



PRELIMINARY OFFICIAL STATEMENT

September 9, 2025

Ratings:
S&P: "AA+" (stable)
See "OTHER INFORMATION – Ratings" herein

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

\$35,375,000*
TOWN OF SUNNYVALE, TEXAS
(Dallas County)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: October 15, 2025
(Interest accrues from the Date of Delivery)

Due: February 15 as shown on page 2

PAYMENT TERMS. . . Interest on the \$35,375,000* Town of Sunnyvale, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"), will accrue from the Date of Delivery (anticipated to be October 15, 2025), will be payable February 15 and August 15 of each year, commencing February 15, 2026, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Certificates are issued pursuant to the Texas Constitution and the general laws of the State of Texas (the "State"), particularly, Chapter 271, Subchapter C, Texas Local Government Code, as amended, Chapter 1502, Texas Government code, as amended, the Home Rule Charter of the Town of Sunnyvale, Texas (the "Town"), and an ordinance anticipated to be adopted by the Town Council of the Town on September 15, 2025 (the "Ordinance"), and constitute direct obligations of the Town, payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the Town, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues from the operation of the Town's waterworks and sewer system, as provided in the Ordinance (see "THE CERTIFICATES – Authority for Issuance of the Certificates").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for (i) designing, constructing, acquiring, equipping, and improving park and recreation facilities, streets, roads, bridges, and a new animal shelter within the Town, (ii) acquiring, purchasing, renovating, enlarging, extending, equipping, and improving the Town's waterworks and sewer system (the "Utility System") properties and facilities, including the acquisition of land and rights-of-way therefor and (iii) paying legal, fiscal and engineering fees in connection with such projects including the costs of issuance of the Certificates (see "THE CERTIFICATES – Purpose").

CUSIP PREFIX: 867629
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY. . . The Certificates are offered for delivery when, as and if issued and received by the underwriters identified below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas, (see Appendix C, "Form of Bond Counsel's Opinion"). Certain matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Austin, Texas.

DELIVERY. . . It is expected that the Certificates will be available for delivery through DTC on October 15, 2025 (the "Date of Delivery").

FROST BANK
BOK FINANCIAL SECURITIES, INC.
RAYMOND JAMES

* Preliminary, subject to change.

MATURITY SCHEDULE*

Maturity	Principal	Interest	Initial		Maturity	Principal	Interest	Initial	
2/15	Amount	Rate	Yield	CUSIP ⁽¹⁾	2/15	Amount	Rate	Yield	CUSIP ⁽¹⁾
2026	\$ 495,000				2039	\$ 1,500,000			
2027	365,000				2040	1,580,000			
2028	385,000				2041	1,665,000			
2029	405,000				2042	1,755,000			
2030	425,000				2043	1,845,000			
2031	450,000				2044	1,945,000			
2032	1,045,000				2045	2,045,000			
2033	1,100,000				2046	2,145,000			
2034	1,160,000				2047	2,260,000			
2035	1,215,000				2048	2,385,000			
2036	1,275,000				2049	2,515,000			
2037	1,345,000				2050	2,650,000			
2038	1,420,000								

(Interest to accrue from the Date of Delivery)

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

OPTIONAL REDEMPTION. . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, __, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, __, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”).

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Certificates are structured as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

* Preliminary, subject to change.

(Remainder of page intentionally left blank)

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

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

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

The information set forth herein has been obtained from the Town and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Financial Advisor or the Underwriters. 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 sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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 OR UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "FORWARD LOOKING STATEMENTS DISCLAIMER" HEREIN.

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

NONE OF THE TOWN, ITS FINANCIAL ADVISOR OR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY ("DTC") FOR USE IN THIS OFFICIAL STATEMENT.

(Remainder of page intentionally left blank)

TABLE OF CONTENTS

<p>OFFICIAL STATEMENT SUMMARY5</p> <p>TOWN OFFICIALS, STAFF AND CONSULTANTS ..7</p> <p style="padding-left: 20px;">ELECTED OFFICIALS7</p> <p style="padding-left: 20px;">SELECTED ADMINISTRATIVE STAFF7</p> <p style="padding-left: 20px;">CONSULTANTS AND ADVISORS.....7</p> <p>INTRODUCTION8</p> <p>THE CERTIFICATES8</p> <p>TAX INFORMATION14</p> <p style="padding-left: 20px;">TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT20</p> <p style="padding-left: 20px;">TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY21</p> <p style="padding-left: 20px;">TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY.....22</p> <p style="padding-left: 20px;">TABLE 3A - DERIVATION GENERAL PURPOSE FUNDED TAX DEBT.....22</p> <p style="padding-left: 20px;">TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY22</p> <p style="padding-left: 20px;">TABLE 5 - TEN LARGEST TAXPAYERS23</p> <p style="padding-left: 20px;">TABLE 6 - ESTIMATED OVERLAPPING DEBT23</p> <p style="padding-left: 20px;">TABLE 7 - TAX ADEQUACY24</p> <p>DEBT INFORMATION.....25</p> <p style="padding-left: 20px;">TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS.....25</p> <p style="padding-left: 20px;">TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION26</p> <p style="padding-left: 20px;">TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT26</p> <p style="padding-left: 20px;">TABLE 11 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS.....26</p> <p style="padding-left: 20px;">TABLE 12 – OTHER OBLIGATIONS27</p> <p>FINANCIAL INFORMATION28</p> <p style="padding-left: 20px;">TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY.....28</p> <p style="padding-left: 20px;">TABLE 13A - CHANGES IN NET ASSETS.....29</p> <p style="padding-left: 20px;">TABLE 14 - MUNICIPAL SALES TAX HISTORY.....29</p> <p style="padding-left: 20px;">TABLE 15 - CURRENT INVESTMENTS31</p> <p>THE WATERWORKS AND SEWER SYSTEM.....32</p> <p style="padding-left: 20px;">TABLE 16 - MONTHLY WATER RATES.....32</p> <p style="padding-left: 20px;">TABLE 17 - HISTORICAL WATER CONSUMPTION.....33</p> <p style="padding-left: 20px;">TABLE 18 - TOP TEN WATER CUSTOMERS.....33</p> <p style="padding-left: 20px;">TABLE 19 - WASTEWATER RATES33</p> <p style="padding-left: 20px;">TABLE 20 - TOP TEN SEWER SUSTOMERS.....34</p> <p style="padding-left: 20px;">TABLE 21 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS34</p> <p>TAX MATTERS34</p> <p>CONTINUING DISCLOSURE OF INFORMATION 36</p> <p>OTHER INFORMATION37</p> <p style="padding-left: 20px;">RATINGS.....37</p> <p style="padding-left: 20px;">LITIGATION37</p> <p style="padding-left: 20px;">REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE37</p> <p style="padding-left: 20px;">LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS38</p> <p style="padding-left: 20px;">LEGAL MATTERS.....38</p> <p style="padding-left: 20px;">FINANCIAL ADVISOR38</p>	<p>UNDERWRITING 39</p> <p>FORWARD-LOOKING STATEMENTS DISCLAIMER 39</p> <p>MISCELLANEOUS..... 39</p> <p>APPENDICES</p> <p>GENERAL INFORMATION REGARDING THE TOWN A</p> <p>EXCERPTS FROM THE TOWN’S ANNUAL FINANCIAL REPORT B</p> <p>FORM OF BOND COUNSEL’S OPINION C</p> <p>The cover page hereof, this page, the Appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.</p>
---	---

OFFICIAL STATEMENT SUMMARY

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

THE TOWN	The Town of Sunnyvale, Texas (the “Town”) is a political subdivision and home-rule municipal corporation of the State of Texas (the “State”), located in Dallas County, Texas. The Town covers approximately 16.7 square miles (see “INTRODUCTION - Description of the Town”).
THE CERTIFICATES	The \$35,375,000* Town of Sunnyvale, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”) are currently expected to be issued as serial certificates maturing on February 15 in each of the years 2026 through 2050 (see “THE CERTIFICATES - Description of the Certificates”).
PAYMENT OF INTEREST	Interest on the Certificates accrues from the date of delivery (anticipated to be October 15, 2025), and is payable commencing February 15, 2026, and each August 15 and February 15 thereafter until stated maturity or prior redemption (see “THE CERTIFICATES - Description of the Certificates”).
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 271, Subchapter C, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended the Town’s Home Rule Charter, and an ordinance (the “Ordinance”) anticipated to be adopted by the Town Council on September 15, 2025 (see “THE CERTIFICATES - Authority for Issuance”).
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the Town, payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the Town, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues from the operation of the Town’s waterworks and sewer system, as provided in the Ordinance (see “THE CERTIFICATES - Security and Source of Payment”).
REDEMPTION	The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, ____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption”). In the event any of the Certificates are structured as “term” Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.
TAX EXEMPTION	Interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law. See “TAX MATTERS” herein.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for (i) designing, constructing, acquiring, equipping, and improving park and recreation facilities, streets, roads, bridges, and a new animal shelter within the Town, (ii) acquiring, purchasing, renovating, enlarging, extending, equipping, and improving the Town’s waterworks and sewer system (the “Utility System”) properties and facilities, including the acquisition of land and rights-of-way therefor, and (iii) paying legal, fiscal and engineering fees in connection with such projects including the costs of issuance of the Certificates (see “THE CERTIFICATES – Purpose”).
RATINGS	The Certificates and the presently outstanding tax supported debt of the Town are rated “AA+” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”), without regard to credit enhancement (see “OTHER INFORMATION - Ratings”).
BOOK-ENTRY-ONLY SYSTEM	The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - Book-Entry-Only System”).

* Preliminary, subject to change.

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Town Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	General Purpose Funded Tax Debt at End of Fiscal Year ⁽³⁾	Per Capita Funded Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	7,893	\$ 1,529,663,201	\$ 193,800	\$ 24,520,000	\$ 3,107	1.60%	100.80%
2023	8,062	1,724,562,060	213,912	23,155,000	2,872	1.34%	100.23%
2024	9,092	1,855,120,409	204,039	24,235,000	2,666	1.31%	98.69%
2025	9,398	2,114,185,421	224,961	28,245,000	3,005	1.34%	97.12%
2026	9,398	2,207,121,819	234,850	60,650,000 ⁽⁴⁾	6,454 ⁽⁴⁾	2.75% ⁽⁴⁾	N/A ⁽⁵⁾

(1) Source: Town officials.

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

(3) Includes self-supporting debt.

(4) Projected. Includes the Certificates. Preliminary, subject to change.

(5) Collections as of June 30, 2025.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Beginning Balance	\$ 11,230,526	\$ 9,228,355	\$ 9,535,103	\$ 7,373,563	\$ 6,523,124
Total Revenue	14,956,298	13,319,300	11,756,510	10,228,422	9,281,271
Total Expenditures	14,617,916	11,321,528	10,409,828	7,832,458	8,928,632
Net Excess Transfers and Adjustments	(4,790,884)	(879,663)	(1,653,430)	(234,424)	497,800
Ending Balance ⁽¹⁾	<u>\$ 6,778,024 ⁽²⁾</u>	<u>\$ 10,346,464</u>	<u>\$ 9,228,355</u>	<u>\$ 9,535,103</u>	<u>\$ 7,373,563</u>

(1) Source: Town of Sunnyvale Audit Report.

(2) Given the healthy fund balance relative to its policy, the Town spent down its general fund balance for one-time capital expenses including road improvements and a siren system.

For additional information regarding the Town, please contact:

Bill Vegas
Interim Town Manager
Town of Sunnyvale
127 N. Collins Road
Sunnyvale, Texas 75182
(972) 203-4150

or

Erick M. Macha
Managing Director
Hilltop Securities Inc.
717 North Harwood Street, Suite 3400
Dallas, Texas 75201
(214) 953-4033

TOWN OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Town Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Saji George Mayor	13 Years	May 2027	Business Manager
Ryan Finch Mayor Pro-Tem - Place 1	7 Years	May 2028	Director, Corporate Services
Kevin Clark Council Member - Place 2	7 Years	May 2028	Litigation Support Manager
Manu Danny Councilmember - Place 3	2 Years	May 2026	Doctor of Physical Therapy
Vacant Councilmember - Place 4			
Larry Allen Councilmember - Place 5	8 Years	May, 2027	Air Traffic Control
Dr. George Woodrow Jr. Councilmember - Place 6	1 Year	May, 2027	Tax Associate

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service in Current Position</u>	<u>Length of Service in Local Government</u>
William "Bill" Vegas	Interim Town Manager	1 Month	32 Years
Rachel Ramsey, MPA	Town Secretary	8 Years	18 Years
Miykael Reeve	Director of Finance	2 Years	19 Years

CONSULTANTS AND ADVISORS

Certified Public Accountants	Pattillo, Brown & Hill, L.L.P. Waco, Texas
Bond Counsel	Norton Rose Fulbright US LLP Dallas, Texas
Financial Advisor.....	Hilltop Securities Inc. Dallas, Texas

(Remainder of page intentionally left blank)

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$35,375,000*
TOWN OF SUNNYVALE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$35,375,000* Town of Sunnyvale, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined herein) except as otherwise indicated herein.

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

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

DESCRIPTION OF THE TOWN. . . The Town is a political subdivision and municipal corporation of the State of Texas (the “State”), duly organized and existing under the laws of the State, including the Town’s Home Rule Charter. The Town adopted its Home Rule Charter in May 2013. The Town operates under the Council/Manager form of government comprised of the Mayor and six Councilmembers (the “Town Council”). The Mayor serves a term of two years. The Councilmembers serve terms of three years. The Town Manager is the chief administrative officer for the Town. Some of the services that the Town provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the Town was 7,893, while the estimated 2025 population is 9,398. The Town covers approximately 16.7 square miles (see “Appendix A – General Information Regarding the Town”).

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES. . . The Certificates are dated October 15, 2025, mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the Date of Delivery of the Certificates (anticipated to be October 15, 2025), will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, until stated maturity or prior redemption. The definitive Certificates will be issued only in fully-registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See THE CERTIFICATES - “Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE. . . The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 271, Subchapter C, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, the Town’s Home Rule Charter, and an ordinance anticipated to be adopted by the Town Council on September 15, 2025, authorizing the issuance of the Certificates (the “Ordinance”).

SECURITY AND SOURCE OF PAYMENT. . . The Certificates are payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the Town. Additionally, the Certificates are payable from a limited pledge of the Net Revenues (as defined in the Ordinance) of the Town’s waterworks and sewer system, such pledge being limited to an amount not in excess of \$1,000.

* Preliminary, subject to change.

TAX RATE LIMITATION. . . All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing annual ad valorem tax, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on all ad valorem tax debt. Article XI, Section 5, of the Texas Constitution is applicable to the Town, and provides for a maximum ad valorem tax rate of \$2.50 per \$100 Taxable Assessed Valuation for all Town purposes. The Home Rule Charter of the Town limits the maximum tax rate of the Town to \$1.50 per \$100 taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance based on a 90% collection factor.

OPTIONAL REDEMPTION. . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Certificates are structured as "term" Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

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

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 may, at the option of the Town, be 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 or such prerequisites are not satisfied, 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.

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 relating to the Certificates, notice of proposed amendment to the 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 Town will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the Town or the Paying Agent/Registrar. Neither the Town 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.)

DEFEASANCE. . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by the Town's financial advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party 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 Certificates being

deceased, and thereafter, the Town will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such deceased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the Town, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the Town, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Certificates. The Town has 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 Certificates. Because the Ordinance does not contractually limit such investments, registered owners shall be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

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

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

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered

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

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

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

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

Redemption notices, as applicable, shall be sent to DTC. If less than all of the Certificates eligible for redemption 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 the Certificates, unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Town with respect to the Certificates, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

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

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued, the Certificates will be printed and delivered to the registered owners thereof, and thereafter such printed obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. 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 a Certificate called for redemption in part.

PAYMENT PROVISIONS. . . Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent by United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption of an Certificate upon presentation and surrender to the Paying Agent/Registrar at its designated payment/transfer office; 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 "THE CERTIFICATES - Book-Entry-Only System" herein. 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 Town 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.

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

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Town. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five

business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an 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.

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

CERTIFICATEHOLDERS' REMEDIES. . . The Ordinance does not establish specific events of default with respect to the Certificates. If the Town defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel Town officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Town's obligations set forth in the Certificates or Ordinance and the Town's obligations are not uncertain or disputed. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Certificateholders upon any failure of the Town to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified 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 when it entered into the contract, not at the time of the alleged breach. Because it is unclear whether the Texas legislature has effectively waived the Town's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the Town for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the Town could be obtained, it could not be enforced by direct levy and execution against the Town's property. Further, the registered owners cannot themselves foreclose on property within the Town or sell property within the Town to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

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 bondholders 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

(Remainder of page intentionally left blank)

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

Sources of Funds:	
Par Amount	\$ -
Reoffering Premium	-
Total Sources of Funds	<u>\$ -</u>
Uses of Funds:	
Deposit to Project Fund	\$ -
Deposit to Debt Service Fund	-
Cost of Issuance and Underwriters' Discount	-
Total Uses of Funds	<u>\$ -</u>

TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal district 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. After the 2024 tax year, through December 31, 2026 (unless extended by the State Legislature), the Maximum Property Value may be increased or decreased by the product of the preceding State fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. For the 2025 tax year, the Maximum Property Value was increased to \$5,160,000.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Town, in establishing their tax rolls and tax rates (see "TAX INFORMATION – 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. See "TAX INFORMATION - Table 1" for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may 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. Cities, counties, and school districts that adopted an optional homestead exemption described in (1), above, for the 2022 tax year are prohibited from repealing or reducing the exemption through December 31, 2027. See "TAX INFORMATION – Table 1" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

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. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session would provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

FREEPORT AND GOOD 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 retail manufactured housing inventory, or a dealer's motor vehicle, vessel and outboard motor, or heavy equipment inventory.

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

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

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. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares

the area to be a disaster area. The Legislature amended Section 11.35 Tax Code to clarify that “damage” for the purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35, of the Tax Code, as amended.

TAX INCREMENT REINVESTMENT ZONES. . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “tax increment” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, generally located within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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

For a discussion of how the various exemptions described above are applied by the Town, see “TAX INFORMATION – Town Application of Property 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 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 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 “TAX INFORMATION – 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. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “TAX INFORMATION – Temporary Exemption for Qualified Property Damaged by a Disaster” for further information related to a discussion of the applicability of this section of the Property Tax Code.

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).

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

"unused increment rate" means the greater of (i) zero or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 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: (i) 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" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year. Furthermore, during the 89th Regular Session, the Legislature adopted Senate Bill 1851 ("SB 1851"), which will become effective in connection with the adoption of an ad valorem tax rate for tax year 2026 and thereafter. Under SB 1851, if the Texas Attorney General determines that a city has (a) not had its records and accounts audited and an annual financial statement prepared based on the audit or (b) failed to file its financial statements and auditor's opinion on such financial statements with the city secretary or city clerk before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate for (i) the tax year that begins on or after the date of the Attorney General's determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor's opinion on such financial statement with the city secretary, as applicable.

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing 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 Certificates.

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

2025 Regular and Special Legislative Sessions . . . The regular session of the 89th Texas Legislature convened on January 14, 2025, and adjourned on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days and for which the Governor sets the agenda. The Governor called a first special session that began Monday, July 21, 2025, and adjourned on August 15, 2025. The Governor called a second special session which began on August 15, 2025, and adjourned on September 4, 2025. The Town is unable to predict the substance of such legislation or the effect, if any, it will have on the Town's finances or operations.

