(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated July 23, 2026

Ratings:
S&P: "AA+"
(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.

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

$8,500,000*
TOWN OF ARGYLE, TEXAS
(Denton County)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: August 1, 2026
Interest Accrues from Delivery Date

Due: February 15, as shown on Page 2

PAYMENT TERMS . . . Interest on the $8,500,000* Town of Argyle, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the date of initial delivery to the purchaser, thereof (the "Delivery Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the 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 The Bank of New York Mellon Trust Company, N.A., Houston, Texas (see "The Certificates - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance to be adopted by the Town Council (the "Certificate Ordinance") and constitute direct Obligations of the Town of Argyle, Texas (the "Town"), payable from an annual ad valorem tax levied on all taxable property within the Town, within the limits prescribed by law, and from a limited pledge (not to exceed $1,000) of the net revenues of the Town's sanitary sewer system as provided in the Certificate Ordinance. (see "The Certificates - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) designing, constructing and equipping a municipal law enforcement facility, including acquisition of land and rights-of-way therefor and related site improvements, infrastructure and roads accessing and supporting such facility, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and erosion control, utility extensions and relocations, landscaping, screening walls, curbs, gutters, sidewalks, lighting, signage and traffic signalization incidental thereto and the acquisition of land, equipment and rights-of-way therefor, (iii) constructing and improving storm water detention and retention facilities, including acquisition of land and rights-of-way therefor (collectively, the “Projects”) and (iv) professional services rendered in connection therewith (see "Plan of Financing".)

MATURITY SCHEDULE - CERTIFICATES

See page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on September 3, 2026.

SEALED BIDS DUE AUGUST 3, 2026, AT 10:30 AM, CDT

* Preliminary, subject to change. See "THE CERTIFICATES - Adjustment of Principal Amounts and/or Types of Bids" in the "Notice of Sale and Bidding Instructions".

MATURITY SCHEDULE* **CUSIP Prefix [1]: 040317**

Amount	February 15 Maturity	Rate	Yield	CUSIP Suffix [1]	Amount	February 15 Maturity	Rate	Yield	CUSIP Suffix [1]
$ 275,000	2027				$ 245,000	2042			
645,000	2028				260,000	2043			
130,000	2029				275,000	2044			
135,000	2030				285,000	2045			
145,000	2031				300,000	2046			
150,000	2032				315,000	2047			
155,000	2033				330,000	2048			
165,000	2034				345,000	2049			
175,000	2035				360,000	2050			
185,000	2036				380,000	2051			
190,000	2037				395,000	2052			
200,000	2038				415,000	2053			
215,000	2039				435,000	2054			
225,000	2040				455,000	2055			
235,000	2041				480,000	2056			

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

REDEMPTION . . . The Town reserves the right, at its option, to redeem Certificates maturing on and after February 15, 2036, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates – Optional Redemption").

* Preliminary, subject to change.

This Preliminary Official Statement, which includes the cover page, and 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 Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon.

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

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 promise or guarantee of the Municipal Advisor. This Preliminary Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Preliminary 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.

NEITHER THE TOWN, ITS MUNICIPAL ADVISOR, NOR THE INITIAL PURCHASERS OF THE CERTIFICATES MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.

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

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

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE TOWN	The Town of Argyle is a political subdivision and municipal corporation of the State, located in Denton County, Texas (see "Introduction - Description of Town").
THE CERTIFICATES	The $8,500,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 are to mature on February 15 in the years 2027 through 2056 (see "The Certificates - Description of the Certificates").
PAYMENT OF INTEREST	Interest on the Certificates accrues from the Delivery Date, and is payable February 15, 2027, and each February 15 and August 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates" and "The Certificates - Optional Redemption").
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance (the "Certificate Ordinance") to be adopted by the Town Council of the Town (see "The Certificates - Authority for Issuance").
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the Town, payable from a combination of (i) an annual ad valorem tax levied, 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 of the Town's sanitary sewer system as provided in the Certificate Ordinance (see "The Certificates - Security and Source of Payment").
REDEMPTION	The Town reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates – Optional Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein.
QUALIFIED TAX-EXEMPT OBLIGATIONS	The Certificates will be designated as “qualified tax-exempt obligations” for financial institutions. See “Tax Matters – Qualified Tax-Exempt Obligations” herein.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for (i) designing**,** constructing and equipping a municipal law enforcement facility, including acquisition of land and rights-of-way therefor and related site improvements, infrastructure and roads accessing and supporting such facility, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and erosion control, utility extensions and relocations, landscaping, screening walls, curbs, gutters, sidewalks, lighting, signage and traffic signalization incidental thereto and the acquisition of land, equipment and rights-of-way therefor, (iii) constructing and improving storm water detention and retention facilities, including acquisition of land and rights-of-way therefor (collectively, the “Projects”) and (iv) professional services rendered in connection therewith (see "Plan of Financing".)
RATINGS	The Certificates and presently outstanding tax supported debt of the Town are rated " AA+" by S&P Global Ratings (“S&P”), a division of S&P Global Inc ("S&P") (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").
PAYMENT RECORD	The Town has never defaulted in payment of its general obligation tax debt.

