the beginning of the period of implementation. There was no impact to the Town’s beginning net position upon adoption of the new accounting standard, but the following beginning balances for subscription right-of-use assets and subscription liabilities were recorded at October 1, 2022:

	Governmental Activities	Business-type Activities
Subscription right-of-use assets	\$ 733,603	\$ -
Subscription liability	\$ 733,603	\$ -

The Town has various subscriptions that met the requirements of this Statement, including software for general office use, document management, work order processing, procurement, recruiting, project management, geographic information system, data backup management, public safety video systems and dashboard, and emergency management. As of September 30, 2023, the subscriptions have fixed, periodic payments over the subscription terms which range from one year to six years and expire no later than fiscal year 2029.

Future subscriptions payments as of September 30, 2023 are as follows:

Fiscal Year Ending	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 191,140	\$ 12,760	\$ 203,900	\$ 36,059	\$ 1,120	\$ 37,179
2025	171,616	6,790	178,406	-	-	-
2026	19,945	1,426	21,371	-	-	-
2027	12,126	795	12,921	-	-	-
2028	12,899	410	13,309	-	-	-
Total	<u>\$ 407,726</u>	<u>\$ 22,181</u>	<u>\$ 429,907</u>	<u>\$ 36,059</u>	<u>\$ 1,120</u>	<u>\$ 37,179</u>

15. NEW FINANCIAL REPORTING REQUIREMENTS

The GASB has issued the following statements:

Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62. The requirements of the Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.

Statement No. 101, Compensated Absences. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024.

16. SUBSEQUENT EVENTS

The Town has evaluated events and transactions for potential recognition or disclosure through March 13, 2024, the date the financial statements were available to be issued, and the Town has found no significant events to disclose.

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