The Town is still in the process of reviewing legislation passed during the 89th Regular and Special Legislative sessions. At this time, the Town cannot make any representations as to the full impact of such legislation. Further, the Town can make no representations or predictions regarding any proposed legislation on the agenda for the second called special session or any additional legislation that may be considered during any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

PROPERTY ASSESSMENT AND TAX PAYMENT. . . Property within the Town is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

TOWN APPLICATION OF PROPERTY TAX CODE . . . The Town grants an exemption of \$65,000 to the market value of the residence homestead of persons 65 years of age or older or the disabled.

The Town has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

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

The Town has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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

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

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

The Town does not tax freeport property. The Town has taken action to tax goods-in-transit.

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

TAX INCREMENT FINANCING. .Reinvestment Zone Number Two, Town of Sunnyvale, Texas (“TIRZ Two”) was designated on December 5, 2022 by the Town and terminates on the earlier of December 31, 2052 (with the last increment being due January 31, 2053), or the date on which the project costs have been paid in full. Comprising approximately 3,352.68 acres, TIRZ Two includes residential, commercial, and industrial use, all within the Town’s corporate limits and extraterritorial jurisdiction. Ad valorem taxes on incremental growth in real property values within TIRZ Two (levied at the tax rate of the Town on real property in TIRZ Two from a base value as of the time of creation of approximately \$136,521,823) are used to pay costs of development of TIRZ Two; these tax funds can be used only for public improvements in TIRZ Two or for payment of debt service on bonds issued to provide funds for public improvements located within TIRZ Two. TIRZ Two has no bonded debt. It is estimated that, upon expiration of the term of TIRZ Two, the total captured appraised value of taxable property withing TIRZ Two will be approximately \$1,850,598,116.Reinvestment Zone Number Three, Town of Sunnyvale (“TIRZ Three”) was created on December 5, 2022 by the Town and terminates on the earlier of December 31, 2052 (with the last increment being due January 31, 2053), or the date on which the project costs have been paid in full. Comprising approximately 5,528.21 acres, TIRZ Three includes residential, commercial, and industrial use, all within the Town’s corporate limits and extraterritorial jurisdiction. Ad valorem taxes on incremental growth in real property values within TIRZ Three (levied at the tax rate of the Town on real property in TIRZ Three from a base value as of the time of creation of approximately \$329,607,982) are used to pay costs of development of TIRZ Three; these tax funds can be used only for public improvements in TIRZ Three or for payment of debt service on bonds issued to provide funds for public improvements located within TIRZ Three. TIRZ Three has no bonded debt. It is estimated that, upon expiration of the term of TIRZ Three, the total captured appraised value of taxable property withing TIRZ Three will be approximately \$1,999,277,473.

CHAPTER 380 AGREEMENTS...The Town is currently a party to one Chapter 380 agreement, as listed below:

<u>Entity Name</u>	<u>Agreement Effective Date</u>	<u>Expiration Date</u>
Whataburger of Mesquite, Texas d/b/a WOMTX	December 2, 2020	June 30, 2026

TAX ABATEMENT POLICY . . . The Town has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The Town currently has one active abatement agreement with Lineage Logistic. See Table 1 for more information.

(Remainder of page intentionally left blank)

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/2026 Market Valuation Established by Dallas Central Appraisal District		\$ 3,353,222,560
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemptions	\$ 281,589,038	
Over 65 and Disabled Exemptions	48,942,767	
Disabled Veterans	33,832,165	
Cap Value Loss	135,411,269	
Freeport Loss	295,376,223	
Pollution Control Loss	2,113,983	
Abatement Loss	23,039,968	
Miscellaneous Exemptions	240,310	
Totally Exempt	217,716,682	
Disaster Exemptions	-	
Productivity Loss	107,838,336	\$ 1,146,100,741
2025/2026 Taxable Assessed Valuation		\$ 2,207,121,819
General Obligation Debt Payable from Ad Valorem Taxes (as of 9/1/2025)		
Outstanding Debt	\$ 28,245,000	
The Certificates ⁽¹⁾	35,375,000	
Total General Obligation Debt ⁽²⁾		\$ 63,620,000
Less: Self Supporting Debt ⁽³⁾		\$ 21,605,000
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 42,015,000
Ratio Net General Obligation Tax Debt to 2025/2026 Taxable Assessed Valuation		1.90%

2025 Estimated Population - 9,398

Per Capita 2025/2026 Taxable Assessed Valuation - \$234,850

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$6,770

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$4,471

(1) Preliminary, subject to change.

(2) Includes the Certificates. Preliminary, subject to change.

(3) Includes certain general obligation debt expected to be paid from various charges and other funds of the Town. In the event such other funds are not sufficient to pay debt service on such obligations, or the Town's policy with respect to making such payments changes, the Town is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, sufficient for the payment thereof.

(Remainder of page intentionally left blank)

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Taxable Appraised Value for Fiscal Year Ended September 30,						
Category	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,828,898,320	54.54%	\$ 1,800,218,170	57.46%	\$ 1,624,894,570	56.72%
Real, Residential, Multi-Family	6,000,000	0.18%	5,800,000	0.19%	6,000,000	0.21%
Real, Vacant Lots/Tracts	121,966,100	3.64%	109,491,730	3.49%	105,897,380	3.70%
Real, Acreage (Land Only)	108,885,460	3.25%	97,259,530	3.10%	87,250,500	3.05%
Real, Farm and Ranch Improvements	942,670	0.03%	1,520,780	0.05%	1,558,230	0.05%
Real, Commercial	599,092,440	17.87%	561,695,520	17.93%	478,474,220	16.70%
Real, Industrial	77,383,650	2.31%	67,635,890	2.16%	55,942,810	1.95%
Real and Tangible Personal, Utilities	34,463,150	1.03%	32,134,220	1.03%	25,662,070	0.90%
Tangible Personal, Commercial	414,556,840	12.36%	303,395,590	9.68%	339,476,310	11.85%
Tangible Personal, Industrial	151,430,500	4.52%	139,213,710	4.44%	124,079,050	4.33%
Tangible Personal, Mobile Homes	42,470	0.00%	48,630	0.00%	48,630	0.00%
Real, Inventory	9,222,640	0.28%	14,230,240	0.45%	15,472,290	0.54%
Special Inventory	338,320	0.01%	381,940	0.01%	-	0.00%
Total Market Value	\$ 3,353,222,560	100.00%	\$ 3,133,025,950	100.00%	\$ 2,864,756,060	100.00%
Less: Total Exemptions/Reductions	(1,146,100,741)		(1,018,840,529)		(1,009,635,651)	
Net Taxable Assessed Value	<u>\$ 2,207,121,819</u>		<u>\$ 2,114,185,421</u>		<u>\$ 1,855,120,409</u>	

Taxable Appraised Value for Fiscal Year Ended September 30,				
Category	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,211,054,560	54.16%	\$ 1,049,687,320	52.80%
Real, Residential, Multi-Family	5,397,570	0.24%	4,725,000	0.24%
Real, Vacant Lots/Tracts	107,242,100	4.80%	97,368,810	4.90%
Real, Acreage (Land Only)	87,825,660	3.93%	84,791,530	4.26%
Real, Farm and Ranch Improvements	1,134,290	0.05%	1,097,240	0.06%
Real, Commercial	383,951,730	17.17%	318,627,380	16.03%
Real, Industrial	45,236,130	2.02%	43,286,870	2.18%
Real and Tangible Personal, Utilities	25,798,930	1.15%	25,779,120	1.30%
Tangible Personal, Commercial	235,396,220	10.53%	242,581,710	12.20%
Tangible Personal, Industrial	128,939,160	5.77%	119,807,020	6.03%
Tangible Personal, Mobile Homes	42,820	0.00%	41,650	0.00%
Real, Inventory	4,208,200	0.19%	-	0.00%
Special Inventory	10	0.00%	285,000	0.01%
Total Market Value	\$ 2,236,227,380	100.00%	\$ 1,988,078,650	100.00%
Less: Total Exemptions/Reductions	(511,665,320)		(458,415,449)	
Net Taxable Assessed Value	<u>\$ 1,724,562,060</u>		<u>\$ 1,529,663,201</u>	

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

(Remainder of page intentionally left blank)

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	7,893	\$ 1,529,663,201	\$ 193,800	\$ 24,520,000	1.60%	\$ 3,107
2023	8,062	1,724,562,060	213,912	23,155,000	1.34%	2,872
2024	9,092	1,855,120,409	204,039	24,235,000	1.31%	2,666
2025	9,398	2,114,185,421	224,961	28,245,000	1.34%	3,005
2026	9,398	2,207,121,819	234,850	60,650,000 ⁽⁴⁾	2.75%	6,454

(1) Source: Town officials.

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

(3) Includes self-supporting debt.

(4) Includes the Certificates. Preliminary, subject to change.

TABLE 3A – DERIVATION GENERAL PURPOSE FUNDED TAX DEBT

Fiscal Year Ended 9/30	General Obligation Debt Outstanding	Less: Self-Supporting General Obligation Debt ⁽¹⁾	General Purpose Funded Tax Debt
2022	\$ 24,520,000	\$ 4,115,000	\$ 20,405,000
2023	23,155,000	5,235,000	17,920,000
2024	24,235,000	4,775,000	19,460,000
2025	28,245,000	4,290,000	23,955,000
2026	60,650,000 ⁽²⁾	20,615,000	40,035,000

(1) The amount of self-supporting debt is based on revenue support as shown in Table 10. It is the Town's current policy to provide these payments from System revenues and/or the Sunnyvale Economic Development Corporation. This policy is subject to change in the future

(2) Includes the Certificates. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Total Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	\$ 0.45670	\$ 0.31052	\$ 0.14618	\$ 6,159,594	102.58%	101.28%
2022	0.45300	0.32119	0.13181	6,608,819	101.14%	100.80%
2023	0.45300	0.30690	0.14610	7,512,019	99.42%	100.23%
2024	0.45300	0.30690	0.14610	8,403,695	98.40%	98.69%
2025	0.45300	0.30690	0.14610	9,315,637	97.10% ⁽¹⁾	97.12% ⁽¹⁾

(1) Collections as of June 30, 2025.

(Remainder of page intentionally left blank)

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
DAL TILE CORP FKA MARAZZI TILE TILE INC	Industrial Manufacturing	\$ 42,767,935	1.94%
DAL TILE GROUP INC	Industrial Manufacturing	42,047,039	1.91%
HOMATEX LP	Wholesale Supplier/Distribution Center	40,528,280	1.84%
SUNNYVALE BUSINESS CENTER JV	Wholesale Supplier/Distribution Center	33,196,800	1.50%
SUNNYVALE BUSINESS CENTER JV	Wholesale Supplier/Distribution Center	30,903,600	1.40%
LANDMARK INDUSTRIAL AT SUNNYVALE LLC	Wholesale Supplier/Distribution Center	30,216,490	1.37%
GC PACKAGING LLC	Industrial Manufacturing	26,626,509	1.21%
SABRA TEXAS PROPERTIES LP	Hospital	22,500,000	1.02%
TR SUNNYVALE WEST LLC	Wholesale Supplier/Distribution Center	20,294,000	0.92%
ONCOR ELECTRIC DELIVERY	Electric Utility/Power Plant	19,186,600	0.87%
		<u>\$ 308,267,253</u>	<u>13.97%</u>

GENERAL OBLIGATION DEBT LIMITATION. . . No general obligation debt limitation is imposed on the Town under current State law or the Town's Home Rule Charter (however, see "THE CERTIFICATES - Tax Rate Limitation").

TABLE 6 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2024/2025 Taxable Assessed Value	2024/2025 Tax Rate	G.O. Tax Debt 7/31/2025	Estimated % Applicable	Town's Overlapping G.O. Tax Debt	Authorized But Unissued Debt As Of 7/31/2025
Town of Sunnyvale	\$ 2,114,185,421	\$ 0.45300	\$ 63,620,000 ⁽¹⁾	100.00%	\$ 63,620,000 ⁽¹⁾	\$ 6,115,000
Sunnyvale ISD	2,220,378,012	1.18920	166,972,574	98.35%	164,217,527	-
Dallas County	412,792,494,091	0.21570	179,530,000	0.57%	1,023,321	-
Dallas County Hospital District	414,014,886,764	0.21950	511,285,000	0.57%	2,914,325	-
Dallas College	423,071,753,336	0.11010	247,115,000	0.57%	1,408,556	752,000,000
Total Direct and Overlapping Tax Debt					\$ 233,183,728	
Ratio of Direct and Overlapping Tax Debt to 2024/2025 Taxable Assessed Valuation					11.03%	
Per Capita Overlapping Tax Debt					\$ 24,812	
Total Net Direct and Overlapping Tax Debt.					\$ 211,578,728 ⁽²⁾	
Ratio of Direct and Overlapping Tax Debt to 2024/2025 Taxable Assessed Valuation					10.01% ⁽²⁾	
Per Capita Overlapping Tax Debt					\$ 22,513 ⁽²⁾	

(1) Includes the Certificates. Preliminary, subject to change.

(2) Excludes self-supporting debt.

(Remainder of page intentionally left blank)

TABLE 7 - TAX ADEQUACY

2025 Principal and Interest Requirements ⁽¹⁾	\$	3,083,431
\$0.1489 Tax Rate at 98% Collection Produces	\$	3,085,062
Maximum Principal and Interest Requirements, 2031 ⁽²⁾	\$	5,918,563
\$0.2857 Tax Rate at 98% Collection Produces	\$	5,919,423
Maximum Principal and Interest Requirements 2031 ⁽¹⁾	\$	4,266,288
\$0.2060 Tax Rate at 98% Collection Produces	\$	4,268,118

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

(2) Includes self-supporting debt. Includes the Certificates. Preliminary, subject to change.

(Remainder of page intentionally left blank)

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt ⁽¹⁾			The Certificates ⁽²⁾			Grand Total Amounts			Less: Self Supported General Obligation Debt ⁽³⁾	General Purpose Funded Tax Debt	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total			
2025	\$ 2,550,000	\$ 1,198,156	\$ 3,748,156	\$ -	\$ -	\$ -	\$ 2,550,000	\$ 1,198,156	\$ 3,748,156	\$ 664,725	\$ 3,083,431	
2026	2,475,000	1,152,970	3,627,970	495,000	1,508,448	2,003,448	2,970,000	2,661,418	5,631,418	1,881,938	3,749,480	
2027	2,605,000	1,050,100	3,655,100	365,000	1,791,113	2,156,113	2,970,000	2,841,213	5,811,213	1,879,175	3,932,038	
2028	2,795,000	933,075	3,728,075	385,000	1,772,363	2,157,363	3,180,000	2,705,438	5,885,438	1,879,850	4,005,588	
2029	2,785,000	808,150	3,593,150	405,000	1,752,613	2,157,613	3,190,000	2,560,763	5,750,763	1,658,200	4,092,563	22.46%
2030	2,995,000	673,800	3,668,800	425,000	1,731,863	2,156,863	3,420,000	2,405,663	5,825,663	1,648,600	4,177,063	
2031	3,230,000	528,575	3,758,575	450,000	1,709,988	2,159,988	3,680,000	2,238,563	5,918,563	1,652,275	4,266,288	
2032	1,165,000	431,100	1,596,100	1,045,000	1,672,613	2,717,613	2,210,000	2,103,713	4,313,713	1,453,975	2,859,738	
2033	1,210,000	383,600	1,593,600	1,100,000	1,618,988	2,718,988	2,310,000	2,002,588	4,312,588	1,453,150	2,859,438	
2034	1,260,000	334,200	1,594,200	1,160,000	1,562,488	2,722,488	2,420,000	1,896,688	4,316,688	1,450,875	2,865,813	43.68%
2035	1,315,000	282,700	1,597,700	1,215,000	1,503,113	2,718,113	2,530,000	1,785,813	4,315,813	1,456,925	2,858,888	
2036	1,365,000	229,100	1,594,100	1,275,000	1,439,269	2,714,269	2,640,000	1,668,369	4,308,369	1,450,581	2,857,788	
2037	1,425,000	173,300	1,598,300	1,345,000	1,370,494	2,715,494	2,770,000	1,543,794	4,313,794	1,451,806	2,861,988	
2038	1,160,000	121,600	1,281,600	1,420,000	1,297,913	2,717,913	2,580,000	1,419,513	3,999,513	1,451,025	2,548,488	
2039	1,205,000	74,300	1,279,300	1,500,000	1,221,263	2,721,263	2,705,000	1,295,563	4,000,563	1,453,106	2,547,456	63.66%
2040	1,255,000	25,100	1,280,100	1,580,000	1,140,413	2,720,413	2,835,000	1,165,513	4,000,513	1,452,950	2,547,563	
2041				1,665,000	1,055,231	2,720,231	1,665,000	1,055,231	2,720,231	1,225,125	1,495,106	
2042				1,755,000	965,456	2,720,456	1,755,000	965,456	2,720,456	1,224,700	1,495,756	
2043				1,845,000	873,263	2,718,263	1,845,000	873,263	2,718,263	1,223,213	1,495,050	
2044				1,945,000	778,513	2,723,513	1,945,000	778,513	2,723,513	1,225,588	1,497,925	78.84%
2045				2,045,000	678,763	2,723,763	2,045,000	678,763	2,723,763	1,225,713	1,498,050	
2046				2,145,000	571,331	2,716,331	2,145,000	571,331	2,716,331	1,222,381	1,493,950	
2047				2,260,000	455,700	2,715,700	2,260,000	455,700	2,715,700	1,225,275	1,490,425	
2048				2,385,000	333,769	2,718,769	2,385,000	333,769	2,718,769	1,225,281	1,493,488	
2049				2,515,000	205,144	2,720,144	2,515,000	205,144	2,720,144	1,222,400	1,497,744	96.00%
2050				2,650,000	69,563	2,719,563	2,650,000	69,563	2,719,563	1,226,369	1,493,194	100.00%
	<u>\$ 30,795,000</u>	<u>\$ 8,399,826</u>	<u>\$ 39,194,826</u>	<u>\$ 35,375,000</u>	<u>\$ 29,079,667</u>	<u>\$ 64,454,667</u>	<u>\$ 66,170,000</u>	<u>\$ 37,479,493</u>	<u>\$ 103,649,493</u>	<u>\$ 36,585,200</u>	<u>\$ 67,064,293</u>	

(1) "Outstanding Debt" does not include lease/purchase obligations, includes self-supporting debt.

(2) Average life of the Certificates: 15.960 years. Interest calculated at an average rate for purposes of illustration. Preliminary, subject to change.

(3) The Town's current policy provides for a portion of the current outstanding debt to be paid from Utility System revenues; 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. Includes the Certificates. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION⁽¹⁾

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2025 ⁽¹⁾		\$ 3,083,431
Interest and Sinking Fund Balance, as of 9/30/2024	261,889	
Budgeted Interest and Sinking Fund Tax Levy	3,098,825	
Budgeted Investment Income	45,000	
Transfer from 4A Corporation	<u>40,100</u>	
		<u>3,445,814</u>
Estimated Balance, Fiscal Year Ending 9/30/25		<u>\$ 362,383</u>

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

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

	<u>Waterworks and Sewer System</u>
Operating Revenues, Fiscal Year Ended 9/30/2024	\$ 10,366,446
Interest Income	-
Less: Operating Expenses, Fiscal Year Ended 9/30/2024 ⁽¹⁾	<u>7,870,293</u>
Balance Available for Other Purposes	\$ 2,496,153
 System General Obligation Requirements, Fiscal Year Ended 9/30/2025	 \$ 664,725
Percentage System General Obligation Debt Self-Supporting	100%

(1) Excludes depreciation.