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Town Population [1]	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio Funded Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	4,619	$ 913,253,139	$ 197,717	$ 10,627,000	$ 2,301	1.16%	102.49%
2023	4,780	1,095,623,284	229,210	9,560,000	2,000	0.87%	96.60%
2024	4,780	1,382,940,934	289,318	8,525,000	1,783	0.62%	96.90%
2025	4,780	1,539,181,973	322,005	8,245,000	1,725	0.54%	98.79%
2026	6,029	1,723,034,646	285,791	15,135,000 [2]	2,510	0.88%	97.42% [3]

(1) Information provided by North Central Texas Council of Governments and Town officials.
(2) Projected; includes the Certificates.
(3) Collection for part year only, through June 1, 2026.

TOWN OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

Town Council	Length of Service	Term Expires
Ronald Schmidt Mayor	8 Years	May, 2028
Gustav Svehla Councilmember, Place 1	2.5 Years	May, 2029
Martin Brading Councilmember, Place 2	1 Year	May, 2027
Chad Boyd Councilmember, Place 3	2.5 Years	May, 2029
Casey Stewart Councilmember, Place 4	3 Years	May, 2027
Cynthia Hermann Mayor Pro Tem, Place 5	5 Years	May, 2028

Name	Position	Length of Service With Town
Mike Sims	Town Manager	1 Year
Brenda McDonald	Town Attorney	6 Years

CONSULTANTS AND ADVISORS

Auditors .... Vail & Park, P.C
Richardson, Texas

Bond Counsel .... Norton Rose Fulbright US LLP
Dallas, Texas

Municipal Advisor .... Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the Town, please contact:

Mike Sims Town of Argyle 308 Denton Street E P.O. Box 609 Argyle, TX 76226 (214) 397-8196	or	Nick Bulaich Steven Murray HilltopSecurities, Inc. 777 Main Street, Suite 1525 Fort Worth, Texas 76102 (817) 332-9710

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$8,500,000*
TOWN OF ARGYLE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $8,500,000* Town of Argyle, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates"). The Certificates are being authorized for issuance under an ordinance (the "Ordinance" or the "Certificate Ordinance"), to be adopted by the Town Council of the Town. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Certificate Ordinance, (hereinafter defined, see "The Certificates – Authority for Issuance").

There follow in this Official Statement description of the Certificates and certain information regarding the Town and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Town's Municipal Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Fort Worth, Texas.

DESCRIPTION OF THE TOWN . . . The Town is a political subdivision located in Denton County operating as a Type A general law city under the laws of the State of Texas. The Town operates under the Aldermanic form of government where the mayor and five councilmembers are elected at-large for staggered two-year terms. The Council formulates operating policy for the Town while the Town Manager is the chief administrative officer. The Town Manager has administrative responsibility of the General Administration, Police, Municipal Court, Development Services, Streets and Drainage, and the Wastewater Utility Departments, as well as the administration of the Argyle Economic Development Corporation.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) designing, constructing and equipping a municipal law enforcement facility, including acquisition of land and rights-of-way therefor and related site improvements, infrastructure and roads accessing and supporting such facility, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and erosion control, utility extensions and relocations, landscaping, screening walls, curbs, gutters, sidewalks, lighting, signage and traffic signalization incidental thereto and the acquisition of land, equipment and rights-of-way therefor, (iii) constructing and improving storm water detention and retention facilities, including acquisition of land and rights-of-way therefor (collectively, the "Projects") and (iv) professional services rendered in connection therewith (see "Plan of Financing".)

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources:	The Certificates
Principal Amount of Certificates	$ -
Premium	-
Total Sources of Funds	$ -
Uses:	
Deposit to Construction Fund	$ -
Costs of Issuance	-
Total Uses of Funds	$ -

* Preliminary, subject to change.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated August 1, 2026, and 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 Delivery Date and 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, 2027, until 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 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 being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and the Certificate Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Certificates is payable from a direct and continuing annual ad valorem tax levied by the Town, within the limits prescribed by law, upon all taxable property in the Town as provided in the Certificate Ordinance. Additionally, the Certificates are payable from a limited pledge (not to exceed $1,000) of the net revenues of the Town's sanitary sewer system.

TAX RATE LIMITATION . . . All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the Town, and limits its maximum ad valorem tax rate to $1.50 per $100 taxable assessed valuation for all Town purposes.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem the Certificates maturing on and after February 15, 2036, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the Town may select the maturities of Certificates to be redeemed. 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.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Certificate Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the Town, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Town will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

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. If a certificate (or any portion of its principal sum) shall have been duly called for redemption and any other condition to redemption satisfied, then upon the redemption date such certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys 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, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

DEFEASANCE . . . The Certificate Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates being defeased, and thereafter, the Town will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased 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 Certificate Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the obligations . Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that 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 are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the obligations under the then applicable laws of the State of Texas. The Town has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Town moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. The Town has reserved the option, however, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date, which have been defeased to their maturity date, 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.

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 Certificate Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or those for any other Government Security will be maintained at any particular rating category.

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

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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, New York, New York, 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 security certificate for each maturity will be issued for the Certificates in the aggregate principal amount thereof and will be deposited with DTC.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the 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 transactions, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owners 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 for the Certificates is discontinued.

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

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

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

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

All 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 dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to 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 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 and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, securities 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, 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 Certificate Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Town, the Municipal Advisors or the Initial Purchaser of the Certificates.

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

Paying Agent/Registrar . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. In the Certificate 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 or trust company organized under the laws of the State of Texas 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.

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 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 their stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. 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 "The Certificates - Book-Entry-Only System" above 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 (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of a Certificate.

Record Date for Interest Payment . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the 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 registered owner of a Certificate to be paid on the Special Payment Date that appears 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.