TABLE 11 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

<u>Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Amount Unissued</u>
11/4/2014	Water System Improvements	\$ 6,115,000	\$ -	\$ 6,115,000

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The Town does not anticipate the issuance of additional general obligation debt in the next 12 months.

(Remainder of page intentionally left blank)

TABLE 12 – OTHER OBLIGATIONS*Note Payable*

In fiscal year 2007, the Town executed an infrastructure repayment agreement with the Texas Department of Agriculture's Rural Economic Development Division. Under the terms of agreement, the Town agreed to repay program income to the Texas Department of Agriculture an amount up to \$192,100. The note is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5.00%. Payments will be made in no more than two hundred forty equal monthly installments beginning the first (1st) day of the (3rd) month following the completion date or occupancy by the beneficiary, whichever comes first.

Debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Total Requirements</u>
2025	\$ 12,004
2026	12,004
2027	12,004
2028	<u>11,977</u>
Total Minimum Note Payments	\$ 47,989
Less: amount representing interest	-
Present value of note payments	<u>\$ 47,989</u>

Financing Arrangements

The Town entered into a financing arrangement for a 2018 E-One Fire Truck in the amount of \$526,409 on February 20, 2021. The lease will be repaid over a seven-year period at an interest rate of 2.89%. The future minimum lease obligations and the net present value of these minimum payments as of September 30, 2024, were as follows:

<u>Year Ending September 30,</u>	<u>Total Requirements</u>
2025	\$ 75,201
2026	75,201
2027	<u>75,201</u>
Total Minimum Note Payments	\$ 225,603
Less: amount representing interest	30,591
Present value of note payments	<u>\$ 195,012</u>

PENSION FUND

The Town provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the Town are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The Town makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the Town's Annual Financial Report" Fiscal Year Ended September 30, 2024.)

OTHER POST-EMPLOYMENT BENEFITS

During the year ended September 30, 2024, employees of the Town were covered by a health insurance plan with Texas Municipal League Intergovernmental Employee Benefit Pool ("TMLIEBP"). The Town contributed \$488 per month. In addition, a monthly amount, \$125 was credited to a Health Reimbursement Account ("HRA") for each employee. The Town also paid the monthly premium for a \$10,000 life insurance and accidental death and dismemberment ("AD&D") protection for each employee. The Town paid 100% of monthly premiums for full-time employees. The Town did not pay for dependent coverage; however, it was available to employees at their option and was paid through payroll deductions.

FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Ad Valorem Taxes	\$ 5,358,562	\$ 5,022,918	\$ 4,709,108	\$ 4,302,466	\$ 4,632,132
Other Taxes	5,977,686	6,047,164	5,092,792	4,232,787	3,296,795
Permits, Fees and Fines	2,215,000	1,338,364	1,431,564	1,503,204	1,218,345
Interest Income on Invested Funds	662,712	440,432	60,607	36,575	41,726
Miscellaneous	742,338	470,422	462,439	153,390	92,273
Total Revenues	\$ 14,956,298	\$ 13,319,300	\$ 11,756,510	\$ 10,228,422	\$ 9,281,271
Expenditures:					
General Government	\$ 3,296,830	\$ 2,930,984	\$ 1,806,167	\$ 1,787,833	\$ 1,568,836
Public Safety	7,799,617	6,337,102	4,445,193	4,071,969	4,923,250
Public Works	1,229,283	291,854	1,440,039	306,095	190,253
Public Services and operations	1,574,091	1,167,756	1,014,841	834,417	680,050
Parks and Recreation	-	-	619,169	606,795	537,074
Library	-	-	217,010	214,248	208,981
Capital Outlays:					
General Government	642,894	518,631	547,789	8,840	349,839
Public Safety	-	-	319,620	2,261	470,349
Library	-	-	-	-	-
Debt Service	75,201	75,201	-	-	-
Total Expenditures	\$ 14,617,916	\$ 11,321,528	\$ 10,409,828	\$ 7,832,458	\$ 8,928,632
Excess (Deficiency) of Revenues Over Expenditures	338,382	1,997,772	1,346,682	2,395,964	352,639
Other Revenue and Financing Sources (Uses)					
Capital leases	-	-	-	(259,424)	470,349
Contributions	-	-	125,000	-	-
Sale of Assets	-	-	-	-	2,451
Net Transfers In (Out)	(4,790,884)	(879,663)	(1,778,430)	25,000	25,000
Total Other Financing Sources (Uses)	\$ (4,790,884)	\$ (879,663)	\$ (1,653,430)	\$ (234,424)	\$ 497,800
Beginning Fund Balance	\$ 11,230,526	\$ 9,228,355	\$ 9,535,103	\$ 7,373,563	\$ 6,523,124
Prior Period Adjustments	\$ -	\$ 884,062	\$ -	\$ -	\$ -
Restated Beginning Fund Balance	\$ -	\$ 10,112,417	\$ -	\$ -	\$ -
Ending Fund Balance ⁽¹⁾	\$ 6,778,024 ⁽²⁾	\$ 11,230,526	\$ 9,228,355	\$ 9,535,103	\$ 7,373,563

(1) The Town estimates its general fund balance for fiscal year ending September 30, 2025, will be approximately \$4,426,882. This balance amount exceeds the Town's policy of maintaining a general fund undesignated fund balance of 90 days.

(2) Given the healthy fund balance relative to its policy, the Town spent down its general fund balance for one-time capital expenses including road improvements and a siren system.

(Remainder of page intentionally left blank)

TABLE 13A - CHANGES IN NET ASSETS

	For Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Operating Revenues					
Charges for Services	\$ 2,431,740	\$ 2,141,941	\$ 1,831,040	\$ 2,235,639	\$ 1,543,732
Operating Grants and Contributions	1,025,045	526,018	1,689,575	2,235,661	3,652,159
Capital Grants and Contributions	-	460,000	-	-	-
Ad Valorem Taxes	8,298,368	7,491,575	6,635,038	6,316,489	6,076,106
Sales Tax	5,977,686	6,047,164	3,998,715	3,037,816	2,102,427
Other Taxes	1,074,471	950,727	1,094,077	921,852	965,376
Other	357,329	93,149	389,493	239,203	219,120
Total Operating Revenues	\$ 19,164,639	\$ 17,710,574	\$ 15,637,938	\$ 14,986,660	\$ 14,558,920
Operating Expenses					
Administration	\$ 4,466,528	\$ 4,241,534	\$ 1,588,582	\$ 1,960,148	\$ 1,630,281
Public Safety	10,003,994	8,110,993	4,208,619	3,519,019	5,097,893
Public Works	3,561,733	1,868,186	4,784,946	4,081,100	2,331,056
Interest on Long Term Debt	639,621	628,273	767,906	765,950	780,918
Total Operating Expenditures	\$ 18,671,876	\$ 14,848,986	\$ 11,350,053	\$ 10,326,217	\$ 9,840,148
Change in Net Position before Transfers	\$ 492,763	\$ 2,861,588	\$ 4,287,885	\$ 4,660,443	\$ 4,718,772
Transfers	(1,239,198)	3,941,337	641,401	125,000	28,765
Change in Net Position	\$ (746,435)	\$ 6,802,925	\$ 4,929,286	\$ 4,785,443	\$ 4,747,537
Net Position at Beginning of Year	46,202,446	38,124,284	33,194,998	28,409,555	23,662,018
Prior Period Adjustment	-	1,275,237	-	-	-
Net Position at End of Year	\$ 45,456,011	\$ 46,202,446	\$ 38,124,284	\$ 33,194,998	\$ 28,409,555

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The Town has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, as amended, which grants the Town the power to impose and levy a 1% Local Sales and Use Tax within the Town; the proceeds are credited to the General Fund and are not pledged to the payment of the Town's outstanding 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. On May 8, 1995, the voters of the Town approved the imposition of an additional sales and use tax of one-half of one percent (½% of 1%) for economic development. Collection for the additional tax went into effect on October 1, 1995. The sales tax for economic development is collected solely for the benefit of the Sunnyvale 4B Development Corporation (½% of 1% for each) and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation. The Citizens of the Town approved the decrease of ¼ of 1% be allocated to the General Fund for maintenance and repairs of streets beginning in June 2015.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽²⁾
2021	3,037,816	49.32%	0.2171	417.86
2022	4,467,140	67.59%	0.2920	565.96
2023	4,749,474	63.22%	0.2754	589.12
2024	4,742,175	56.43%	0.2556	521.58
2025	4,728,348 ⁽¹⁾	49.37%	0.2236	503.12

(1) Collections as of June 30, 2025.

(2) See "Estimated Population" under "Table 3 - Valuation and General Obligation Debt History".

FINANCIAL POLICIES

Basis of Accounting . . . The Town's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable, except for unmatured interest on general long-term debt.

Proprietary Fund revenues and expenses are recognized on the full accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred.

Fund Balances . . . It is the Town's policy that the General Fund Undesignated Fund Balance should be maintained at 90 days. The Town's policy regarding fund balances and retained earnings of other operating funds is that they be positive and be maintained in enterprise operating funds at an amount to ensure that sufficient reserves are available for emergencies and revenue shortfalls. In the Municipal Utility Fund and the Solid Waste Enterprise Fund, an operating reserve will be established and maintained at 90 days of the current year's budget established for operations and maintenance (total budget less debt service and capital project expenditures). Special revenue funds such as Hotel/Motel Tax Fund, Chandor Gardens Fund, Public Library Special Revenue Fund, Municipal Court Technology Fund and Municipal Court Building Security Fund should maintain positive fund balances and each respective Board or Council should approve the amount to be retained each year. The Town maintains its various debt service funds in accordance with the covenants of the bond ordinances.

Use of Bond Proceeds . . . The Town's policy is to use bond proceeds for capital expenditures only. Such revenues are never to be used to fund normal Town operations and shall be used only when capital assets cannot be financed from current revenues or when the useful life of the asset or project exceeds the payout schedule of any debt.

Budgetary Procedures . . . The Town Code establishes the fiscal year as the twelve-month period beginning each October 1. Each year between May and July, the Town Manager, analyzes and then after review, submits a budget of estimated revenues and expenditures to the Town Council. Subsequently, the Town Council will hold work sessions to discuss and amend the budget to coincide with their direction of the Town. Various public hearings may be held to comply with state and local statutes. The Town Council will adopt a budget prior to September 30. If the Council fails to adopt a budget, the amounts appropriated for the current fiscal year shall be deemed adopted for the ensuing fiscal year on a month to month basis with all items in it pro-rated accordingly until such time as the Council adopts a budget for the ensuing fiscal year.

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

INVESTMENTS

The Town invests its investable funds in investments authorized by Texas law, including particularly Texas Government Code, as amended, Chapter 2256 (the "PPIA"), in accordance with investment policies approved by the Town Council. Both State law and the Town's investment policies are subject to change.

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 AA+ or an equivalent by at least one nationally recognized rating service. 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 include a list of authorized investments for Town funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended). All Town funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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 fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Town funds without express written authority from the Town Council.

TABLE 15 - CURRENT INVESTMENTS

As of June 30, 2025, the Town's investable general funds were invested in the following categories:

Description	% of		
	Portfolio	Book Value	Market Value
Money Market	20.85%	\$ 8,259,795	\$ 8,708,171
LOGIC	19.40%	7,688,940	9,654,601
Texas Range	9.57%	3,792,345	2,966,319
Texas Class	16.99%	6,732,946	3,910,444
Municipal Bonds	5.23%	2,073,553	1,354,406
Government Agencies	21.64%	8,572,850	9,101,059
Certificates of Deposit	6.32%	2,503,466	2,564,957
Total	100.00%	\$ 39,623,895	\$ 38,259,957

THE WATERWORKS AND SEWER SYSTEM

The Town owns and operates an integrated Waterworks and Sewer System (the “Utility System”).

TABLE 16 - MONTHLY WATER RATES

Residential - Minimum Charge for first 2,000 gallons				
Meter Size		Present Fee (Effective 01/01/2024)	Previous Fee (Effective 01/01/2025)	
5/8" & 3/4" Metter R < 1		\$ 36.87	\$ 38.71	
1" Meter RI		47.87	50.26	
1 1/2" Meter R>1		69.95	73.45	
2" Meter R-2		116.53	122.36	
Consumption Charge		Present Rate (Effective 01/01/2024)	Previous Rate (Effective 01/01/2025)	
2,000	to 3,000	\$ 3.10	\$ 3.26	
3,001	to 4,000	3.10	3.26	
4,001	to 5,000	3.10	3.26	
5,001	to 7,000	3.10	3.26	
7,001	to 8,000	3.10	3.26	
8,001	to 10,000	3.10	3.26	
10,001	to 15,000	3.10	3.26	
15,001	to 20,000	3.10	3.26	
20,001	to 25,000	3.42	3.29	
25,001	to 30,000	3.42	3.29	
30,001	to 40,000	6.17	6.48	
40,001	to 45,000	7.40	7.77	
45,001	to 50,000	7.40	7.77	
50,001	to 60,000	7.72	8.11	
60,001	Greater	9.26	9.72	
Non Residential - Minimum Charge for first 2,000 gallons				
Meter Size		Present Fee (Effective 01/01/2024)	Previous Fee (Effective 01/01/2025)	
5/8" & 3/4" Metter C < 1		\$ 43.73	\$ 45.92	
1" Meter C-1		67.00	70.35	
1 1/2" Meter R>1		116.48	122.30	
2" Meter C-2		185.60	194.88	
3" Meter C-3		353.60	371.28	
4" Meter C-4		577.84	606.73	
6" Meter		936.52	983.35	
8" Meter		1,820.00	1,911.00	
Consumption Charge		Present Fee (Effective 01/01/2024)	Previous Fee (Effective 01/01/2025)	
2,001	to 25,000	\$ 8.92	\$ 9.37	
25,001	to 50,000	9.39	9.86	
50,001	to 200,000	9.88	10.37	
200,001	to 500,000	10.26	10.77	
500,001	to Greater	9.39	9.86	
Irrigation Minimum Charge for first 2,000 gallons				
Present Fee (Effective 01/01/2024)		Previous Fee (Effective 01/01/2024)		
\$ 10.40		\$ 10.92		
Consumption Charge		Present Rate (Effective 01/01/2024)	Previous Rate (Effective 01/01/2025)	
2,000	to 20,000	\$ 3.22	\$ 3.38	
20,001	to 30,000	3.70	3.89	
30,001	to 40,000	7.45	7.82	
40,001	to 50,000	8.93	9.38	
50,001	to 60,000	9.31	9.78	
60,001	Greater	11.17	11.73	

TABLE 17 – HISTORICAL WATER CONSUMPTION

Fiscal Year Ending 09/30	Annual Water Consumption	Daily Average
2019	499,960,870	1,331,379
2020	565,437,010	1,549,142
2021	548,067,919	1,501,556
2022	719,166,919	1,970,320
2023	742,981,593	2,035,566
2024	729,423,119	1,998,420

TABLE 18 – TOP TEN WATER CUSTOMERS

		Fiscal Year Ended September 30, 2024		
Customer	Industry	Annual Water Usage (Gallons)	Billings	Percent of Total Water Revenue
American Marazzi Tile	Manufacturing	42,824,860	\$ 422,121	6.14%
Sunnyvale Business Center Jv	Warehouse and Distribution	17,819,400	178,012	2.59%
Millard Refrigeration Service	Manufacturing	8,119,800	85,255	1.24%
Texas Regional Medical Center	Health Care	7,751,530	88,859	1.29%
Stoney Creek Master HOA	Home Owners Association	6,277,830	64,828	0.94%
Luminant Generation Co	Manufacturing	6,228,400	62,981	0.92%
Eco Soil Stabilizer	Manufacturing	3,683,500	36,785	0.54%
St. James Park Partners, Lp	Warehouse and Distribution	3,179,600	15,292	0.22%
Starbucks	Coffee Shop	2,892,600	30,032	0.44%
Long Creek Assisted Living	Lodging	2,594,600	27,086	0.39%
		<u>101,372,120</u>	<u>\$ 1,011,251</u>	<u>14.72%</u>

(1) Excludes City of Abilene treated water consumption which is metered and billed to General Fund supported activities. (2) Texas Department of Criminal Justice prison system facilities.

TABLE 19 – WASTEWATER RATES

Residential - Minimum Charge for first 2,000 gallons		
	Present Fee (Effective 01/01/2024)	Previous Fee (Effective 01/01/2023)
All	\$ 40.00	\$ 42.00
	Present Rate (Effective 01/01/2020)	Previous Rate (Effective 01/01/2019)
Consumption Charge		
2,000 to 5,000	\$ 8.00	\$ 8.40
5,001 to 20,000	8.00	8.40
20,001 to Greater	-	-
Non Residential - Minimum Charge for first 2,000 gallons		
	Present Fee (Effective 01/01/2024)	Previous Fee (Effective 01/01/2023)
Meter Size		
All	\$ 80.00	\$ 84.00
	Present Rate (Effective 01/01/2024)	Previous Rate (Effective 01/01/2023)
Consumption Charge		
2,000 and Greater	\$ 10.50	\$ 11.03

TABLE 20 – TOP TEN SEWER CUSTOMERS

Customer	Industry	Fiscal Year Ended September 30, 2024		
		Annual Water Usage (Gallons)	Billings	Percent of Total Water Revenue
American Marazzi Tile	Manufacturing	42,824,860	\$ 422,120	14.10%
Sunnyvale Business Center Jv	Warehouse and Distribution	17,819,400	178,011	5.95%
Millard Refrigeration Service	Manufacturing	8,119,800	85,255	2.85%
Texas Regional Medical Center	Health Care	7,751,530	88,858	2.97%
Stoney Creek Master HOA	Home Owners Association	6,277,830	65,673	2.19%
Luminant Generation Co	Manufacturing	6,228,400	62,981	2.10%
Eco Soil Stabilizer	Manufacturing	3,683,500	36,785	1.23%
St. James Park Partners, Lp	Warehouse and Distribution	3,179,600	33,588	1.12%
Starbucks	Coffee Shop	2,892,600	30,032	1.00%
Long Creek Assisted Living	Lodging	2,594,600	27,085	0.90%
		<u>101,372,120</u>	<u>\$ 1,030,388</u>	<u>34.42%</u>

TABLE 21 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	For Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenue					
Water Sales	\$ 6,870,828	\$ 6,110,574	\$ 5,905,512	\$ 3,981,520	\$ 3,680,697
Sewer Sales	2,993,645	2,951,105	2,770,055	2,379,786	2,053,923
Other Revenue	-	590,629	544,411	536,297	487,213
Non-Operating Revenues	501,973	106,776	336,487	545,696	29,732
Gross Revenues	<u>\$ 10,366,446</u>	<u>\$ 9,759,084</u>	<u>\$ 9,556,465</u>	<u>\$ 7,443,299</u>	<u>\$ 6,251,565</u>
Operating Expenses⁽¹⁾					
Personnel Services	\$ 1,112,045	\$ 821,029	\$ 682,166	\$ 690,172	\$ 665,105
Supplies and Materials	187,829	149,755	103,203	85,506	56,127
Maintenance and Repair	2,630,893	367,858	218,249	222,037	144,976
Contractual Services	<u>3,939,526</u>	<u>4,944,162</u>	<u>4,624,721</u>	<u>4,338,455</u>	<u>4,080,627</u>
Total Expenditures	<u>\$ 7,870,293</u>	<u>\$ 6,282,804</u>	<u>\$ 5,628,339</u>	<u>\$ 5,336,170</u>	<u>\$ 4,946,835</u>
Net Revenues	\$ 2,496,153	\$ 3,476,280	\$ 3,928,126	\$ 2,107,129	\$ 1,304,730

(1) Operating expenses exclude depreciation.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP (“Bond Counsel”) to the effect that interest on the Certificates for federal income tax purposes (1) 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 opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The form of Bond Counsel’s opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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

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

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

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

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

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, 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 have been 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 Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the Town has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The Town is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the Town will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”).

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 through 5 and 7 through 15 (the “Updated Tables”), and the information in Appendix B. The Town will update and provide the information in the Updated Tables within six months after the end of each fiscal year ending in and after 2025. If the Town does not provide audited financial statements with the Updated Tables, the Town will provide audited financial statements when and if available, within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B 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 statements if audited financial statements are not yet available, must be provided by September 30 of each year, unless the Town changes its fiscal year. If the Town changes its fiscal year, it will notify the MSRB of the change.

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

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

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

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

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

OTHER INFORMATION

RATINGS

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

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The Town assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility

for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

LEGAL MATTERS

The Town will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the Town and, based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the Town in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of this 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 under the captions "THE CERTIFICATES" (excluding the information under the subcaptions "Book-Entry-Only System," "Certificateholders' Remedies," the last sentence under the subcaption "Tax Rate Limitation" and "Sources and Uses of Certificate Proceeds"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Certificates for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" (excluding the last sentence of the first paragraph thereof) under the caption "OTHER INFORMATION" in the Official Statement, and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., Austin, Texas, whose legal fee is contingent on the sale and delivery of the Certificates.

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

FINANCIAL ADVISOR

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

The Financial Advisor to the Town has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the

Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

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

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

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

The financial data and other information contained herein 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects. The Ordinance authorizing the issuance of the Certificates will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Underwriters.

Mayor
Town of Sunnyvale, Texas

ATTEST:

Town Secretary
Town of Sunnyvale, Texas

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX A

GENERAL INFORMATION REGARDING THE TOWN

THIS PAGE INTENTIONALLY LEFT BLANK

THE TOWN

THE TOWN

The Town of Sunnyvale (the “Town”) is located in eastern Dallas County, approximately 15 miles from the center of Dallas and is surrounded by Highway 80, and Interstate Highways 30 and 635. The 2020 U.S. Census population was 7,893, with the 2025 population estimated to be 9,398. The Town encompasses approximately 16.7 square miles. The community is bordered by the cities of Mesquite and Garland, Lake Ray Hubbard, and the Dallas-Kaufman County line. Sunnyvale is part of the Dallas/Fort Worth “Standard Metropolitan Statistical Area.” Nearby attractions include Lake Ray Hubbard, which offers over 27,000 acres of water recreation.

THE COUNTY

Dallas County (the “County”) is the primary component of the Dallas Primary Metropolitan Statistical Area, of which the Town is also a part. The 2020 census for the County was 2,613,539, an increase of 10.4% since 2010, making it the second most populated county in Texas. The County has a diversified economy and serves as the national center for insurance, banking, electronics, conventions, aircraft manufacturing and trade shows. The Texas Almanac designates horticulture crops as the top revenue source for agricultural income. The county seat is Dallas.

As one of the nation's leading convention centers, as well as trade and market centers, Dallas County receives an estimated 1,000,000 visitors annually. The Dallas Market Center attracts over 500,000 retail store buyers alone. Also located in the County is the World Trade Center, an international market center with 1.4 million square feet. Tourism is an important industry. Dallas County attractions include the Texas State Fair, Hall of State, Dallas Museum of Art, Museum of Natural History, SMU, Dallas Zoo and The Cotton Bowl.

LABOR MARKET STATISTICS

	Annual Averages				
	2025 ⁽¹⁾	2024	2023	2022	2021
Dallas County					
Civilian Labor Force	1,447,484	1,476,978	1,461,604	1,420,674	1,375,488
Total Employment	1,390,751	1,418,377	1,405,512	1,368,043	1,299,051
Unemployment	56,733	58,601	56,092	52,631	76,437
Percent Unemployment	3.9%	4.0%	3.8%	3.7%	5.6%
State of Texas					
Civilian Labor Force	16,489,717	15,289,556	15,067,153	14,662,558	14,311,029
Total Employment	15,850,155	14,668,909	14,472,524	14,092,833	13,503,671
Unemployment	639,562	620,647	594,629	569,725	807,358
Percent Unemployment	3.9%	4.1%	3.9%	3.9%	5.6%

(1) Source: Texas Workforce Commission; data through June 30, 2025

TRANSPORTATION...Two key roadways pass through Sunnyvale: U.S. Highway 80 and Beltline Road. U.S. Highway 80 runs east to west along Sunnyvale's southern sector while Beltline Road serves as a major north-south artery for automobiles traveling on the western side of Sunnyvale and crosses both Interstate 30 and U.S. Highway 67. More than two dozen trucking carriers provide regular and reliable services to the Sunnyvale area. United Parcel Service, as well as other parcel services, has daily pick-up and delivery services to Sunnyvale inhabitants. Commercial air service is available through Dallas Love Field, located about 20 miles from Sunnyvale, and Dallas - Fort Worth International Airport, which is approximately 40 miles from Sunnyvale.

UTILITIES...TXU Gas provides service to a portion of the Sunnyvale area with 16” and 24” transmission lines. The Town purchases its water from the North Texas Municipal Water District (“NTMWD”). All existing business and residents are connected to the Town's water system. Sunnyvale contracts with the cities of Mesquite and Garland to provide wastewater service for a portion of the Town. Treatment is provided in activated sludge plants with a maximum capacity of 54 million gallons per day. The remainder of the Town is served by septic systems.

HIGHER EDUCATION... Eastfield College, a two-year campus of the Dallas County Community College District, is within five miles of Sunnyvale. The college offers excellent Freshman and Sophomore transfer programs along with a wide variety of non-credit and cultural enrichment classes. Several other colleges and medical/technical schools are easily accessible from the Sunnyvale area.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX B

EXCERPTS FROM THE
TOWN OF SUNNYVALE, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

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

THIS PAGE INTENTIONALLY LEFT BLANK



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of Town Council
Town of Sunnyvale, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Emphasis of Matter – Accounting Change

As described in the notes to the financial statements, in fiscal year 2024, the Town implemented new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. Our opinions are not modified with respect to this matter.

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 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, and pension and OPEB information, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section 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 10, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 10, 2025

THIS PAGE LEFT BLANK INTENTIONALLY

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

TOWN OF SUNNYVALE, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

As management of the Town of Sunnyvale, Texas (the "Town"), we offer the readers of the Town or Sunnyvale's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$86,701,508 (net position). Of this amount, \$62,703,785, or 72%, is net investment in capital assets. Net position restricted for specific purposes is \$6,671,605, or 7.69%. The remaining unrestricted position of \$17,326,118 may be used to meet the Town's ongoing obligations to its citizens and creditors in accordance with the Town's fiscal policies.
- The Town's total net position increased by \$1,385,606 primarily due to increased property tax and grant revenues.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$18,199,612, a decrease of \$7,544,188 in comparison with the prior year. Approximately 26% of this total amount, or \$4,818,998, is available for spending at the Town's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General fund of \$4,818,998 was 32.97% of total general fund expenditures for the fiscal year.
- The Town's total long-term obligations increased by \$4,413,857, or 15.0%, during the current fiscal year. The Town continued to make scheduled principal payments but also issued a new tax note in the amount of \$6,560,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town using governmentwide financial statements and fund financial statements in addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Sunnyvale.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The statement of net position presents information on all of the Town of Sunnyvale's assets and liabilities, with the difference between the two 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.

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the utility services offered by the Town of Sunnyvale. The final category is the component units. The Town reports two component units, the 4A Development Corporation and the 4B Development Corporation. The 4A Development Corporation is no longer levying a sales tax, as a taxpayer vote in November 2020 authorized the transition to a 4B sales tax and the creation of the 4B Development Corporation. The financial statements present the activities of the 4B Corporation as well as the residual assets held by the 4A Development Corporation to liquidate its liabilities as they come due. The government-wide financial statements are on pages 15-18 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Sunnyvale, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance.

All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what funds are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs.

The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

The Town of Sunnyvale adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. Budgetary information required by the General Statutes can also be found in this part of the statements. The Governmental Fund financial statements can be found on pages 16-21 of this report.

Proprietary Funds - The Town of Sunnyvale has one type of proprietary fund which is the Utility Fund. 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 way that all activities are reported in the statement of net position and the statement of activities. Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

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. The notes to the financial statements are on pages 28-56 of this report.

Required Supplementary Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Sunnyvale's budgets and progress in funding its obligation to provide pension and other post-employment benefits to its employees. This information is found on pages 57-66.

Supplementary Information - The combining statements referred to earlier in connection with the non-major governmental funds are presented following the required supplementary information on pensions and OPEB. Combining statements and individual fund statements can be found on pages 63-71. Fund financial statements for the component units can be found on pages 67-79.

Statistical Section - The statistical section consists of unaudited information that presents details as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health. These tables can be found on pages 80-110.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the Town equaled \$86,701,508 as of September 30, 2024. The Town's net position increased by \$1,385,606 for fiscal year ended September 30, 2024. The following table presents a comparative summary of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2024 and 2023.

Town of Sunnyvale's Net Position Government-Wide						
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 21,879,776	\$ 33,992,756	\$ 14,151,801	\$ 13,296,269	\$ 36,031,577	\$ 47,289,025
Capital assets	56,006,672	44,357,142	33,847,827	32,286,195	89,854,499	76,643,337
Total assets	77,886,448	78,349,898	47,999,628	45,582,464	125,886,076	123,932,362
Deferred outflows of resources	740,802	929,776	105,443	186,000	846,245	1,115,776
Current and other liabilities	3,533,339	7,961,847	1,471,494	652,198	5,004,833	8,614,045
Long-term liabilities	29,376,936	24,901,925	5,350,935	5,960,109	34,727,871	30,862,034
Total liabilities	32,910,275	32,863,772	6,822,429	6,612,307	39,732,704	39,476,079
Deferred inflows of resources	260,964	213,456	37,145	42,701	298,109	256,157
Net position:						
Net investment in capital assets	34,228,041	26,469,224	28,475,744	26,576,673	62,703,785	53,045,897
Restricted	3,111,603	2,638,754	3,560,002	2,911,337	6,671,605	5,550,091
Unrestricted	8,116,367	17,094,468	9,209,751	9,625,446	17,326,118	26,719,914
Total net position	\$ 45,456,011	\$ 46,202,446	\$ 41,245,497	\$ 39,113,456	\$ 86,701,508	\$ 85,315,902

Net investment in capital assets:

72% of the Town's net position, or \$62,703,785, reflects the Town's investment in capital assets (e.g. land, buildings, machinery and equipment) less any debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position of \$6,671,605 is subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of \$335,777 for economic development, \$150,045 for debt service, \$2,625,781 for road improvements, and \$3,560,002 for water infrastructure installation.

Unrestricted net position:

Unrestricted net position of \$17,326,118 is available to fund the Town programs to citizens and obligations to creditors.

Changes in Net Position - The following table presents a comparative summary of the Town's operations for the years ended September 30, 2024 and 2023.

Town of Sunnyvale Changes in Net Position Government-Wide						
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 2,431,740	\$ 2,141,941	\$ 9,864,473	\$ 9,652,308	\$ 12,296,213	\$ 11,794,249
Operating grants & contributions	1,025,045	526,018	-	-	1,025,045	526,018
Capital grants & contributions	-	460,000	99,876	68,440	99,876	528,440
General revenues:						
Property taxes	8,298,368	7,491,575	-	-	8,298,368	7,491,575
Other local taxes	5,977,686	6,047,164	-	-	5,977,686	6,047,164
Investment earnings	1,074,471	950,727	-	-	1,074,471	950,727
Miscellaneous	357,329	93,149	633,606	265,919	990,935	359,068
Total revenues	<u>19,164,639</u>	<u>17,710,574</u>	<u>10,597,955</u>	<u>9,986,667</u>	<u>29,762,594</u>	<u>27,697,241</u>
Expenses:						
General government	4,466,528	4,241,534	-	-	4,466,528	4,241,534
Public safety	10,003,994	8,110,993	-	-	10,003,994	8,110,993
Public Works	1,505,476	373,549	-	-	1,505,476	373,549
Public Services and Operations	2,056,257	1,494,637	-	-	2,056,257	1,494,637
Interest on long-term debt	639,621	628,273	-	-	639,621	628,273
Utility Fund	-	-	9,705,112	8,358,355	9,705,112	8,358,355
Total expenses	<u>18,671,876</u>	<u>14,848,986</u>	<u>9,705,112</u>	<u>8,358,355</u>	<u>28,376,988</u>	<u>23,207,341</u>
Revenues in Excess of Expenses	<u>492,763</u>	<u>2,861,588</u>	<u>892,843</u>	<u>1,628,312</u>	<u>1,385,606</u>	<u>4,489,900</u>
Transfers	<u>(1,239,198)</u>	<u>3,941,337</u>	<u>1,239,198</u>	<u>(3,941,337)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(746,435)</u>	<u>6,802,925</u>	<u>2,132,041</u>	<u>(2,313,025)</u>	<u>1,385,606</u>	<u>4,489,900</u>
Net position - beginning of year	<u>46,202,446</u>	<u>38,124,284</u>	<u>39,113,456</u>	<u>41,336,287</u>	<u>85,315,902</u>	<u>79,460,571</u>
Prior period adjustments	<u>-</u>	<u>1,275,237</u>	<u>-</u>	<u>90,194</u>	<u>-</u>	<u>1,365,431</u>
Net position - end of year	<u>\$ 45,456,011</u>	<u>\$ 46,202,446</u>	<u>\$ 41,245,497</u>	<u>\$ 39,113,456</u>	<u>\$ 86,701,508</u>	<u>\$ 85,315,902</u>

Governmental activities - Governmental activities decreased the Town's net position by \$1,385,606. This decrease primarily resulted from one-time transfers made to the business-type activities to support certain infrastructure capital projects. Absent that transfer, net position increased. Revenues increased due to higher taxable property values, and an increase in grant revenues largely offset a slight decrease in sales tax revenues, which fluctuate under market conditions. Expenses increased primarily due to increases in pension expense, as well as salary increases and increased operating costs on newly-expanded facilities.

Business-type Activities - Business-type activities increased the Town's net position by \$2,132,041, which is an increase of approximately 5.45% from the prior year. The primary cause of the increase was the transfer from the governmental activities described above, as well as increased charges for services revenues. That increase resulted from a slight rate increase, as well as increased demand as the Town continues to experience population growth.

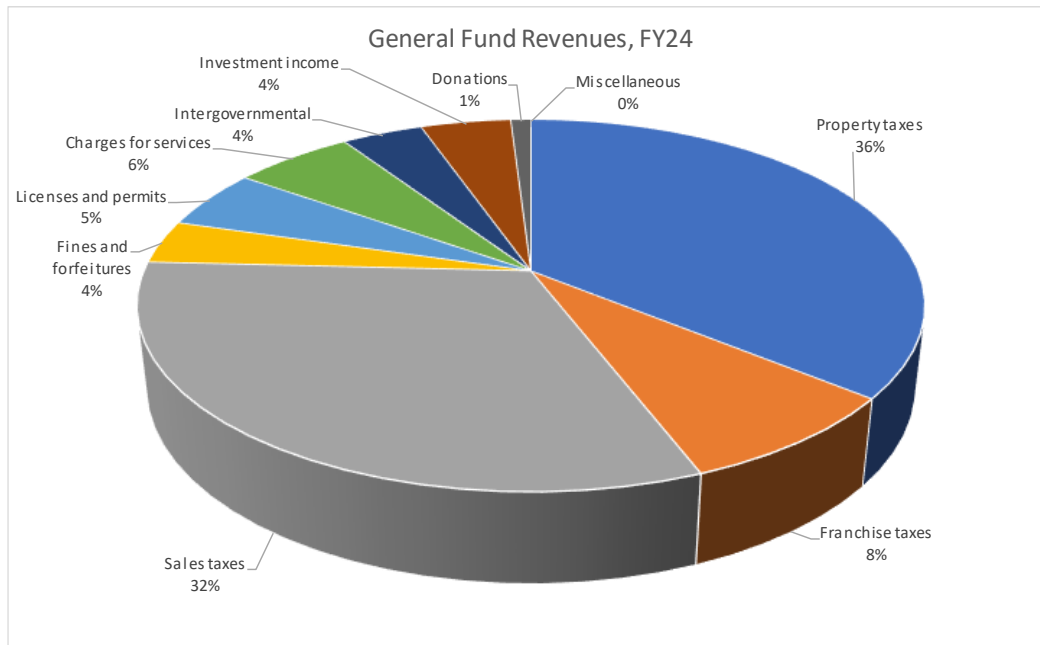
Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

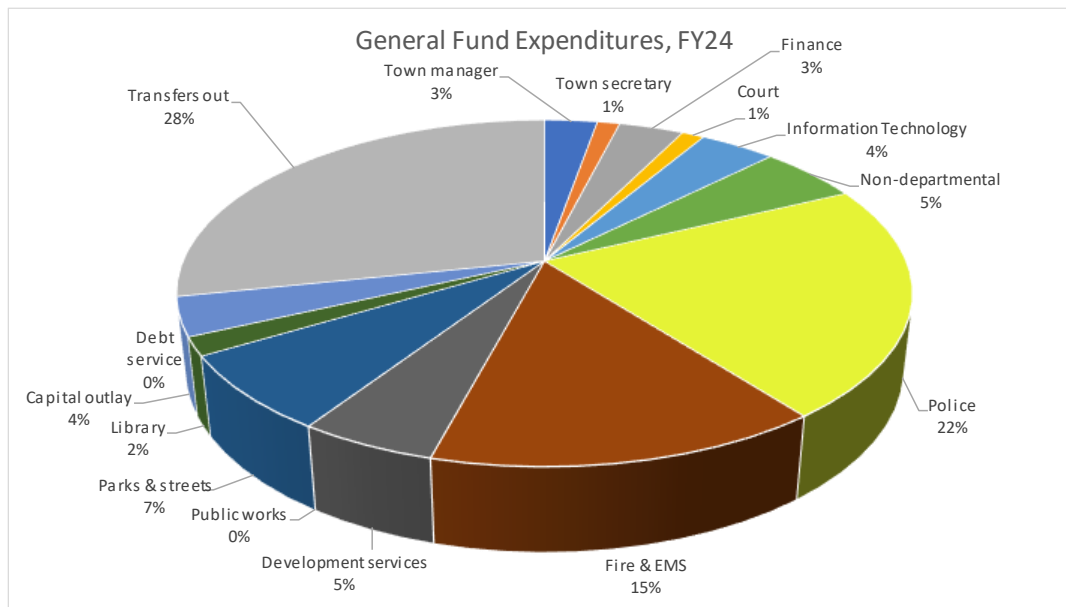
Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Specifically, the unassigned fund balance may serve as a measure of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

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$18,199,612, a decrease of \$7,544,188, or 29%, in comparison with the prior year. Of this amount, \$4,818,998, or 26%, constitutes unassigned fund balance, which is available for spending at the Town's discretion. The Town has assigned fund balances of \$3,542,611, or 19% for the following: \$0 for capital and infrastructure improvements, \$1,957,026 for vehicle replacements, and \$1,585,585 for community services. A portion, \$9,836,003, or 54%, of the fund balance is restricted to indicate that it is externally restricted for spending on specific purposes. Restricted fund balance consists of \$14,840 for community services, \$320,937 for economic development, \$261,889 for debt service requirements, \$9,238,337 for road maintenance and improvements. The remaining fund balance of \$2,000, or 0.01% is considered non-spendable and represents prepaid assets.