Remedies . . . The Certificate Ordinance does not establish specific events of default with respect to the Certificates. If the Town defaults in the payment of the principal of or interest on any of the Certificates when due or the Town defaults in the observance or performance of any of the covenants, conditions, or obligations of the Town, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Certificate Ordinance, the Certificate Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the Town to make such payment or observe and perform such covenants, conditions or obligations. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the obligations and the Town's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but it may not be arbitrarily refused. There is no acceleration of maturity of any 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 Certificate Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the Town to perform in accordance with the terms of the Certificate 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. Town 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. 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. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under 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. Town of Mexia, 197 S.W. 3d 325 (2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the Town's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the Town for breach of the covenants in the Certificates or in the Ordinances. Even if a judgment against the Town could be obtained, it could not be enforced by direct levy and execution against the Town's property. Further, the registered owners cannot themselves foreclose on property within the Town or sell property within the Town to enforce the tax lien on taxable property to pay the principal of and interest on the 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, including holders of the Certificates, of an entity which has sought protection under Chapter 9. Therefore, should the Town avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be Cede & Co., the nominee of DTC. See "The Certificates - Book-Entry-Only System" above for a description of the duties of DTC with regard to ownership of the Certificates.

THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY

PROPERTY 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. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY. . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the Town is the responsibility of the Denton 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.

Unless extended by future legislation, through December 31, 2026, an appraisal district may only increase the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.32 million (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides 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 "PROPERTY 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.

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. The governing body of a school district, municipality, or county that adopted an exemption described in (1), above, for the 2022 tax year may not reduce the amount of or repeal the exemption through December 31, 2027.

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

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

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

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

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from 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 physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35 of the Property Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

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

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

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 $62,883,169 for the 2026 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 "PROPERTY 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.

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 2023 through 2025 divided by the current total value.

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

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

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

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

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

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

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

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

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

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

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the 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 concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, 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 has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities, among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The Town is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions **OR THE FULL IMPACT OF THE** legislation approved during the 89th Regular Session or the two called special sessions at this time.

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

The Town has granted an additional exemption of 1% 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.

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 Denton County Tax Assessor Collector 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 does not tax goods-in-transit.

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

The Town has adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Denton Central Appraisal District		$ 2,454,283,117
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap Adjustment	$ 158,313,037	
Circuit Breaker Limitation	10,812,066	
Ag/Timber Use	439,496,588	
Over 65 Years of Age/Disabled	72,896,002	
Disabled Veterans Exemptions	34,839,304	
Freeport	678,018	
Homestead	14,213,456	731,248,471
2025/26 Taxable Assessed Valuation		$ 1,723,034,646
Town Funded Debt Payable from Ad Valorem Taxes (as of 6/1/2026)		
General Obligation Debt	$ 6,635,000	
The Certificates	8,500,000 (1)	
Total Funded Debt Payable from Ad Valorem Taxes		$ 15,135,000
Less Self-Supporting Debt: (2)		
Wastewater		1,905,000
Net General Purpose Funded Debt Payable from Ad Valorem Taxes		$ 13,230,000
Interest and Sinking Fund as of 6/1/2026		$ 1,232,116
Ratio Total Funded Debt to Taxable Assessed Valuation		0.88%

2026 Estimated Population - 6,029
Per Capita Taxable Assessed Valuation - $285,791
Per Capita Total Funded Debt $2,510

(1) Preliminary, subject to change.
(2) Ad valorem tax debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. If future revenues are insufficient to pay debt service, the Town is obligated to levy an ad valorem tax to pay the debt service.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,492,666,348	60.82%	$ 1,329,333,887	60.21%	$ 1,217,155,181	57.01%
Real, Residential, Multi-Family	417,135	0.02%	401,065	0.02%	467,620	0.02%
Real, Vacant Lots/Tracts	40,003,115	1.63%	34,672,857	1.57%	53,796,617	2.52%
Real, Acreage (Land Only)	448,747,671	18.28%	432,455,161	19.59%	432,178,540	20.24%
Real, Farm and Ranch Improvements	326,480,967	13.30%	283,086,320	12.82%	297,145,763	13.92%
Real, Commercial and Industrial	83,576,540	3.41%	68,497,883	3.10%	62,233,268	2.92%
Real, Oil, Gas and Other Mineral Reserves	1,548,628	0.06%	1,455,929	0.07%	6,623,599	0.31%
Real and Tangible Personal, Utilities	11,098,393	0.45%	12,582,541	0.57%	15,684,986	0.73%
Tangible Personal, Commercial	25,697,075	1.05%	20,351,300	0.92%	18,579,623	0.87%
Tangible Personal, Industrial	304,940	0.01%	101,090	0.00%	138,430	0.01%
Tangible Personal, Other	82,865	0.00%	57,686	0.00%	59,735	0.00%
Real Property, Inventory	23,605,529	0.96%	24,598,620	1.11%	30,749,576	1.44%
Special Inventory	53,911	0.00%	53,071	0.00%	91,163	0.00%
Total Appraised Value Before Exemptions	$ 2,454,283,117	100.00%	$ 2,207,647,410	100.00%	$ 2,134,904,101	100.00%
Less: Total Exemption	(731,248,471)		(668,465,437)		(751,963,167)	
Taxable Assessed Value	$ 1,723,034,646		$ 1,539,181,973		$ 1,382,940,934	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 865,585,667	55.34%	$ 642,992,816	53.41%
Real, Residential, Multi-Family	388,686	0.02%	365,823	0.03%
Real, Vacant Lots/Tracts	42,305,232	2.70%	53,581,684	4.45%
Real, Acreage (Land Only)	316,127,405	20.21%	238,688,055	19.83%
Real, Farm and Ranch Improvements	219,285,347	14.02%	168,567,760	14.00%
Real, Commercial and Industrial	54,660,095	3.49%	49,088,778	4.08%
Real, Oil, Gas and Other Mineral Reserves	10,014,904	0.64%	1,807,319	0.15%
Real and Intangible Personal, Utilities	12,183,926	0.78%	11,838,518	0.98%
Tangible Personal, Commercial	14,178,466	0.91%	16,474,040	1.37%
Tangible Personal, Industrial	149,040	0.01%	208,390	0.02%
Tangible Personal, Other	58,123	0.00%	48,137	0.00%
Real Property, Inventory	29,100,407	1.86%	20,138,823	1.67%
Special Inventory	54,055	0.00%	10,180	0.00%
Total Appraised Value Before Exemptions	$ 1,564,091,353	100.00%	$ 1,203,810,323	100.00%
Less: Total Exemption	(468,468,069)		(290,557,184)	
Taxable Assessed Value	$ 1,095,623,284		$ 913,253,139	