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 was \$4,818,998. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 32.97% of the total general fund expenditures. The General Fund's fund balance decreased primarily due to the transfer to the proprietary funds describe previously. Property tax revenues have continued increasing as new development within the Town leads to increased assessed value.



General Fund expenditures are primarily for public safety, with police, fire, and EMS departments being the greatest cost centers. Public Works has also been a focus. Other major governmental funds of the Town are Debt Service, Capital Projects, and Special City Revenue funds.



The Debt Service Fund reported a decrease of fund balance of \$47,695 or 15.41% for the year. This decrease was budgeted for, as fund balances were in excess of the amount needed to keep on hand for debt service requirements. Debt service expenditures are expected to remain relatively stable for several years as the City maintains a cycle of issuing tax notes for capital projects until a larger bond package is issued in the future.

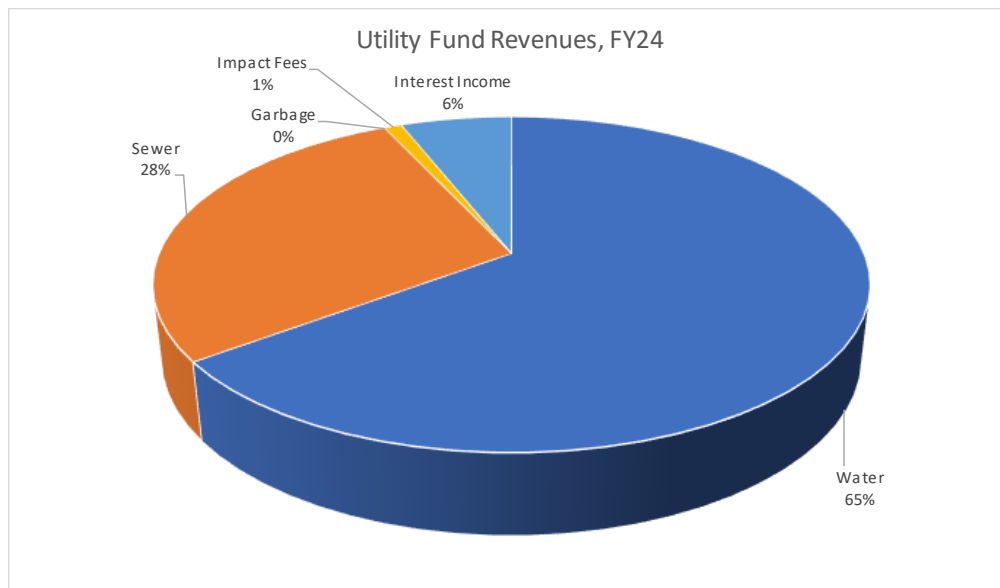
Capital projects fund balance decreased \$3,740,652 or 36.13%. The Fund reported significant capital expenditures (\$14.4 million) for multiple projects, which were largely funded by transfers from other funds as well as the issuance of a new tax note. Fund balances are expected to decrease as funds are spent on eligible project costs.

The ARPA Grant Fund was created in 2024 to track the grant funds received under the American Rescue Plan Act. The Town received funds up front, which are recognized as revenue as funds are spent. As such, the fund does not carry any fund balance. Amounts reported for cash and unearned revenue will decrease in the next several years, as funds are required to be spent by December 31, 2026.

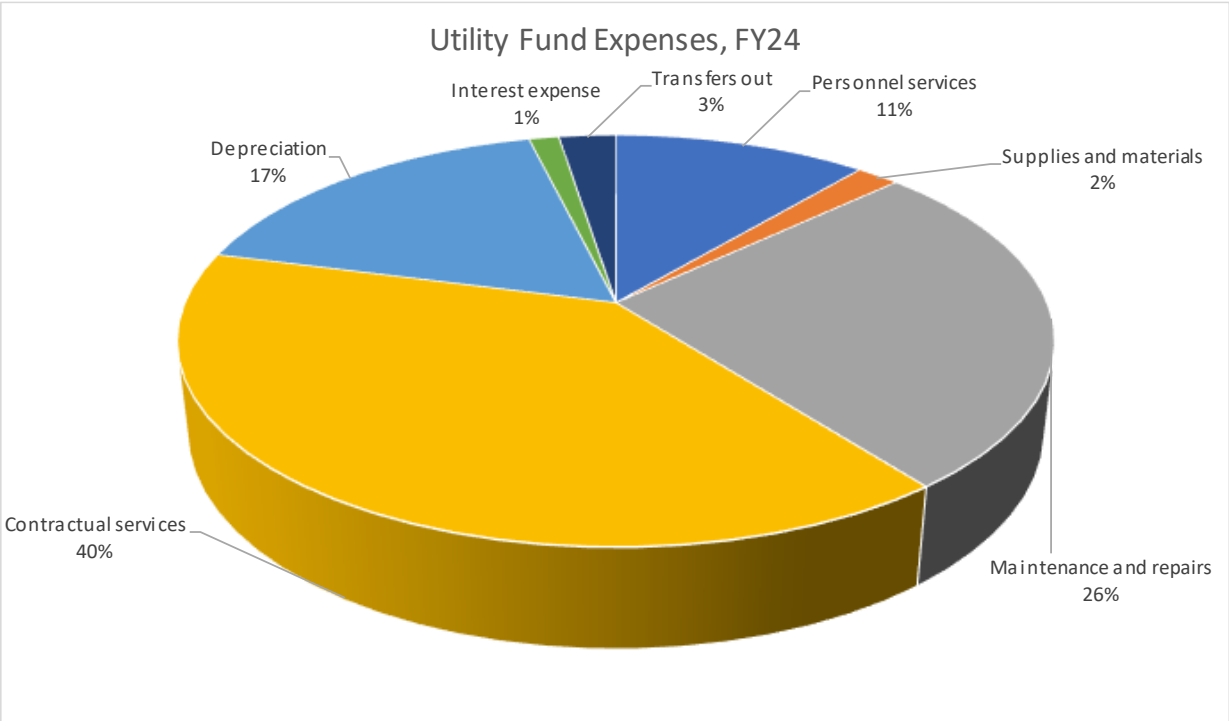
General Fund Budgetary Highlights: During the fiscal year, the Town made revisions to the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services. For Fiscal Year 2024, there were no significant amendments to the budget.

Revenues were less than the budgeted amounts, primarily due to sales taxes increasing less than the amended budget projection. Expenditures were less than budgeted at the fund level.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$9,209,751. Net position increased for the fiscal year by \$2,132,041, primarily due to transfers from the General Fund to cover capital costs discussed previously.



Revenues and expenses were largely consistent with the prior year, with the greatest change being an increase in revenues resulting from rate increases and increased demand, as discussed previously.



Capital Asset and Debt Administration

Capital Assets - The Town’s investment in capital assets for its governmental and business-type activities as of September 30, 2024, totals \$89,854,499 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery and equipment, vehicles, and construction in progress. This amount represents a net increase of \$13,211,162, or 17%, (net of accumulated depreciation) over the prior fiscal year. Significant transactions involving capital assets primarily consisted of capital projects, with approximately \$14.4 million expended on project costs. Non-project additions to capital assets consisted primarily of vehicle purchases, totaling approximately \$484,000, and completed road and utility relocation projects totaling approximately \$599,000.

Capital Assets September 30, 2024 (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 2,610,223	\$ 2,610,223	\$ 126,225	\$ 126,225	\$ 2,736,448	\$ 2,736,448
Infrastructure	19,970,010	21,586,004	24,988,002	26,298,416	44,958,012	47,884,420
Buildings & Improvements	10,996,758	12,113,960	4,425,879	4,675,879	15,422,637	16,789,839
Machinery & Equipment	1,894,908	1,667,908	797,880	940,625	2,692,788	2,608,533
Construction in Progress	20,534,773	6,379,047	3,509,841	245,050	24,044,614	6,624,097
	<u>\$ 56,006,672</u>	<u>\$ 44,357,142</u>	<u>\$ 33,847,827</u>	<u>\$ 32,286,195</u>	<u>\$ 89,854,499</u>	<u>\$ 76,643,337</u>

More detailed information about the Town's capital assets is presented in the notes to the financial statements on pages 41-42.

Long-term obligations - As of September 30, 2024, the Town had total long-term debt outstanding of \$33,918,129 which is an increase of \$4,413,857, or 15.0%, from the previous year. During fiscal year 2024, the City issued one tax note, the Series 2024, at a total combined face value of \$6,560,000. The note was issued to fund portions of the capital road improvement projects discussed in the previous section.

Outstanding Debt as of September 30, 2024

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Bonds payable	\$ 26,165,000	\$ 21,535,000	\$ 4,630,000	\$ 5,060,000	\$ 30,795,000	\$ 26,595,000
Premium on bonds	2,021,168	1,773,301	546,522	589,527	2,567,690	2,362,828
Notes payable	-	-	47,989	59,995	47,989	59,995
Financed purchases	205,019	280,220	-	-	205,019	280,220
Compensated absences	276,901	181,981	25,530	24,248	302,431	206,229
	<u>\$ 28,668,088</u>	<u>\$ 23,770,502</u>	<u>\$ 5,250,041</u>	<u>\$ 5,733,770</u>	<u>\$ 33,918,129</u>	<u>\$ 29,504,272</u>

In August 2023, the Town received a rating of "AA+ Stable" from "AA stable" by S&P. This indicated excellent investment quality.

More detailed information about the Town's long-term obligations is presented on pages 43-45 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The information presented in this year's budget was intended to give the Council a clear financial picture of the plan moving forward for the next 5 years. With the help of the directors and staff, we are proud to present a budget that does not require a change to the tax rate and continues to provide enhanced services to our citizens. Revenues and Expenditures are conservative and consistent with established policies and ensure that the Town will have the tools to achieve the Council's goals.

Economic Conditions and Outlook

Sunnyvale continues to experience a strong and growing economy. Residents enjoy the benefits of small-town living combined with access to the Dallas-Fort Worth area's thriving business, cultural, and social districts in a quiet, family-oriented setting. Sunnyvale's population has grown by more than 8% since 2020 and its total tax base has more than doubled since 2013. Sunnyvale has a median household income of \$152,632 and an average home market value of \$662,575, the 4th highest in Dallas County.

Historically, the Town of Sunnyvale is a young community. However, this active and growing town has its roots in the settlement days of Texas. Four rural hamlets, Long Creek, New Hope, Hattersville, and Tripp, merged in 1953 to form Sunnyvale. The town has grown and developed since then, yet it has managed to preserve the rural charm of its early days through careful and strategic planning. Sunnyvale is characterized by its rural environment, low density, high quality of life, and welcoming, friendly atmosphere. As the community continues to grow, residents and leaders have outlined a vision to maintain the current standard of living, encouraging large-lot, quality development and preserving the open space and small-town charm that define the community.

Education and Quality of Life:

The Town of Sunnyvale and the school district are part of the foundation for the community's high quality of life. The Town ranks 6th among the top suburbs in Dallas according to an analysis by Stackerc.com. Sunnyvale has an overall Niche.com Grade of A+, highlighting the Town's rural feel and highly rated schools. Niche.com ranks Sunnyvale as the 13th best suburb in Texas for raising a family and as one of the Top 5% of suburbs in America. Outdoor activities are also a highlight for Sunnyvale, with its growing network of walking and biking trails, family-friendly parks, and plentiful green space earning it a ranking as the No. 2 city in America for outdoor living by Dwellics.com.

Sunnyvale ISD, recognized as an Exemplary school district, is also a vital part of this dynamic, growing community, and is rated one of the Top 5 school districts in North Texas. SISD has a total enrollment of about 1,975 students on four campuses. For those seeking higher education opportunities, Sunnyvale is conveniently located within easy distance of Southern Methodist University, the University of Texas at Dallas, the University of Texas at Arlington, and all campuses of the Dallas County Community College District.

The Town offers a variety of recreational amenities at four beautiful parks. Jogging, walking, or biking across the open-air roads is a rare treat in most urban environments, but these luxuries are the pride of Sunnyvale and enhance its rural charm. With rolling pasture lands and sweeping meadows, it is easy to experience the true enjoyment of leisure living. The Town also hosts numerous family friendly celebrations and festivals, including Sunnyfest (Red, White & Boom), Veteran's Day, a Thanksgiving Day 5K Turkey Trot, and the annual Christmas Tree Lighting.

Residential Development:

The Town's 16-square-mile jurisdiction is less than 50 percent developed and characterized by custom, estate, and ranchette residential living. Sunnyvale is also the only community on Lake Ray Hubbard with an undeveloped shoreline. Sunnyvale has experienced rapid residential growth over the past ten years and this growth is expected to continue into the foreseeable future. Residential development has proceeded with hundreds of residences constructed every year, particularly in the Stoney Creek, Stone Canyon, and Homestead neighborhoods. In 2024, the Town issued 78 new single-family residential building permits, with a total fee of \$1.377 million collected as revenue for the Town. New home construction is ongoing within the Stoney Creek subdivision, located east of N. Collins Road. The final phase of Stoney Creek, known as Las Brisas at Stoney Creek, has final grading, utility, and infrastructure installation completed this year with 30 new home permits being issued already. The last phase, Phase 7, of The Homestead master planned community, consisting of 34, minimum one-acre lots, was approved by Town Council during 2024. Lots are designed around beautiful open spaces, and hike and bike trail amenities, this project will attract high value, custom home builders to the Sunnyvale Community. Construction is anticipated to start during 2025.

Commercial Development:

Sunnyvale enjoys a solid industrial base with manufacturing centers, a regional medical center, and increasing commercial and retail development. The town is home to several companies providing jobs and a tax base for the community. Sunnyvale also enjoys prime areas for future development of retail, commercial, and industrial sites along US Highway 80, Belt Line Road, Clay Road, and Collins Road.

The Town has experienced rapid commercial and industrial growth, particularly along U.S. Highway 80 and Belt Line Road. High profile development projects underway or recently completed include Sunnyvale Park Square, a two-acre mixed-use development adjacent to Town Hall; Long Creek Crossing, a 10-acre master-planned development with Chick-fil-A, Starbucks, Panda Express and Burger King; and Sunnyvale Centre, a 75-acre master-planned development with the recent addition of QuikTrip and Whataburger. There are still undeveloped areas in the Town that are ripe for further commercial development. Attracting the right kind of commercial development that meets the high-quality expectations of the Sunnyvale community is one of the key challenges facing Sunnyvale.

Major Development Projects Approved or Completed in 2024

- Gateway Park & Tom Thumb - Sunnyvale's first grocery store, Tom Thumb, broke ground in November 2024. A zoning map amendment and a site plan application were approved to construct the 58,204 SF grocery store and a 24,500 SF retail building, located at the southeast corner of Town East Boulevard and Belt Line Road. Tom Thumb will be the anchor retail for Gateway Park, a \$120 million project featuring 240,000 SF of mixed-use commercial sites. Site preparation and utility installation on this project has started with the grocery store scheduled opening by the end of 2025.
- The Story at Long Creek - Much anticipated, The Story at Long Creek, a 12,900 SF wedding/event venue, received its certificate of occupancy (CO) in August of 2024. This is a world-class facility with two large meeting spaces and catering services provided by the owner and operator of the venue.
- Daniel Steel - The 39,100 SF expansion of Daniel Steel Industries' main building at 4640 N Beltline Road was also completed in 2024. This will enable Daniel Steel, one of the top sales tax generators for the Town, to expand their operations.
- Clay Commerce - This 286,944 SF industrial building was completed in 2024, located at the corner of Clay and Long Creek Roads. The building will be the future home to HPG, one of the nation's largest producers of marketing and promotional products under ten different retail brands.
- Three more warehouse buildings, consisting of 501,572 SF, were also approved at 101 Clay Road just north of the Clay Commerce building. This project is anticipated to start construction in summer of 2025.

Next Year's Budget

Overall, the economic environment in Sunnyvale last year was generally favorable despite the challenges due to inflation, a falling interest rate environment and a reduction in sales tax remittance from the Town's industrial base. The Town has seen property values continuing to trend higher along with increases in fines and fees revenue, which helps offset the sales tax losses.

The budget was prepared with a conservative approach to allocating limited resources for the maximum benefit to the citizens of Sunnyvale. The budget is balanced between expenditures and revenues. It addresses inflationary pressures on wages, goods and services and also positions the Town to effectively maintain service levels in the face of potential recessionary pressures and is also well aligned with the Council's revised strategic plan and long-term financial plan. The tax rate of the proposed budget is maintained from the current year at \$0.4530, which includes the same M&O (maintenance and operations) rate of \$0.3069 and debt rate of \$0.1461. The proposed budget and corresponding tax rate also continue the Town's policy of offering approximately \$1 Billion in ad valorem exemptions to both commercial, industrial and residential property owners, which is the equivalent to \$4.5 Million in unrealized tax revenue to the General Fund.

The proposed FY25 budget is \$15,610,906 which represents a 3.9% growth compared to the FY24 budget of \$15,024,445 and includes a contingency equivalent to one month of sales tax revenue for the General Fund of \$405,000. Without this additional contingency, the proposed maintenance and operating budget only increases by 1.2% over the current budget. In addition, the fund balance in the General Fund has continued to grow, allowing for the proposed budget to include an increase in operating reserves from sixty (60) to ninety (90) days. The proposed budget is the first year in a 5-year plan that also reflects a growing unrestricted year-end fund balance, net of the new 90-day reserve, accumulating to a projected \$2.4 million by 2030. Again, this reflects the Town operating in a fiscally conservative manner and still having the flexibility to mitigate any downturn in the economy while continuing to maintain service levels.

Distinguished Budget Award

The Town submitted its Annual Budget to the Government Finance Officer Association for eight consecutive years and has received the Distinguished Budget Presentation Award for October 1, 2017, through October 1, 2023. This award is valid for one year only and the Town has submitted its Annual Budget for the fiscal year beginning October 1, 2024, and plans to continue to submit the award in future years. This represents a great improvement in budget management within the Town.

RESERVES

Operating Reserves. Another measure of the Town's financial strength is the level of its fund balance, or operating reserves. Operating reserves are maintained by organizations to ensure services can be delivered during economic downturns, to address unforeseen expenditures in the case of an emergency or other event, and to take advantage of opportunities that may materialize outside of the budget process. It is important to maintain operating cash reserves so that service delivery will not be negatively impacted if the economy takes a downturn as 75% of the Town's revenue is generated by sales taxes and property taxes. It is the policy guidelines adopted by the Council for the reserved fund balance for General Fund to maintain 60 days of operating expenditures and we have an internal policy to maintain 90 days. For the Utility Fund we have a 60-day rate stabilization fund and a 60 day reserve of operating revenues. For the Fiscal year 2023 and 2024 the Town exceeded this policy.

Development Corporation Reserves. Operating reserves are maintained by the development corporations at 25% of sales tax revenue for the year. As sales tax is the only revenue source for the development corporations, 25% of revenue is held in reserve as a contingency amount should an economic downturn occur. For the Fiscal year 2024 and 2025 the Corporations have exceeded this policy.

Capital Projects

The objective of the 2025 budget was to maintain the same tax rate while improving overall service to citizens and continue to upgrade Town infrastructure. Debt was authorized for the current year to compete U.S 80 utility line relocation and Tripp road water improvements for \$7 million.

Town Employees

Staffing levels for FY 2024 will increase by 12 positions from the previous fiscal year, and with the increase the Town currently supports 108.5 full-time.