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [1]	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Funded Tax Debt Outstanding at End of Year	Ratio Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2022	4,619	$ 913,253,139	$ 197,717	$ 10,627,000	1.16%	$ 2,301
2023	4,780	1,095,623,284	229,210	9,560,000	0.87%	2,000
2024	4,780	1,382,940,934	289,318	8,525,000	0.62%	1,783
2025	4,780	1,539,181,973	322,005	8,245,000	0.54%	1,725
2026	6,029	1,723,034,646	285,791	15,135,000 [2]	0.88%	2,510

(1) Information provided by North Texas Council of Governments and Town Officials.
(2) Projected, includes the Certificates. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution General Fund	Distribution Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	$ 0.37048	$ 0.28617	$ 0.08431	$ 3,290,035	101.30%	102.49%
2023	0.36535	0.26368	0.10167	4,002,827	96.60%	96.60%
2024	0.34311	0.24616	0.09695	4,657,475	97.80%	96.90%
2025	0.34311	0.24194	0.10117	5,293,755	99.55%	98.60%
2026	0.34310	0.24190	0.10120	5,911,722	97.42% [1]	97.42% [1]

(1) Collections for part year only, though June 1, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
CADG Avalon at Argyle LLC	Commercial Land	$ 23,523,795	1.37%
US Trinity Holdings LLC	Oil & Gas	8,850,563	0.51%
Waterbrook Argyle LLC	Commercial Land	7,584,176	0.44%
Argyle Neighborhood Shops by Slate LLC	Strip Mall/Plaza	7,394,000	0.43%
Depuy Synthes Sales Inc.	Strip Mall/Plaza	6,317,622	0.37%
Critz, John Martin & Courtney Layne	Residential Land	4,986,227	0.29%
Keith S. Sheldon	Individual Residence	4,788,298	0.28%
4C Blue Angel Ranch PK LLC	Ranch	4,669,483	0.27%
Shields Family Holdings-Argyle LLC	Pharmacy	4,559,595	0.26%
CDI Old Justin LLC	Office Buildings	4,459,584	0.26%
		$ 77,133,343	4.48%

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the Town under current State law (however, see "The Certificates - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY (1)

2026 Principal and Interest Requirements	$ 1,580,736
$0.0937 Tax Rate at 98.00% Collection Produces	$ 1,582,194
Average Annual Principal and Interest Requirements, 2026 - 2056	$ 707,191
$0.0419 Tax Rate at 98.00% Collection Produces	$ 707,512
Maximum Principal and Interest Requirements, 2028	$ 2,048,441
$0.1214 Tax Rate at 98.00% Collection Produces	$ 2,049,929

____

(1) Includes the Certificates and excludes other self-supporting debt. The Town's policy to pay such self-supporting debt from other revenues 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 Certificates, the Town will be required to levy an ad valorem tax to pay such debt service (see "Table 10 - Computation of Self-Supporting Debt"). Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the Town are paid out of ad valorem taxes levied by such entities on properties within the Town. Such entities are independent of the Town and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax obligations ("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	Taxable Assessed Value	2025/26 Tax Rate	Total Funded Debt	Estimated % Applicable	Overlapping Funded Debt As of 6-1-2026	But Unissued Debt As Of 6-1-26
Argyle	$ 1,723,034,646	$ 0.343100	$ 13,230,000 (1)	100.00%	$ 13,230,000	$ -
Argyle Independent School District	5,816,552,187	1.730000	670,626,909	23.28%	156,121,944	205,565,000
Denton County	207,352,205,545	0.186000	750,315,000	0.84%	6,302,646	324,090,625
Northwest Independent School District	39,642,205,815	1.084000	2,942,635,000	0.35%	10,299,223	395,500,000
Total Direct and Overlapping Funded Debt					$ 185,953,813	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation . . .					10.79%	
Per Capita Overlapping Funded Debt . . .					$ 30,843.23	

____

(1) Includes the Certificates and excludes other self-supporting debt. In the event the Town changes its policy, or such revenues are not sufficient to pay debt service on such Certificates, the Town will be required to levy an ad valorem tax to pay such debt service (see "Table 10 - Computation of Self-Supporting Debt"). Preliminary, subject to change.