Salary Adjustments

We believe it is important to be able to recruit and retain valuable staff by ensuring competitive compensation rates. Uniformed employees will receive step increases and other staff will receive an annual 3.5% increase on October 1st contingent upon their performance review and a 4% market adjustment pool. In addition, the Fire and Police starting pay has been updated to include an increase. This revision will allow the Town to retain and recruit qualified police officers and firefighters.

Benefits

Health insurance rates increased 4.2% for the Town and employee. The Town provides pension benefits for all its eligible employees through TMRS. The Town's contribution rates increased from 12.25% to 12.75%. The employee participation rate is 7%.

REQUEST 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 the Office of Administration/Town Secretary, 127 N. Collins Rd. Sunnyvale, TX 75182.

<http://www.townofsunnyvale.org/412/publicinformation-request>

THIS PAGE LEFT BLANK INTENTIONALLY

**BASIC
FINANCIAL STATEMENTS**

TOWN OF SUNNYVALE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government	
	Governmental Activities	Business-Type Activities
ASSETS		
Cash and investments	\$ 10,773,777	\$ 9,032,489
Receivables, net of allowances	1,439,333	1,611,967
Internal balances	52,657	(52,657)
Notes receivable	145,000	-
Prepaid items	2,000	-
Tax notes receivable	7,000,000	-
Restricted cash and cash equivalents	2,467,009	3,560,002
Capital assets (net of accumulated depreciation):		
Non-depreciable	23,144,996	3,636,066
Depreciable	32,861,676	30,211,761
Total assets	<u>77,886,448</u>	<u>47,999,628</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	700,086	99,647
OPEB related - SDBF	33,816	4,814
OPEB related - retiree health	6,900	982
Total deferred outflows of resources	<u>740,802</u>	<u>105,443</u>
LIABILITIES		
Accounts payable	1,213,775	892,064
Accrued liabilities	82,719	156,567
Accrued interest payable	137,202	12,568
Unearned revenue	1,160,460	-
Due to other governments	939,183	-
Customer deposits	-	410,295
Noncurrent liabilities:		
Due within one year - long-term debt	2,238,255	468,387
Due in more than one year:		
Long-term debt	26,429,833	4,781,654
Net pension liability	433,957	61,767
Total OPEB liability - SDBF	126,173	17,959
Total OPEB liability - RHP	148,718	21,168
Total liabilities	<u>32,910,275</u>	<u>6,822,429</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	192,896	27,456
OPEB related - SDBF	46,156	6,570
OPEB related - retiree health	21,912	3,119
Total deferred inflows of resources	<u>260,964</u>	<u>37,145</u>
NET POSITION		
Net investment in capital assets	34,228,041	28,475,744
Restricted for:		
Economic development	335,777	-
Debt Service	150,045	-
Street Maintenance	2,625,781	-
Water infrastructure installation	-	3,560,002
Unrestricted	8,116,367	9,209,751
Total net position	<u>\$ 45,456,011</u>	<u>\$ 41,245,497</u>

The accompanying notes are an integral part of these financial statements.

Primary Government		Component Unit	
Total		Component Units	
\$	19,806,266	\$	4,941,524
	3,051,300		297,086
	-		-
	145,000		-
	2,000		-
	7,000,000		-
	6,027,011		-
	26,781,062		-
	63,073,437		-
	<u>125,886,076</u>		<u>5,238,610</u>
	799,733		-
	38,630		-
	<u>7,882</u>		<u>-</u>
	<u>846,245</u>		<u>-</u>
	2,105,839		16,801
	239,286		-
	149,770		-
	1,160,460		-
	939,183		-
	410,295		-
	2,706,642		35,000
	31,211,487		110,000
	495,724		-
	144,132		-
	<u>169,886</u>		<u>-</u>
	<u>39,732,704</u>		<u>161,801</u>
	220,352		-
	52,726		-
	<u>25,031</u>		<u>-</u>
	<u>298,109</u>		<u>-</u>
	62,703,785		-
	335,777		5,076,809
	150,045		-
	2,625,781		-
	3,560,002		-
	<u>17,326,118</u>		<u>-</u>
\$	<u>86,701,508</u>	\$	<u>5,076,809</u>

TOWN OF SUNNYVALE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,466,528	\$ 783,342	\$ 873,937	\$ -
Public safety	10,003,994	739,623	151,108	-
Public works	1,505,476	908,775	-	-
Public services and operations	2,056,257	-	-	-
Interest on long-term debt	639,621	-	-	-
Total governmental activities	<u>18,671,876</u>	<u>2,431,740</u>	<u>1,025,045</u>	<u>-</u>
Business-type activities:				
Utility Fund	<u>9,705,112</u>	<u>9,864,473</u>	<u>-</u>	<u>99,876</u>
Total business-type activities	<u>9,705,112</u>	<u>9,864,473</u>	<u>-</u>	<u>99,876</u>
Total Primary Government	<u>\$ 28,376,988</u>	<u>\$ 12,296,213</u>	<u>\$ 1,025,045</u>	<u>\$ 99,876</u>
Component Units	<u>\$ 1,001,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

 Property Taxes

 Sales taxes

 Franchise taxes

 Miscellaneous

 Investment income

Transfers

 Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (2,809,249)	\$ -	\$ (2,809,249)	\$ -
(9,113,263)	-	(9,113,263)	-
(596,701)	-	(596,701)	-
(2,056,257)	-	(2,056,257)	-
(639,621)	-	(639,621)	-
<u>(15,215,091)</u>	<u>-</u>	<u>(15,215,091)</u>	<u>-</u>
-	259,237	259,237	-
-	259,237	259,237	-
<u>\$ (15,215,091)</u>	<u>\$ 259,237</u>	<u>\$ (14,955,854)</u>	<u>\$ -</u>
			<u>\$ (1,001,948)</u>
8,298,368	-	8,298,368	-
4,742,175	-	4,742,175	1,576,116
1,235,511	-	1,235,511	-
357,329	-	357,329	-
1,074,471	633,606	1,708,077	199,482
(1,239,198)	1,239,198	-	-
<u>14,468,656</u>	<u>1,872,804</u>	<u>16,341,460</u>	<u>1,775,598</u>
<u>(746,435)</u>	<u>2,132,041</u>	<u>1,385,606</u>	<u>773,650</u>
46,202,446	39,113,456	85,315,902	4,303,159
<u>\$ 45,456,011</u>	<u>\$ 41,245,497</u>	<u>\$ 86,701,508</u>	<u>\$ 5,076,809</u>

TOWN OF SUNNYVALE, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	General	Debt Service	Capital Projects
ASSETS			
Cash and investments	\$ 7,115,784	\$ 161,048	\$ -
Receivables (net for allowances for uncollectables):			
Taxes	1,256,496	38,824	-
Accounts	141,359	-	-
Note	-	145,000	-
Tax note proceeds	-	-	7,000,000
Prepays	2,000	-	-
Due from other funds	147,125	87,375	-
Restricted cash and cash equivalents	-	-	-
Total assets	<u>8,662,764</u>	<u>432,247</u>	<u>7,000,000</u>
LIABILITIES			
Accounts payable	714,451	-	240,319
Accrued liabilities	82,719	-	-
Due to other governments	939,183	-	-
Due to other funds	34,718	-	147,125
Unearned revenue	-	-	-
Total liabilities	<u>1,771,071</u>	<u>-</u>	<u>387,444</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	53,268	25,358	-
Unavailable revenue - courts	60,401	-	-
Unavailable revenue - notes receivable	-	145,000	-
Total deferred inflows of resources	<u>113,669</u>	<u>170,358</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Prepays	2,000	-	-
Restricted:			
Community services	-	-	-
Economic development	-	-	-
Capital improvements	-	-	6,612,556
Debt service	-	261,889	-
Assigned:			
Vehicle replacement	1,957,026	-	-
Community development	-	-	-
Unassigned	4,818,998	-	-
Total fund balances	<u>6,778,024</u>	<u>261,889</u>	<u>6,612,556</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,662,764</u>	<u>\$ 432,247</u>	<u>\$ 7,000,000</u>

The accompanying notes are an integral part
of these financial statements.

ARPA Grants	Other Governmental Funds	Total Governmental Funds
\$ 1,337,266	\$ 2,159,679	\$ 10,773,777
-	-	1,295,320
-	2,654	144,013
-	-	145,000
-	-	7,000,000
-	-	2,000
-	-	234,500
-	2,467,009	2,467,009
<u>1,337,266</u>	<u>4,629,342</u>	<u>22,061,619</u>
176,806	82,199	1,213,775
-	-	82,719
-	-	939,183
-	-	181,843
<u>1,160,460</u>	<u>-</u>	<u>1,160,460</u>
<u>1,337,266</u>	<u>82,199</u>	<u>3,577,980</u>
-	-	78,626
-	-	60,401
-	-	145,000
<u>-</u>	<u>-</u>	<u>284,027</u>
-	-	2,000
-	14,840	14,840
-	320,937	320,937
-	2,625,781	9,238,337
-	-	261,889
-	-	1,957,026
-	1,585,585	1,585,585
-	-	4,818,998
<u>-</u>	<u>4,547,143</u>	<u>18,199,612</u>
<u>\$ 1,337,266</u>	<u>\$ 4,629,342</u>	<u>\$ 22,061,619</u>

THIS PAGE LEFT BLANK INTENTIONALLY

TOWN OF SUNNYVALE, TEXAS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2024

Total Fund Balances - Governmental Funds \$ 18,199,612

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 56,006,672

Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (137,202)

Revenues earned but not yet available are reported as deferred inflows in the governmental funds, but are recognized as revenues for the governmental activities.

Property taxes	78,626
Notes	145,000
Court fines and fees	60,401

Long-term liabilities, including bonds payable are not due and payable in the current period and; therefore are not reported in the funds.

Bonds payable	(26,165,000)
Premium on bonds	(2,021,168)
Financing arrangements	(205,019)
Compensated absences	(276,901)
Net pension liability	(433,957)
Total OPEB liability - SDBF	(126,173)
Total OPEB liability - RHP	(148,718)

Included in the items related to long-term liabilities is the recognition of deferred outflows and deferred inflows of resources related to pensions and OPEB.

Deferred outflows - pension	700,086
Deferred outflows - OPEB	40,716
Deferred inflows - pension	(192,896)
Deferred inflows - OPEB	<u>(68,068)</u>

Net Position of Governmental Activities-statement of net position \$ 45,456,011

TOWN OF SUNNYVALE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Debt Service	Capital Projects
REVENUES			
Property taxes	\$ 5,358,562	\$ 2,599,575	\$ -
Franchise taxes	1,235,511	-	-
Sales taxes	4,742,175	-	-
Fines and forfeitures	561,975	-	-
Impact fees	-	-	-
Licenses and permits	775,153	-	-
Charges for services	877,872	-	-
Intergovernmental	594,233	36,400	-
Investment income	662,712	40,573	198,395
Miscellaneous	148,105	-	-
Total revenues	<u>14,956,298</u>	<u>2,676,548</u>	<u>198,395</u>
EXPENDITURES			
Current:			
General government	3,296,830	-	-
Public safety	7,799,617	-	-
Public works	1,229,283	-	-
Public services and operations	1,574,091	-	-
Capital outlay:			
General government	642,894	-	-
Public works	-	-	14,490,733
Debt service:			
Principal retirement	67,083	1,930,000	-
Interest	8,118	794,243	-
Bond issuance cost	-	-	140,242
Total expenditures	<u>14,617,916</u>	<u>2,724,243</u>	<u>14,630,975</u>
Excess (deficiency) of revenues over expenditures	<u>338,382</u>	<u>(47,695)</u>	<u>(14,432,580)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	250,000	-	5,040,884
Transfers out	(5,040,884)	-	(1,489,198)
Issuance of tax notes	-	-	6,560,000
Premium on tax notes	-	-	580,242
Total other financing sources (uses)	<u>(4,790,884)</u>	<u>-</u>	<u>10,691,928</u>
NET CHANGE IN FUND BALANCES	<u>(4,452,502)</u>	<u>(47,695)</u>	<u>(3,740,652)</u>
FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED	11,230,526	309,584	10,353,208
ADJUSTMENTS			
Change within the financial reporting entity	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING, AS RESTATED	<u>11,230,526</u>	<u>309,584</u>	<u>10,353,208</u>
FUND BALANCES, ENDING	<u>\$ 6,778,024</u>	<u>\$ 261,889</u>	<u>\$ 6,612,556</u>

* Formerly a major fund.

The accompanying notes are an integral part
of these financial statements.

Special Revenue*	ARPA Grants	Other Governmental Funds	Total Governmental Funds
	\$ -	\$ 316,843	\$ 8,274,980
	-	-	1,235,511
	-	-	4,742,175
	-	60,376	622,351
	-	261,287	261,287
	-	-	775,153
	-	-	877,872
	337,434	78,216	1,046,283
	-	172,791	1,074,471
	-	209,224	357,329
	<u>337,434</u>	<u>1,098,737</u>	<u>19,267,412</u>
	11,271	72,524	3,380,625
	-	-	7,799,617
	-	-	1,229,283
	-	-	1,574,091
	326,163	329,552	1,298,609
	-	-	14,490,733
	-	-	1,997,083
	-	-	802,361
	<u>-</u>	<u>-</u>	<u>140,242</u>
	<u>337,434</u>	<u>402,076</u>	<u>32,712,644</u>
	<u>-</u>	<u>696,661</u>	<u>(13,445,232)</u>
	-	-	5,290,884
	-	-	(6,530,082)
	-	-	6,560,000
	<u>-</u>	<u>-</u>	<u>580,242</u>
	<u>-</u>	<u>-</u>	<u>5,901,044</u>
	<u>-</u>	<u>696,661</u>	<u>(7,544,188)</u>
177,349	-	3,673,133	25,743,800
<u>(177,349)</u>	<u>-</u>	<u>177,349</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>3,850,482</u>	<u>25,743,800</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,547,143</u>	<u>\$ 18,199,612</u>

THIS PAGE LEFT BLANK INTENTIONALLY

TOWN OF SUNNYVALE, TEXAS

RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net Changes in Fund Balances - Governmental Funds	\$	(7,544,188)
---	----	-------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	14,768,444
Depreciation	(3,118,914)

Some receivables are not considered available revenues and are reported as deferred inflows in the governmental funds.

Property taxes	23,388
Notes	(30,000)
Court fines and fees	(96,161)

The issuance of long-term debt (e.g. bond proceeds) provides current financial resources to governmental funds, while the repayment of the principal consumes current financial resources. Neither transaction, however, has any effect on net position. Also, while the governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Issuance of debt	(6,560,000)
Premium on debt issuance	(580,242)
Principal repayment	2,005,201
Amortization of premiums and discounts	332,375

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the funds.

Accrued interest	(37,511)
Compensated absences	(94,920)
Pension expense	227,736
OPEB expense	(41,643)

Changes in net position-statement of activities	\$	<u>(746,435)</u>
---	----	------------------

TOWN OF SUNNYVALE, TEXAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2024

	Business-Type Activities
	Enterprise Fund
	Utility
ASSETS	
Current assets:	
Cash and investments	\$ 9,032,489
Restricted cash and cash equivalents	3,560,002
Receivable (net of allowances for uncollectables)	1,611,967
Due from other funds	34,718
Total current assets	<u>14,239,176</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Non-depreciable	3,636,066
Depreciable	30,211,761
Total capital assets, net of accumulated depreciation	<u>33,847,827</u>
Total noncurrent assets	<u>33,847,827</u>
Total assets	<u>48,087,003</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	99,647
OPEB related - SDBF	4,814
OPEB related - retiree health	982
Total deferred outflows of resources	<u>105,443</u>
LIABILITIES	
Current liabilities:	
Accounts payable	892,064
Due to other funds	87,375
Customer deposits	410,295
Accrued liabilities	156,567
Accrued interest payable	12,568
Compensated absences - current	6,383
Notes payable - current	12,004
Bonds payable - current	450,000
Total current liabilities	<u>2,027,256</u>
Noncurrent liabilities:	
Compensated absences	19,147
Net Pension liability	61,767
Total OPEB liability - SDBF	17,959
Total OPEB liability - retiree health	21,168
Notes payable	35,985
Bonds payable	4,726,522
Total noncurrent liabilities	<u>4,882,548</u>
Total liabilities	<u>6,909,804</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	27,456
OPEB related - SDBF	6,570
OPEB related - retiree health	3,119
Total deferred inflows of resources	<u>37,145</u>
NET POSITION	
Net investment in capital assets	28,475,744
Restricted for Water infrastructure installation	3,560,002
Unrestricted	9,209,751
Total net position	<u>\$ 41,245,497</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUNNYVALE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities
	Enterprise Fund
	Utility
OPERATING REVENUES	
Charges for services:	
Water Sales	\$ 6,870,828
Sewer Sales	2,993,645
Total operating revenues	<u>9,864,473</u>
OPERATING EXPENSES	
Personnel services	1,112,045
Supplies and materials	187,829
Maintenance and repairs	2,630,893
Contractual services	3,939,526
Depreciation	<u>1,703,156</u>
Total operating expenses	<u>9,573,449</u>
Operating income (loss)	<u>291,024</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	633,606
Interest expense	<u>(131,663)</u>
Total non-operating revenues (expenses)	<u>501,943</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>792,967</u>
Capital contributions - impact fees	99,876
Transfers in	1,489,198
Transfers out	<u>(250,000)</u>
CHANGE IN NET POSITION	<u>2,132,041</u>
NET POSITION - BEGINNING	39,113,456
NET POSITION - ENDING	<u>\$ 41,245,497</u>

TOWN OF SUNNYVALE, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities Enterprise Fund Utility
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 9,902,293
Cash paid to employees	(1,152,212)
Cash paid for goods and services	(6,089,083)
Net cash provided (used) by operating activities	<u>2,660,998</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from other funds	1,493,248
Cash paid to other funds	(749,168)
Net cash provided (used) by noncapital financing activities	<u>744,080</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(3,117,216)
Interest and fiscal charges on debt	(186,725)
Capital contributions	99,876
Principal payments on bonds	(442,006)
Net cash provided (used) by capital and related financing activities	<u>(3,646,071)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>633,606</u>
Net cash provided (used) by investing activities	<u>633,606</u>
Net (decrease) increase in cash and cash equivalents	392,613
Cash and cash equivalents, Beginning	<u>12,199,878</u>
Cash and cash equivalents, Ending	<u><u>12,592,491</u></u>
Classified as:	
Current	9,032,489
Restricted	<u>3,560,002</u>
Total cash and cash equivalents	<u><u>12,592,491</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	291,024
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,703,156
Change in Assets and Liabilities:	
Increase (decrease) in assets:	
Decrease (increase) in customer receivable	32,199
Decrease (increase) in deferred outflows - pensions	80,264
Decrease (increase) in deferred outflows - OPEB	293
Increase (decrease) in accounts payable	669,165
Increase (decrease) in accrued liabilities	8,995
Increase (decrease) in customer deposits	5,621
Increase (decrease) in net pension liability	(121,831)
Increase (decrease) in total OPEB liabilities	(3,614)
Increase (decrease) in compensated absences	1,282
Increase (decrease) in deferred inflows - pensions	(5,793)
Increase (decrease) in deferred inflows - OPEB	<u>237</u>
Net cash provided (used) by operating activities	<u>\$ 2,660,998</u>

The accompanying notes are an integral part
of these financial statements.

TOWN OF SUNNYVALE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

1. Summary of Significant Accounting Policies

The Town of Sunnyvale ("Town") is a municipal corporation governed by an elected mayor and a six-member Council. The Town provides the following services to the citizens of the Town as authorized by its charter: public safety (police and fire), public works, parks and recreation, water and sewer utilities, and general administrative services.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to the state and local governments. Generally accepted accounting principles for local government include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled State and Local Governments-Audit and Accounting Guide. The more significant accounting policies of the Town are described below:

A. Reporting Entity

The Town is a municipal corporation governed by an elected mayor and six-member Council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Town is a financial reporting entity as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."