TABLE 8 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt (1)			The Certificates (2)			Total Debt Service Requirements	Less: System Self-Supporting Debt Requirements	Total Debt Less: System Self-Supporting Debt Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
2026	$ 1,610,000	$ 197,130	$ 1,807,130	$ -	$ -	$ -	$ 1,807,130	$ 226,394	$ 1,580,736	
2027	1,425,000	149,598	1,574,598	275,000	380,891	655,891	2,230,490	230,744	1,999,746	
2028	1,155,000	109,835	1,264,835	645,000	378,300	1,023,300	2,288,135	239,694	2,048,441	
2029	1,155,000	77,274	1,232,274	130,000	358,925	488,925	1,721,199	229,019	1,492,180	
2030	735,000	52,379	787,379	135,000	352,300	487,300	1,274,679	125,494	1,149,185	43.39%
2031	710,000	36,345	746,345	145,000	345,300	490,300	1,236,645	123,494	1,113,152	
2032	445,000	24,944	469,944	150,000	337,925	487,925	957,869	121,494	836,375	
2033	105,000	19,444	124,444	155,000	330,300	485,300	609,744	124,444	485,300	
2034	105,000	17,344	122,344	165,000	322,300	487,300	609,644	122,344	487,300	
2035	110,000	15,194	125,194	175,000	313,800	488,800	613,994	125,194	488,800	56.91%
2036	110,000	12,934	122,934	185,000	304,800	489,800	612,734	122,994	489,740	
2037	110,000	10,794	120,794	190,000	295,425	485,425	606,219	120,794	485,425	
2038	115,000	8,544	123,544	200,000	285,675	485,675	609,219	123,544	485,675	
2039	115,000	6,172	121,172	215,000	275,300	490,300	611,472	121,172	490,300	
2040	120,000	3,675	123,675	225,000	264,300	489,300	612,975	123,675	489,300	66.38%
2041	120,000	1,200	121,200	235,000	252,800	487,800	609,000	121,200	487,800	
2042	-	-	-	245,000	240,800	485,800	485,800	-	485,800	
2043	-	-	-	260,000	228,175	488,175	488,175	-	488,175	
2044	-	-	-	275,000	214,800	489,800	489,800	-	489,800	
2045	-	-	-	285,000	200,800	485,800	485,800	-	485,800	74.86%
2046	-	-	-	300,000	186,175	486,175	486,175	-	486,175	
2047	-	-	-	315,000	171,588	486,588	486,588	-	486,588	
2048	-	-	-	330,000	157,075	487,075	487,075	-	487,075	
2049	-	-	-	345,000	141,888	486,888	486,888	-	486,888	
2050	-	-	-	360,000	126,025	486,025	486,025	-	486,025	84.71%
2051	-	-	-	380,000	109,375	489,375	489,375	-	489,375	
2052	-	-	-	395,000	91,691	486,691	486,691	-	486,691	
2053	-	-	-	415,000	72,959	487,959	487,959	-	487,959	
2054	-	-	-	435,000	53,303	488,303	488,303	-	488,303	
2055	-	-	-	455,000	32,722	487,722	487,722	-	487,722	97.13%
2056	-	-	-	480,000	11,100	491,100	491,100	-	491,100	100.00%
	$ 8,245,000	$ 742,804	$ 8,987,804	$ 8,500,000	$ 6,836,816	$ 15,336,816	$ 24,324,620	$ 2,401,691	$ 21,922,930	

(1) "Outstanding Debt" does not include lease/purchase obligations, includes self-supporting debt.
(2) Average life of the Certificates is 17.075 Years. Interest on the Certificates has been calculated at the rate of 4.49% for purposes of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

General Purpose Net Debt Service Requirements, Fiscal Year Ending 9/30/26		$ 1,580,736
Budgeted Interest and Sinking Fund Balance, as of 9/30/2025	$ 1,208,285	
Estimated Interest and Sinking Fund Tax Levy Collection	1,371,125	2,579,410
Ending Fund Balance, 9/30/2026		$ 998,674

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Estimated Revenue Available for Debt Service from Sewer System, Fiscal Year Ended 9-30-25	$ 511,613
Less: Sewer System General Obligation Debt Requirements, 2026 Fiscal Year	226,394
Balance	$ 285,219
Percentage of Sewer System General Obligation Bonds, Self-Supporting	100.00%

NOTE: It is the Town's current policy to pay the self-supporting debt listed in the Table above from the respective revenues sources listed above. Such policy, however, 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 Certificates, the Town will be required to levy an ad valorem tax to pay such debt service.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . . The Town does not have any authorized but unissued general obligation debt.

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

OTHER CERTIFICATES . . . The Town has no unfunded debt outstanding as of September 30, 2025.

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

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

At retirement, the benefit is calculated 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.

Plan provisions for the Town were as follows:

	Plan Year 2024
Employee deposit rate	7.0%
Matching ratio (Town to employee)	2 to 1
Years required for vesting	0.05
Retirement eligibility (Age/Service)	60/5, 0/20
Updated Service Credit	100% Repeating Transfers
Annutiy Increase (retirees)	70% of CPI
Supplemental Death Benefit to Active Employees	No
Supplemental Death Benefit to Retirees	No

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	33
Inactive Employees Entitled to But Not Yet Receiving Benefits	51
Active Employees	34
	118

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

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 12.50% in calendar years 2025 and 2024. The Town's contributions to TMRS for the year ended September 30, 2025 and 2024, were $384,756 and $337,405, respectively, which exceeded the required contributions.