Under GASB Statement No. 14, 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. Financial accountability exists if the Town appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The Town may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the Town. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including entities which meet all three of the following requirements.

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents;
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization;
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

The financial statements of the following component units have been "discretely presented" within the accompanying report because (i) their governing boards are not substantially the same as the governing body of the Town, or (ii) the component units provide services entirely or almost entirely to the citizenry.

Discretely Presented Component Unit

The Town has two discretely presented component units, the 4A and 4B Economic Development Corporations. The component units described below are included in the Town's reporting entity because the Town appoints the governing body, and the Corporations are fiscally dependent on the Town. To emphasize that the component units are legally separate from the Town, they are reported in a separate column within the financial statements. Fund information for the component units can be found in the supplementary information in this report. There are no separate financial statements issued for the component unit.

The Sunnyvale 4B Development Corporation is responsible for collecting and disbursing the one-half of one percent sales tax to be used for economic incentives, and development and improvement in the quality of life for its citizens. The members of the Corporation's board serve at the pleasure of the Town Council. The Sunnyvale 4A Development Corporation preceded the 4B corporation and no longer levies a tax; the 4A corporation's remaining assets are being held to liquidate the Corporation's long-term pledges as they come due.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to be included as a component unit if management's professional judgment determines it to be necessary and misleading if it were to be omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

B. Basis of Presentation, Basis of Accounting

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires that the government-wide financial statements to be prepared using the accrual basis of accounting, and the economic resources measurement focus. Government-wide financial statements do not provide information by fund but distinguish between the Town's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the Town's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town's capital assets, including infrastructure.

In addition to the government-wide financial statements, the Town has prepared fund financial statements, which use the modified accrual basis of accounting, and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned, and when expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis includes an analytical overview of the Town's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted and final amended budget with actual results for the General Fund.

The basic financial statements include both government-wide, based on the Town as a whole, and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (police, fire, public works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost, by function or business-type activity, is normally covered by general revenue (property and sales taxes, franchise taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds, and major individual proprietary funds are reported as separate columns within the fund financial statements. The major governmental funds are the General Fund, the Debt Service Fund, the Capital Projects Fund, and the ARPA Grants Fund. The major proprietary fund is the Utility Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a separate column within the fund financial statements. With the adoption of GASB Statement No. 63, the presentation of deferred inflows/outflows is included in this calculation.

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 principle operating revenues of the Utility Fund are charges to customers for sales and services. The Utility Fund 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 costs of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as nonoperating revenues and expenses.

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

C. Measurement Focus

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported within the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting, as are the proprietary fund financial statements. The economic resources measurement focus means all assets and liabilities, (whether current or noncurrent), are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred, regardless of the timing of cash flows.

D. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its discretely presented component units.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

Governmental activities, which are normally supported by property, sales and franchise taxes, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Significant revenues generated from business-type activities include: charges to customers for water and wastewater services, municipal drainage services and charges for solid waste services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available when 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 and payable shortly after year end, as required by GASB Interpretation No. 6.

Ad valorem, franchise, and sales tax revenues recorded in the General Fund, and ad valorem tax revenues recorded in the Debt Service Fund, are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

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

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources, and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The following is a description of the Town's 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. All general tax revenues, and other receipts that are not restricted by law or contractual agreement to some other fund, are accounted for in this fund. General operating expenditures, fixed charges, and capital improvements costs, that are not paid through other funds, are paid from this fund.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for the payment of principal, interest, and related cost on long term obligation debt of governmental funds.

Capital Projects Fund - The Capital Projects Fund accounts for the accumulation of resources used for the acquisition and/or construction of capital facilities of the Town except for those financed by proprietary funds.

ARPA Grants Fund - This fund accounts for program funds and expenditures for the Coronavirus State and Local Fiscal Recovery Fund grant.

Proprietary funds are accounted for on a flow of economic resources measurement focus. Within the economic measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases, (e.g., revenues), and decreases, (e.g., expenses), in net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and providing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the Town's water and sewer services are charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses, not meeting this definition, are reported as nonoperating revenues and expenses. The following is a description of the proprietary fund:

Utility Fund - The Utility Fund accounts for the activities water and wastewater operations that are intended to be self-supporting on a user charge basis.

F. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of one year or less from the date of acquisition.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts and are reported as Internal Balances. Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law, through constitutional provisions or enabling legislation. Restricted assets in the proprietary fund represent cash and cash equivalents, and investments set aside for repayment of customer's water/sewer deposits, impact fees, and various bond covenants. Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased, or acquired, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. The Town defines capital assets as assets with an estimated useful life in excess of two years and an initial, individual value greater than \$5,000. Additionally, the Town's policy is to capitalize groups of assets, regardless of the individual cost of the item, when the total cost of the group purchase exceeds \$100,000. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at acquisition value as of the date donated. Additions, improvements, and other capital outlays, that significantly extend the useful life of an asset, are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current fiscal year.

Assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Assets	Use Lives (Years)
Buildings	40 years
Building Improvements	10-40 years
Machinery & Equipment	3-5 years
Infrastructure	40-50 years
Vehicles/Apparatus	10-15 years

Deferred Outflows/Inflows of Resources

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

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in actuarial pension and OPEB assumptions – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualify for reporting in this category.

- Difference in expected and actual pension and OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial pension and OPEB assumptions – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference between projected and actual investment pension earnings – This difference is deferred and amortized over a five-year period.
- Deferred inflows related to leases arise from the recognition of the discounted future lease payments on lessor agreements. These amounts are recognized in lease income straight-line over the assessed life of the lease.
- The Town has one type of item that arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, municipal court fines, and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

It is the government's policy to permit employees with at least six months of continuous service to accumulate earned but unused vacation pay benefits, not to exceed two times the rate of the employees' annual rate of accrual based on years of service. It is the Town's policy to pay all vacation leave and compensatory time (for non-exempt employees) regardless of whether the termination was voluntary or involuntary. All sick and vacation pay is accrued when incurred within the government-wide and proprietary fund financial statements. As such, there is an accrual at the close of the fiscal year in the government-wide and proprietary fund financial statements for the amount due to all employees as of September 30, 2024. No unused holiday leave will be paid upon termination of employment.

Pension

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amounts recognized as pension expenditures.

For purposes of measuring the net pension liability, and deferred inflows/outflows of resources, relating to pension expense, information about the fiduciary net position of the Town's pension plan with TMRS, and additions/deductions from the plan's fiduciary net position, have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expenses. Differences between projected and actual investment earnings are reported as deferred inflows of resources, or deferred outflows of resources, and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

Other Post-Employment Benefits (OPEB)

Supplemental Death Benefit Fund. 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 they are 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 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.

Retiree Health Insurance. For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the Town for benefits due and payable that are not reimbursed by plan assets. Information regarding the Town's total OPEB liability is obtained from a report prepared by a consulting actuary, Gabriel Roeder Smith & Company.

Long-term Debt

In the government-wide financial statements, and proprietary fund types within the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The Town has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payables are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

Within 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.

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 within 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.

Fund Balance Policies

In the fund financial statements, governmental funds report reservations of fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the Town is bound to honor constraints on how specific amounts can be spent.

- Non-spendable fund balance - includes the portion of net resources that cannot be spent because of its form (i.e., inventory, long-term loans, or prepaids), or because they must remain intact.

- Restricted fund balance - includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers, or as allowed by law through constitutional provisions or enabling legislation.
- Committed fund balance - includes the portion of net resources that can only be used for a specific purpose, determined by a resolution or ordinance of the Town Council, and that remains binding unless removed in the same manner. The resolution must be approved before the commitment will be reflected on the financial statements.
- Assigned fund balance - includes the portion of net resources for which an intended use has been established by the Town Council or the Town Manager. Assignment of fund balance is much less formal than commitments and does not require formal action for their imposition or removal. In governmental funds, other than the General Fund, assigned fund balance represents the amount that is not restricted or committed, which indicates that resources are, at a minimum, intended to be used for the purpose of that fund, as directed by the Town Council, or the Town Manager.
- Unassigned fund balance - includes the amounts within the General Fund in excess of what can properly be classified in one of the other categories of fund balance. It is the residual classification of the General Fund, and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

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

The purpose of the Town's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unprecedented one-time expenditures.

It is the long-term goal of the Town to maintain a minimum unassigned fund balance in the General Fund equivalent to no less than 66% of operating expenses. As of September 30, 2024, the Town's unassigned fund balance in the General Fund was approximately 33% of General Fund expenditures.

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 within 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 any restricted fund balance to have been depleted before using any component 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.

Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed.

Property Taxes

The Town's property tax is levied each October 1, on the assessed value listed as of the prior January 1, for all real and personal property. Appraised values are established by the Dallas Central Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Dallas County Appraisal District bills for the property taxes, which are due October 1. Full payment must be made prior to the next January 31, to avoid penalty or interest charges. Over time, substantially all property taxes are collected. Revenues are recognized as ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the Town may, at its own expense, require annual reviews of appraisal values. The Town may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the Town continues to set tax rates on Town property. However, if the adopted tax rate is above the voter approval tax rate, but below the de minimis rate, qualified voters of the Town may petition for an election per the Senate Bill 2, 86th Legislative Session that made several significant changes to the truth-in-taxation process.

For the fiscal year ended September 30, 2024, the Town had a tax rate of \$0.4530 per \$100 assessed values.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In, and Transfers Out, are netted, and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net position.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Program Revenue

Certain revenues such as charges for services and impact fees are included in program revenues.

Program Expenses

Certain indirect costs, such as administrative costs, are included in the program expense reported for individual functional activities.

Change in Accounting Principle

During fiscal year 2024, the Town adopted the following new accounting guidance:

- GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, was adopted effective October 1, 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

2. Cash and Investments

The Town's funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with the Town's agent approved pledged securities authorized by Chapter 2257, "Collateral for Public Fund of the Government Code", in an amount sufficient to protect the Town funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC").

At September 30, 2024, the carrying amount of the Town's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$15,484,193 and the bank balance was \$15,524,447. Both the Town and component unit's cash deposits at September 30, 2024 and during the year ended September 30, 2024, were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

Cash and investments as of September 30, 2024 consist of the following:

Investment Type	Reported Value	Valuation Method	Rating as of Year End	Weighted Average Maturity (Days)
LOGIC	\$ 5,756,751	NAV	AAA	48
Texas Class	8,585,358	NAV	AAAm	83
Certificates of deposit	2,000,000	Cost	N/A	22
U.S. Agency Securities	<u>6,703,850</u>	Fair Value Level 1	various	236
Subtotal	23,045,959			
Plus: depository cash	<u>7,728,842</u>			
Total cash and investments	<u>\$ 30,774,801</u>			

Amounts reported as restricted cash as of September 30, 2024, consist of the following:

	Carrying Value
Governmental- Restricted Cash	
PEG capital	\$ 14,840
Capital Projects	<u>2,452,169</u>
Total Governmental	<u>2,467,009</u>
Business-type- Restricted Cash	
Water Infrastructure Installation	<u>3,560,002</u>
Total Business-type	<u>3,560,002</u>
Total Restricted cash	<u>\$ 6,027,011</u>

Investments

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the Town to have an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the Town adhered to the requirements of the Act. Additionally, investment practices of the Town were in accordance with local policies.

Currently, all of the Town's pooled investments are with Local Government Investment Cooperative ("LOGIC") and Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"). LOGIC is administered by Hilltop Securities and JP Morgan Chase. Together, these organizations bring to the LOGIC program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management and extensive industry resources. LOGIC is rated AAA by Standard & Poor's. Texas CLASS is administered by Public Trust Advisors, LLC and was created specifically for the use of Texas local government entities, seeking to provide safety, liquidity, convenience, and competitive rates of return. Texas CLASS is rated AAAM by Standard & Poor's.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the Town to require full collateralization of all Town investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities.

In order to anticipate market changes and provide a level of security for all funds, it is the Town's policy that the market value of investments securing the deposit of funds shall be at least equal to or not less than 102% of the amount of the deposit of funds, reduced to the extent that the deposits are insured by the FDIC. The market value of collateral will always equal or exceed the principal and accrued interest of deposits at financial institutions. At its discretion, the Town may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with whom the Town has a current custodial agreement. As of September 30, 2024, the Town is in compliance with this policy.

Credit Risk. Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Town's investment policy, or debt agreements and the actual rating as of year-end for each investment type.

The Town will minimize credit risk, the risk of loss due to the failure of security issuer or backer by:

- Limiting investment to the safest types of securities;
- Pre-qualifying the financial institutions and broker/dealers with which the Town will do business;
- Diversifying the investment portfolio so that potential loss on individual securities will be minimized.

Interest Rate Risk. Investment rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its market value to changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter-term investments with an average maturity of less than 60 days, thus reducing interest rate risk. The Town monitors interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Town's investment policy has no specific limitations with respect to this metric.

Fair Value. Investments of the Town are recognized at fair value, except for amounts deposited with investment pools, which are measured at net asset value, which approximates fair value. The Town invests in LOGIC and Texas Class investment pools, which maintain a stable NAV of \$1 per share. The Town has no unfunded commitments to these pools and may redeem investments at any time. The pools have a redemption notice period of one day and may be redeemed daily. The pools' authority may only impose restrictions on redemption in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects the pools' liquidity.

The Town is required to disclose the fair value of its investments within the fair value hierarchy established by GASB 72. In the fair value hierarchy, there are three levels: 1) Inputs that are quoted prices (unadjusted) for identical assets, or liabilities in active markets that a government can access at the measurement date, 2) inputs (other than quoted prices included within level one) that are observable for an asset or liability, either directly or indirectly, 3) unobservable inputs for an asset or liability.

3. Receivables

Receivables as of year-end for the government's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Capital Projects	Utility Fund	Total
Receivables:					
Taxes	\$ 1,258,538	\$ 39,819	\$ -	\$ -	\$ 1,298,357
Fees and Charges	2,690,799	-	-	1,630,918	4,321,717
Notes	-	145,000	-	-	145,000
Tax note proceeds	-	-	7,000,000	-	7,000,000
Gross Receivables	3,949,337	184,819	7,000,000	1,630,918	12,765,074
Less:					
Allowance for uncollectibles	(2,551,482)	(995)	-	(18,951)	(2,571,428)
Net Total Receivables	<u>\$ 1,397,855</u>	<u>\$ 183,824</u>	<u>\$ 7,000,000</u>	<u>\$ 1,611,967</u>	<u>\$10,193,646</u>

Allowance for uncollectible amounts: Approximately 99%, or \$2,549,440, of the allowance represents older outstanding court warrants that have been deemed as potentially uncollectible.

Amounts reported for tax note proceeds receivable relate to the issuance of the Town's Tax Notes, Series 2024. The long-term debt was recognized due to the notes being dated and priced in September 2024, but the closing did not occur until October 2024.

4. Note Receivables

The Sunnyvale 4A Development Corporation agreed to pay a portion of the Town's 2013 Refunding Bond by remitting to the Town from the receipts of local sales and use taxes received by the Corporation to pay a portion of the principal and interest on the bonds.

	Balance 9/30/2023	Additions	Decreases	Balance 9/30/2024	Due within One Year
Note receivable-4A Dev	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ (30,000)</u>	<u>\$ 145,000</u>	<u>\$ 35,000</u>

Requirement as follows:

Year Ending September 30,	Payment
2025	\$ 35,000
2026	35,000
2027	35,000
2028	<u>40,000</u>
	<u>\$ 145,000</u>

5. Unearned Revenue

As of September 30, 2024, unearned revenue of \$1,160,460 was reported in the ARPA Grants Fund for the portion of grant funds that have been received but not yet spent on eligible expenditures. These amounts will be recognized as revenue in future years as the funds are spent.

6. Capital Assets

Capital asset activity for the period ended September 30, 2024, was as follows:

	Balance 9/30/2023	Additions	Decreases	Balance 9/30/2024
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,610,223	\$ -	\$ -	\$ 2,610,223
Construction in progress	<u>6,379,047</u>	<u>14,155,726</u>	<u>-</u>	<u>20,534,773</u>
Total capital assets not being depreciated	<u>8,989,270</u>	<u>14,155,726</u>	<u>-</u>	<u>23,144,996</u>
Capital assets being depreciated:				
Buildings & Improvements	15,566,077	-	2,045,114	17,611,191
Machinery and equipment	5,406,862	612,718	-	6,019,580
Infrastructure	<u>27,077,547</u>	<u>-</u>	<u>(2,045,114)</u>	<u>25,032,433</u>
Total capital assets being depreciated	<u>48,050,486</u>	<u>612,718</u>	<u>-</u>	<u>48,663,204</u>
Less accumulated depreciation for:				
Buildings & Improvements	(3,452,116)	(1,317,868)	(1,844,448)	(6,614,432)
Machinery and equipment	(3,738,956)	(385,718)	-	(4,124,674)
Infrastructure	<u>(5,491,542)</u>	<u>(1,415,328)</u>	<u>1,844,448</u>	<u>(5,062,422)</u>
Total accumulated depreciation	<u>(12,682,614)</u>	<u>(3,118,914)</u>	<u>-</u>	<u>(15,801,528)</u>
Total capital assets being depreciated, net	<u>35,367,872</u>	<u>(2,506,196)</u>	<u>-</u>	<u>32,861,676</u>
Governmental activities capital assets, net	<u>\$ 44,357,142</u>	<u>\$ 11,649,530</u>	<u>\$ -</u>	<u>\$ 56,006,672</u>

	Balance 9/30/2023	Additions	Decreases	Balance 9/30/2024
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 126,225	\$ -	\$ -	\$ 126,225
Construction in progress	245,050	3,264,791	-	3,509,841
Total capital assets, not being depreciated	<u>371,275</u>	<u>3,264,791</u>	<u>-</u>	<u>3,636,066</u>
Capital assets being depreciated:				
Building	6,743,042	-	-	6,743,042
Machinery and equipment	1,719,984	-	-	1,719,984
Infrastructure	35,090,975	-	-	35,090,975
Total assets being depreciated	<u>43,554,001</u>	<u>-</u>	<u>-</u>	<u>43,554,001</u>
Less accumulated depreciation for:				
Building	(2,067,165)	(249,998)	-	(2,317,163)
Machinery and equipment	(779,360)	(142,744)	-	(922,104)
Infrastructure	(8,792,559)	(1,310,414)	-	(10,102,973)
Total accumulated depreciation	<u>(11,639,084)</u>	<u>(1,703,156)</u>	<u>-</u>	<u>(13,342,240)</u>
Total capital assets being depreciated, net	<u>31,914,917</u>	<u>(1,703,156)</u>	<u>-</u>	<u>30,211,761</u>
Business-type activities capital assets, net	<u>\$ 32,286,192</u>	<u>\$ 1,561,635</u>	<u>\$ -</u>	<u>\$ 33,847,827</u>

Depreciation

Depreciation expense was charged to functions/programs of the primary government as follows:
Governmental activities:

General Government	\$ 739,484
Public Safety	1,727,218
Public Works	285,996
Parks & Recreation	366,216
Total depreciation expense - governmental activities	<u>\$ 3,118,914</u>

Business-type activities:

Utility	\$ 1,703,156
Total depreciation expense- business-type activities	<u>\$ 1,703,156</u>

Construction Commitments

The Town has active construction projects as of September 30, 2024. At year-end the town's commitments with contractors are as follows:

Projects	Remaining Commitment
Street improvements	\$ 7,000,000
Water and sewer	2,903,576
Total Commitments	<u>\$ 9,903,576</u>

7. Interfund Receivables, Payables and Transfers

The outstanding balances between funds result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund payables at the end of the fiscal year were as follows:

Receivable Fund	Payable Fund	Amount	Purpose
Debt service	Utility	\$ 87,375	Short-term pooled cash loan
General	Capital Projects	147,125	Short-term pooled cash loan
Utility	General	34,718	Short-term pooled cash loan
Totals		<u>\$ 269,218</u>	

Interfund transfers made during the fiscal year were as follows:

Transfer From	Transfer To	Amount	Purpose
Utility fund	General fund	\$ 125,000	Franchise fee and indirect costs
Utility fund	General fund	125,000	Vehicle replacement funding
Capital projects	Utility fund	1,489,198	Supplement capital projects funding
General fund	Capital projects	<u>5,040,884</u>	Supplement capital projects funding
		<u>\$ 6,780,082</u>	

8. Long-term Obligations

The Town issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental activities. These instruments include general obligation bonds, certificates of obligation, and tax notes. These debt obligations are secured by primarily future property tax revenues. In some cases, these bonds are also secured by a pledge of net revenues from the utility system that is generally limited to a nominal amount. Additionally, certain obligations that were marketed as private placements have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the Town default on these bonds, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Town to make payment.