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

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

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 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 using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

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

Changes in the Net Pension Liability

Changes in the net pension liability for the Town are summarized in the following table:

	Changes in the Net Pension Liability		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	$ 8,546,548	$ 8,410,016	$ 136,532
Changes for the year:			
Service cost	523,906	-	$ 523,906
Interest	581,226	-	581,226
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(40,613)	-	(40,613)
Changes in assumptions	-	-	-
Contributions - employer	-	351,383	(351,383)
Contributions - employee	-	206,146	(206,146)
Net investment income	-	875,236	(875,236)
Benefit payments, including refunds of employee contributions	(395,498)	(395,498)	-
Administrative expense	-	(5,604)	5,604
Other changes	-	(132)	132
Net changes	669,021	1,031,531	(362,510)
Balance at 12/31/2024	$ 9,215,569	$ 9,441,547	$ (225,978)

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

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

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability	$ 1,193,765	$ (225,978)	$ (1,364,532)

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2025, the Town recognized pension expense of $313,680.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At September 30, 2025 the Town reported deferred outflows of resources and deferred inflows of resources relate to pension from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual economic experience	$ -	$ (1,315)
Changes in actual assumptions	-	(9,875)
Difference between projected and actual investment earnings	-	(107,730)
Contributions subsequent to the measurement date	288,500	-
Total	$ 288,500	$ (118,920)

$288,500 reported as deferred outflows or resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in pension expense as follows:

	Net Deferred (Inflows) Outflows of Resources
2026	$ (777)
2027	75,722
2028	(132,353)
2029	(61,512)
2030	-
Thereafter	-
Total	$ (118,920)

The Remainder of This Page Left Blank Intentionally

FINANCIAL INFORMATION

TABLE 11 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
Revenues:	2025	2024	2023	2022	2021
Program Revenues					
Charges for Services	$ 1,726,832	$ 1,183,372	$ 2,744,165	$ 2,430,854	$ 2,166,017
Operating Grants and Contributions	985,978	28,815	44,379	14,786	12,150
General Revenues					
Property Tax	5,362,612	4,845,793	4,029,355	3,663,937	3,057,351
Franchise Tax	615,008	630,996	535,790	496,355	288,088
Sales Tax	4,235,840	3,580,700	3,200,511	2,849,949	1,892,816
Intergovernmental	424,836	251,021	874,397	-	957,500
Interest	849,945	1,064,503	693,256	206,770	43,340
Miscellaneous	115,192	234,309	168,174	163,682	543,504
Total Revenues	$ 14,316,243	$ 11,819,509	$ 12,290,027	$ 9,826,333	$ 8,960,766
Expenses:					
General Government	$ 1,928,144	$ 2,304,937	$ 2,616,292	$ 1,892,174	$ 2,132,561
Public Safety	2,604,455	2,466,131	2,294,228	1,898,264	1,618,662
Public Works	2,433,835	1,413,299	1,656,204	1,234,657	1,331,292
Development Services	1,405,208	762,433	1,005,066	872,554	900,614
Municipal Court	206,536	151,550	126,739	67,190	136,705
Bond Issuance Cost	-	-	-	-	-
Interest on Long-Term Debt	182,164	127,388	(40,518)	235,119	154,933
Total Expenses	$ 8,760,342	$ 7,225,738	$ 7,658,011	$ 6,199,958	$ 6,274,767
Increase (decrease) in Net Position before Transfers	$ 5,555,901	$ 4,593,771	$ 4,632,016	$ 3,626,375	$ 2,685,999
Net Transfers	-	221,644	236,214	545,619	412,040
Increase (decrease) in Net Position	$ 5,555,901	$ 4,815,415	$ 4,868,230	$ 4,171,994	$ 3,098,039
Net Position - October 1	42,162,554	37,562,245	32,694,015	29,191,707	19,538,537
Prior Year Adjustments	(869,021)	(215,106)	-	(669,686)	6,555,132
Net Position - September 30	$ 46,849,434	$ 42,162,554	$ 37,562,245	$ 32,694,015	$ 29,191,707

TABLE 11A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
Revenues	2025	2024	2023	2022	2021
Ad Valorem Taxes	$ 3,498,832	$ 3,204,750	$ 2,795,556	$ 2,609,930	$ 2,419,160
Sales Tax	2,116,205	1,786,718	1,600,418	1,432,034	1,135,585
Franchise Taxes	611,866	630,996	535,790	496,355	383,904
Building Permits and Fees	997,889	644,511	1,282,430	1,062,365	1,118,369
Municipal Court Fees & Grants	932,328	399,970	324,257	207,532	290,373
Park Development Fees	29,515	39,445	145,294	208,333	-
Intergovernmental	424,836	251,021	86,263	-	-
Interest Income	233,761	528,732	345,603	124,797	26,355
Miscellaneous Income	520,294	33,843	131,388	163,268	543,504
Total Revenues	$ 9,365,526	$ 7,519,986	$ 7,246,999	$ 6,304,614	$ 5,917,250
Expenditures:					
General government	$ 1,422,938	$ 1,474,796	$ 1,559,304	$ 1,391,117	$ 1,224,400
Public Safety	2,367,963	2,293,716	2,027,945	1,751,272	1,592,603
Municipal Court	196,869	152,017	122,078	128,160	117,631
Public Works/Other	1,156,401	1,172,152	906,037	502,598	545,391
Development Services	1,041,998	757,312	1,004,813	942,825	862,047
Capital Outlay	51,112	4,330,030	141,613	-	39,960
Debt Service	15,627	9,985	-	-	-
Total Expenditures	6,252,908	10,190,008	5,761,790	4,715,972	4,382,032
Excess of Revenues over (under) Expenditures	$ 3,112,618	$ (2,670,022)	$ 1,485,209	$ 1,588,642	$ 1,535,218
Other Financing Sources (uses)					
Transfers In (Out)	$ (1,080,175)	$ 1,202,890	$ (888,137)	$ (641,620)	$ 506,592
Total Other Financing Sources	$ (1,080,175)	$ 1,202,890	$ (888,137)	$ (641,620)	$ 506,592
Excess of Revenues and Other Sources over (under) Expenditures	$ 2,032,443	$ (1,467,132)	$ 597,072	$ 947,022	$ 1,028,626
Fund balances at beginning of year	3,783,751	5,250,883	4,629,507	4,225,261	3,238,631
Prior Period Adjustments	(1,097)	-	24,304	(542,776)	(41,996)
Fund balances at end of year	$ 5,815,097	$ 3,783,751	$ 5,250,883	$ 4,629,507	$ 4,225,261