During fiscal year 2024, the Town issued its Tax Notes, Series 2024 in the amount of \$6,560,000, which bears an interest rate of 2.973% and matures in series from 2025 through 2031. The net proceeds of \$7,000,000 (net of an issuance premium of \$580,242 and costs of issuance) were delivered in October 2024 and placed in the Capital Projects Fund. The proceeds from the Notes will be used to construct and improve streets, roads, and bridges within the Town, and to fund various other capital projects. Because the bonds were priced and dated before yearend, but the proceeds not received afterward, a receivable of \$7,000,000 has been reported for the cash received shortly after yearend.

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2024, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Primary Government					
Governmental activities:					
Bonds payable	\$ 21,535,000	\$ 6,560,000	\$ (1,930,000)	\$ 26,165,000	\$ 2,100,000
Bond premiums	1,795,806	580,242	(333,992)	2,042,056	-
Bond discounts	(22,505)	-	1,617	(20,888)	-
Financed purchase	280,220	-	(75,201)	205,019	69,030
Compensated absences	<u>181,981</u>	<u>291,070</u>	<u>(196,150)</u>	<u>276,901</u>	<u>69,225</u>
Total governmental activities	<u>\$ 23,770,502</u>	<u>\$ 7,431,312</u>	<u>\$ (2,533,726)</u>	<u>\$ 28,668,088</u>	<u>\$ 2,238,255</u>
Business-type activities:					
Bonds payable	\$ 5,060,000	\$ -	\$ (430,000)	\$ 4,630,000	\$ 450,000
Bond premium	607,381	-	(46,576)	560,805	-
Notes payable	59,995	-	(12,006)	47,989	12,004
Note discounts	(17,854)	-	3,571	(14,283)	-
Compensated Absences	<u>24,248</u>	<u>27,028</u>	<u>(25,746)</u>	<u>25,530</u>	<u>6,383</u>
Total business-type activities	<u>\$ 5,733,770</u>	<u>\$ 27,028</u>	<u>\$ (510,757)</u>	<u>\$ 5,250,041</u>	<u>\$ 468,387</u>

Compensated absences are typically paid from the General or Proprietary Fund, based on the assignment of an employee at date of termination.

Bonds Payable

The general obligation bonds and Tax Notes are backed by the full faith and credit of the Town and are payable from property taxes. The refunding bonds and certificates of obligation are payable from the net revenues of the Utility Fund and from property taxes received by the Town.

The Town's outstanding bonded debt is as follows:

	Interest Rate	Issue Date	Maturity Date	Original Issue	Outstanding
Governmental activities:					
2021 General Obligation Refunding	4%	2021	2028	\$ 1,340,000	\$ 950,000
2017 Certificates of Obligation	3%	2017	2037	4,045,000	3,120,000
2019 Certificates of Obligation	2.5% - 4.0%	2019	2040	5,720,000	5,720,000
2020 Certificates of Obligation	2.5% - 4.0%	2020	2040	6,355,000	6,070,000
2019 Tax Notes	1.80%	2019	2026	3,560,000	1,100,000
2023 Tax Notes	3.38% - 3.54%	2023	2030	3,440,000	2,645,000
2024 Tax Notes	2.97%	2024	2031	6,560,000	6,560,000
Total governmental bonds				<u>\$ 31,020,000</u>	<u>\$ 26,165,000</u>
Business-type activities:					
2020 General Obligation Refunding	2.5% - 4.0%	2020	2040	\$ 3,105,000	\$ 2,690,000
2021 General Obligation Refunding	4.00%	2021	2028	995,000	695,000
2020 Certificates of Obligation	3.0% - 4.0%	2020	2031	1,845,000	1,245,000
				<u>\$ 5,945,000</u>	<u>\$ 4,630,000</u>

The annual requirements for the Town's outstanding bonds are as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities		Primary Government	
	Principal	Interest	Principal	Interest	Total Principal	Total Interest
2025	\$ 2,100,000	\$ 1,023,531	\$ 450,000	\$ 174,625	\$ 2,550,000	\$ 1,198,156
2026	2,015,000	994,920	460,000	158,050	2,475,000	1,152,970
2027	2,125,000	910,425	480,000	139,675	2,605,000	1,050,100
2028	2,300,000	812,475	495,000	120,600	2,795,000	933,075
2029	2,455,000	703,650	330,000	104,500	2,785,000	808,150
2030-2034	8,665,000	2,007,025	1,195,000	344,250	9,860,000	2,351,275
2035-2039	5,475,000	733,500	995,000	147,500	6,470,000	881,000
2040	1,030,000	20,600	225,000	4,500	1,255,000	25,100
	<u>\$ 26,165,000</u>	<u>\$ 7,206,126</u>	<u>\$ 4,630,000</u>	<u>\$ 1,193,700</u>	<u>\$ 30,795,000</u>	<u>\$ 8,399,826</u>

Financing Arrangements

The Town entered into a financing arrangement for a 2018 E-One Fire Truck in the amount of \$526,409 on February 20, 2021. The lease will be repaid over a seven-year period at an interest rate of 2.89%. Debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest
2025	\$ 69,030	\$ 6,175
2026	71,026	4,175
2027	64,963	2,117
	<u>\$ 205,019</u>	<u>\$ 12,467</u>

Note Payable

In fiscal year 2007, the Town executed an infrastructure repayment agreement with the Texas Department of Agriculture's Rural Economic Development Division. Under the terms of the agreement, the Town agreed to repay program income to the Texas Department of Agriculture in an amount up to \$192,100. The note is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5.00%. Payments will be made in no more than two hundred and forty equal monthly installments beginning the first (1st) day of the third (3rd) month following the completion date or occupancy by the beneficiary, whichever comes first.

Debt service requirements to maturity are as follows:

Year Ending September 30	Minimum Obligation
2025	\$ 12,004
2026	12,004
2027	12,004
2028	11,977
	<u>\$ 47,989</u>

Component Unit Note to Primary Government

The Sunnyvale 4A Development Corporation agreed to pay a portion of the Town's 2013 Refunding Bond by remitting to the Town from the receipts of local sales and use taxes received by 4A to pay a portion of the principal and interest on the bonds. 4A remitted \$36,400 to the Town during fiscal year 2024. The outstanding amount owed to the Town as of September 30, 2024 totaled \$145,000.

Requirements to maturity are as follows:

Year Ending September 30	Principal	Interest
2025	\$ 35,000	\$ 5,100
2026	35,000	3,700
2027	35,000	2,300
2028	40,000	800
	<u>\$ 145,000</u>	<u>\$ 11,900</u>

DEFINED BENEFIT PENSION PLAN

For the purpose 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 TMRS and additions/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

Plan Description

The City participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.org.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefits provisions are adopted by the Town Council, within the options available in the statutes governing TMRS.

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

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

Employee deposit rate:	7%
Matching ratio (Town to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated service credit:	100% Repeating
Annuity increase to retirees:	70% of CPI repeating
Supplemental death benefit - employees and retirees	Yes

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	68
Active employees	81
Total	<u>178</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 (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the Town were required to contribute 7.00% of their annual gross earnings during the fiscal year. Contribution rates for the Town were 12.61% and 12.21% in calendar years 2023 and 2024, respectively. The Town's contributions to TMRS for the fiscal year ended September 30, 2024 were \$829,341, and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

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

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

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

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core fixed income	6.00%	4.70%
Non-core fixed income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private equity	10.00%	11.60%
Total	100.00%	

Discount Rate

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

Changes in the Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2022	\$ 9,376,237	\$ 8,274,867	\$ 1,101,370
Changes for the year:			
Service cost	1,075,908	-	1,075,908
Interest (on the Total Pension liability)	651,673	-	651,673
Change in benefit terms	(102,020)	-	(102,020)
Difference between expected and actual experience	(102,737)	-	(102,737)
Contributions - employer	-	728,096	(728,096)
Contributions - employee	-	413,357	(413,357)
Benefit payments, including refunds of employee contributions	(315,513)	(315,513)	-
Net investment income	-	962,060	(962,060)
Administrative expense	-	(6,093)	6,093
Other changes	(31,093)	(43)	(31,050)
Net changes	<u>1,176,218</u>	<u>1,781,864</u>	<u>(605,646)</u>
Balance at 12/31/2023	<u>\$ 10,552,455</u>	<u>\$ 10,056,731</u>	<u>\$ 495,724</u>

Sensitivity of the Net Pension Asset 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 (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/(asset)	\$ 2,208,062	\$ 495,724	\$ (878,774)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the Town recognized pension expense of \$554,526. At September 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 196,406
Changes in actuarial assumptions	-	23,946
Difference between projected and actual investment earnings	204,170	-
Contributions subsequent to the measurement date	595,563	-
Total	<u>\$ 799,733</u>	<u>\$ 220,352</u>

\$595,563 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 September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2025	\$ (17,789)
2026	(4,781)
2027	97,857
2028	(91,469)
Total	<u>\$ (16,182)</u>

OTHER POST-EMPLOYMENT BENEFITS

The Town provides for two other post-employment benefit (OPEB) plans: the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), and its own single-employer Retiree Benefits Plan. Both are described in detail below. Neither OPEB plan has fiduciary net position and thus all future benefit payments will be paid with Town funds. As such, management has estimated the amount due within one year that is reported as a current liability in the statement of net position.

TMRS Supplemental Death Benefits Fund

Plan Description. The Town voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the Town's pension plan.

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 employment benefit and is a fixed amount of \$7,500.

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

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>81</u>
Total	<u>115</u>

Contributions. The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.25% for 2024 and 0.28% for 2023, of which 0.06% and 0.10%, 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 year ended September 30, 2024 were \$5,905, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability. The Town's total OPEB liability of \$144,132 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount Rate	3.77% (Based on Fidelity Index's 20-Year Municipal GO AA Index as of December 31, 2023)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis with Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Changes in the Total OPEB Liability:

Changes in Total OPEB Liability	
Total OPEB Liability - Beginning	\$ 117,605
Changes for the year:	
Service cost	12,991
Interest on total OPEB liability	4,906
Differences between expected and actual experience	6,565
Changes in assumptions or other inputs	7,970
Benefit payments	(5,905)
Net Changes in Total OPEB Liability	26,527
Total OPEB Liability - Ending	<u>\$ 144,132</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. A single discount rate of 3.77% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from the Town are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the Total OPEB liability. 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, 2023.

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

1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
\$ 175,355	\$ 144,132	\$ 120,396

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2024, the Town recognized OPEB expense of \$15,613, which is attributable to governmental and business-type activities in the amounts of \$13,668 and \$1,945, respectively. At September 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual economic experience	\$ 5,711	\$ 6,710
Difference in assumption changes	20,470	46,016
Contributions subsequent to the measurement date	12,449	-
Totals	<u>\$ 38,630</u>	<u>\$ 52,726</u>

\$12,449 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2025	\$ (875)
2026	(3,694)
2027	(7,105)
2028	(7,123)
2029	(7,552)
Thereafter	(196)
Total	<u>\$ (26,545)</u>

Retiree Health Plan

Plan Description. The Town provides healthcare benefits through a single employer defined benefit healthcare plan for all full-time employees and retirees that meet the minimum retirement age of 60 and are vested in the retirement plan prior to retirement or have twenty years or more of service at any age. Currently, the retiree contributes 100% of the blended healthcare premium for coverage and is also responsible for payment of premiums for any dependent coverage. This plan is administered by the Town, and it has the authority to establish and amend the benefit terms and financing arrangements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits and Contributions. Survivors of employees who die while actively employed are not eligible for retiree healthcare benefits. Employees who become disabled are not eligible for retiree healthcare benefits unless they meet the Town's retirement requirements, and they elect to retire from the Town. The dependent of a current employee can receive coverage when the employee retires if the retiree elects dependent coverage at the time of retirement, the only exception would be in the event of a family status change which will allow dependents to be added at a later date. The retiring employee must continue to elect (and pay for) coverage for the dependents at all future open enrollments or the dependent coverage will cease. The dependents 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 healthcare plan are not eligible to opt back in at a later date.

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>71</u>
Total	<u>72</u>

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	December 31, 2022
Actuarial Cost Method	Individual entry-age normal
Inflation Rate	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the 2023 experience study conducted for the Municipal Retirement System (TMRS). For the OPEB valuation, the standard TMRS retirement rates were adjusted to reflect the impact of the City's retiree medical plan design.
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Health care cost trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 15 years.
Participation rates	100% participation for retirees who are eligible for the City's retiree healthcare subsidy.
Discount rate	3.77% as of December 31, 2023

Mortality rates were updated and are based upon the gender distinct PUB 2010 general employee mortality table with mortality improvement scale MP-2019. Per capita costs for Pre-65 retirees were derived based upon the fully insured rates on a retiree-only experience basis. Medicare eligible retirees are assumed to rescind the City's plan and take Medicare coverage. Any Medicare Part D subsidy was not reflected in the estimate. The participation rate for future retirees is based upon years of service at retirement.

Any participant that retires prior to age 50 is assumed to waive the City's healthcare plan. For any future retiree assumed to elect retiree healthcare, their spouse is assumed to waive coverage. 40% of retirees are assumed to drop coverage at the time the employer subsidy ends. The per capita claims costs include a 7% load for administrative expenses and a 10% load for stop loss premiums where both are assumed to escalate with the healthcare trend rates each year.

The discount rate of 3.77% is based upon the yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The other financial assumptions for long-term inflation, payroll growth, and salary scale were taken from the TMRS actuary study. The per capita claims costs and how these costs are expected to escalate in the future were set by IPS Advisors who develop the funding rates.

Changes in the Total OPEB Liability. The Town's total OPEB liability of \$169,886 (\$148,718 in the governmental activities and \$21,618 in business-type activities, respectively) was measured as of December 31, 2023 and was determined by an actuarial valuation as of December 31, 2022.

Within the governmental activities, the General Fund generally liquidates the total OPEB liability. In the business-type activities, the total OPEB liability is typically liquidated by the Utility Fund.

	Total OPEB Liability
Balance at 12/31/2022	\$ 138,787
Changes for the year:	
Service cost	30,050
Interest	6,080
Changes of assumptions	(420)
Difference between expected and actual experience	2,770
Benefit payments	(7,381)
Net changes	31,099
Balance at 12/31/2023	<u>\$ 169,886</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 4.05% to 3.77%.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB liability	\$ 185,277	\$ 169,886	\$ 156,136

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

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB liability	\$ 150,815	\$ 169,886	\$ 192,935

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2024, the Town recognized OPEB expense of \$32,945 (\$28,840 in the governmental activities and \$4,105 in business-type activities, respectively). At September 30, 2024, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,468	\$ 825
Changes in actuarial assumptions	-	24,206
Contributions subsequent to the measurement date	5,414	-
Totals	<u>\$ 7,882</u>	<u>\$ 25,031</u>

\$5,414 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the Town paid with own assets and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025.

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

For the Year Ended September 30,	OPEB Expense Amount
2025	\$ (3,184)
2026	(3,184)
2027	(3,184)
2028	(3,184)
2029	(3,184)
Thereafter	<u>(6,643)</u>
Total	<u>\$ (22,563)</u>

HEALTH CARE COVERAGE

During the year ended September 30, 2024, employees of the Town were covered by a health insurance plan with Texas Municipal League Intergovernmental Employee Benefit Pool ("TMLIEBP"). The Town contributed \$488 per month. In addition, a monthly amount, \$125 was credited to a Health Reimbursement Account ("HRA") for each employee. The Town also paid the monthly premium for a \$10,000 life insurance and accidental death and dismemberment ("AD&D") protection for each employee. The Town paid 100% of monthly premiums for full-time employees. The Town did not pay for dependent coverage; however, it was available to employees at their option and was paid through payroll deductions.

INSURANCE COVERAGE

In accordance with state statute, the Town was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed and eligible to do business in Texas, in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. No claims are payable as of September 30, 2024, and, and no liability has been estimated for claims incurred but not reported.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The Town pays an annual premium to TML for its insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The Town continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past four fiscal years.

LITIGATION

The Town is a party to various legal proceedings arising in the ordinary course of its operations. Management believes that the Town has adequate legal defenses and/or insurance coverage respecting each of these actions.

ADDITIONAL WATER AND SEWER INFORMATION

The following information is included at the request of the Texas Water Development Board for the year under audit.

The Town secures its water supply and sewer services from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59, created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation, and eminent domain power and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the Town. The District is governed by a 17-member board ("Board"). The Board has full power and discretion to establish its budget and to set the rates for the services it provides by contract with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent abuse or to enforce payment of an unpaid charge, fee or rental due to the District. Because of these factors, the District is not included in the Town's basic financial statements.

The Town purchases its water from the North Texas Municipal Water District ("NTMWD"). Each year, NTMWD calculates the cost of water based upon the previous year's usage. The Town currently pays \$3.69 per thousand gallons for water with the total cost for this current fiscal year being \$2,892,163.

ACCOUNTING CHANGES

In accordance with GASB 100, accounting changes for the year are reported as follows:

Changes within the Financial Reporting Entity. For Fiscal Year 2024, the Town reported the following change within its financial reporting entity:

- The Special Revenue Fund was previously reported as a major governmental fund based on quantitative factors. In the current year, these thresholds were not met, and management determined that no qualitative factors were sufficient to merit continued presentation as a major fund. Thus, the fund is reported as a non-major governmental fund.

NEW ACCOUNTING STANDARDS

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

THIS PAGE INTENTIONALLY LEFT BLANK



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

[CLOSING DATE]

IN REGARD to the authorization and issuance of the "Town of Sunnyvale, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025", dated October 15, 2025, in the principal amount of \$_____ (the "Certificates"), we have examined into their issuance by the Town of Sunnyvale, 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 February 15 in each of the years specified in the ordinance adopted by the Town Council of the Town authorizing the issuance of the Certificates (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the date, 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 of the Town in connection with the issuance of the Certificates, including the Ordinance, (ii) certifications and opinions 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 to certain other facts within the knowledge and control of the Town, and (iii) such other documentation, including an examination of the Certificate executed and delivered initially by the Town (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, 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 and information contained in such certificates.

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, together with the Previously Issued Certificates (identified and defined in the Ordinance), are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the Town's 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.

Municipal Advisory Services
Provided By