TABLE 12 - MUNICIPAL SALES TAX HISTORY

The Town has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, 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 Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the Town monthly.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	$ 1,432,034	43.53%	$ 0.1568	$ 310
2023	1,600,418	39.98%	0.1461	335
2024	1,786,718	38.36%	0.1292	374
2025	2,116,205	39.98%	0.1375	443
2026	1,564,213 (1)	26.46%	0.0908	259

(1) Partial collections through June 1, 2026.

In 2002 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. The sales tax for economic development is collected solely for the benefit of Argyle Economic Development Corporation (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation. On September 15, 2003, the Town approved one-fourth of one percent (1/4 of 1%) for street maintenance and one-fourth of one percent (1/4 of 1%) for the Crime Control District. The Sales Tax was recalibrated in 2019 to 1/2 of 1% for street maintenance and 1/4 of 1% for the Corporation. In 2020 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 municipal development. The sales tax for municipal development is collected solely for the benefit of Argyle Municipal Development District (the "District"), and may be pledged to secure payment of sales tax revenue bonds issued by the District.

Fiscal Year Ended 9/30	4B Sales Tax Collected (1)	Street Maintenance Sales Tax Collected	Crime Control District Sales Tax Collected	Municipal Dev District Sales Tax Collected (2)
2022	$ -	$ 712,658	$ 349,684	$ 355,573
2023	-	797,430	389,682	412,981
2024	-	890,324	433,360	470,298
2025	-	1,040,068	491,697	587,870
2026	-	828,183 (3)	354,934 (3)	423,788 (3)

(1) The 4B Sales tax collections ended March 31, 2021.
(2) The Municipal Development District Sales Tax became effective April 1, 2021.
(3) Partial collections through June 1, 2026.

The sales tax breakdown for the Town is as follows:

Municipal Development District	0.25%
Street Maintenance	0.50%
Crime Control	0.25%
Town Sales & Use Tax	1.00%
State Sales & Use Tax	6.25%
Total	8.25%

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 regarding the General Fund and Enterprise Funds that working capital resources should be maintained at a minimum of 10% of the Fund's operating expenditure budget. The Town maintains its various debt service funds in accordance with the covenants of the bond ordinances.

Budgetary Procedures . . . The Town establishes the fiscal year as the twelve-month period beginning each October 1. Each year between May and July, the Town Administrator 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 applicable law. The Town Council will adopt a budget prior to September 30. If the Council fails to adopt a budget then the budget presented to the Council by the Town Administrator becomes the adopted budget.

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 and 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 Certificates 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 Texas Government Code; 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 value of the securities loaned under the program must be not less than 100% collateralized, including accrued income, 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 AAAm 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 includes 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 Texas Public Funds Investment Act (Texas Government Code, Chapter 2256). All Town funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

TABLE 13 - CURRENT INVESTMENTS

As of June 1, 2026, the Town's investable funds were invested in the following categories:

Description	Percent	Market Value
Interest Bearing Checking	6.21%	$ 1,168,528
TexPool	93.79%	17,636,421
	100.00%	$ 18,804,949

No funds of the Town are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Certificates is subject to the opinion of 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. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing 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 Certificate Ordinance subsequent to the issuance of the Certificates. The Certificate 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 proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel’s 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 Certificates. 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 alternative minimum tax or 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.

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

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

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

Qualified Tax-Exempt Obligations for Financial Institutions . . Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by “financial institutions” described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as “qualified tax-exempt obligations.” An issuer may designate obligations as “qualified tax-exempt obligations” only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The Town will designate the Certificates as “qualified tax-exempt obligations” and will certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports . . . The Town will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 13 and in Appendix B. The Town will update and provide this information in the numbered tables within six months after the end of each fiscal year ending in or after 2026 and audited financial statements within 12 months after the end of each fiscal year ending in or after 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town shall 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 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, updated unaudited information included in the above-referenced tables must be provided by March 31 in each year, and audited financial statements 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 (and of the date of the new fiscal year end) prior to the next date by which the Town otherwise would be required to provide financial information and operating data.

NOTICE OF CERTAIN EVENTS . . . The Town will also provide timely notices of certain events to the MSRB. The Town will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Town, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (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 any such financial obligation of the Town, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the Town, any of which reflect financial difficulties. In addition, the Town will provide timely notice of any failure by the Town to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, 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. Additionally, the Town intends the words used in the preceding items (15) and (16) and the definition of "financial obligation" in these paragraphs to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the Town believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Certificates and the outstanding tax supported debt of the Town are rated "AA+" by S&P. 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 ratings, 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, if decided adversely against the Town, 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, 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 of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of 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.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATES

The Town will furnish to the Initial Purchaser, a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate, and to the effect that such 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 in "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Though it may represent the Municipal Advisor and the Initial Purchaser 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 the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Forms and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Notice of Sale and Bidding Instructions, the Official Bid Forms and the Official Statement to verify that such information conforms to the provisions of the Certificate Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited the DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

MUNICIPAL ADVISOR

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

The Municipal Advisor to the Town has provided the following sentence for inclusion in this Official Statement. The Municipal 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 Municipal Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER

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

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 Certificate 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 Initial Purchaser.

RONALD SCHMIDT
Mayor
Town of Argyle, Texas

ATTEST:

ERIKA MCCOMIS
Town Secretary

APPENDIX A

GENERAL INFORMATION REGARDING THE TOWN

THIS PAGE LEFT BLANK INTENTIONALLY

DESCRIPTION OF THE TOWN . . . The Town of Argyle occupies approximately 13 square miles and has a current population of 4,619. Bordered on the west by Interstate Highway 35 and having U.S. Highway 377 traversing south to north through the heart of the Town, the Town enjoys a comprehensive highway corridor plan. The Town's benefits of its proximity to Dallas-Fort Worth Metroplex job centers are enhanced by these extensive highway corridors by not only providing the necessary connectivity, but also eventually resulting in extensive mixed-use retail/commercial development along these corridors while allowing the rural-agricultural open space to remain which is the signature of the Town of Argyle.

Town of Argyle voters have approved four local option sales and use tax proposals. As a result, the Town previously administered a Type B Economic Development Corporation that ended March 31, 2021, and currently administers a Municipal Development District, a Crime Control and Prevention District, and a Street Maintenance Sales Tax. The local option sales and use tax revenue generated for these purposes are used in accordance with the provisions of State Law. By law, the Town Council appoints an Economic Development Board of Directors and a Crime Control and Prevention District Board of Directors for the purpose of administering these programs.

Fire and EMS services are provided by the voter-approved Emergency Services District funded through a tax levy of the District. Solid waste collection and recycling services are contracted through a private solid waste company. The Argyle Water Supply Corporation provides water storage and distribution throughout the Town as well as provides billing and collection of sewer service fees on behalf of the Town. The Town contracts with both the Trinity River Authority and the City of Denton for wastewater treatment and collection services.

The Town of Argyle remains attractive for new development because of its highway corridors, proximity to the DFW Metroplex and available land. A $21 million regional wastewater systems project made possible through a 4-party contract with the Trinity River Authority and the Towns of Argyle, Flower Mound and Northlake was completed in January 2011 allowed for the development of two mixed-use residential, commercial and retail developments comprising of approximately 2,450 residential units and 151 acres of commercial/retail development within 2,415 acres in the Town's corporate limits and ETJ. Land for Argyle Independent School District campuses have been donated by private development to ensure that adequate educational facilities will be made available to serve the additional growth

COUNTY CHARACTERISTICS . . . Denton County is located in North Central Texas and was created in 1846 from Fannin County. The economy is diversified by manufacturing, state supported institutions, and agriculture. The Texas Almanac designates cattle, horses, poultry, hay and wheat as the principal sources of agricultural income. The county seat is Denton.

EDUCATION . . . Argyle Independent School District is rated class 4A. The Town has one elementary school, one intermediate school and one high school. There is one private school, Liberty Christian School, located within the Argyle city limits.

LABOR FORCE STATISTICS

	April	Average Annual				
	2026	2025	2024	2023	2022	2021
Denton County						
Civilian Labor Force	607,321	607,941	597,424	580,161	557,036	527,553
Total Employment	21,888	22,868	22,443	20,996	18,468	23,644
Unemployment	585,433	585,073	574,981	559,165	538,568	503,909
Unemployment Rate	3.6%	3.8%	3.8%	3.6%	3.3%	4.5%
State of Texas						
Civilian Labor Force	15,894,837	15,883,632	15,628,870	15,248,074	14,784,035	14,366,604
Total Employment	682,550	665,263	643,709	611,383	583,154	810,060
Unemployment	15,212,287	15,218,369	14,985,161	14,636,691	14,200,881	13,556,544
Unemployment Rate	4.3%	4.2%	4.1%	4.0%	3.9%	5.6%

Source: Texas Employment Commission.

OTHER INSTITUTIONS OF HIGHER LEARNING . . . In addition, the following major colleges are located within a 30-mile radius of Argyle.

North Texas Central College	Corinth
Southern Methodist University	Dallas, Texas
Texas Christian University	Fort Worth, Texas
Texas Woman's University	Denton, Texas
University of North Texas	Denton, Texas
University of Texas at Arlington	Arlington, Texas

RECREATION . . . Argyle and the surrounding area offer many types of recreational fun. Nearby sporting events include professional and semi-professional teams (Dallas Cowboys, Mavericks, Stars, Texas Rangers, Frisco RoughRiders. and more), not to mention the local Argyle Eagles and the Liberty Christian Warriors. Argyle is in close proximity to numerous nearby golf courses, and the Town's open space offers room for biking, horseback riding and running. Many area lakes, three in Denton County, provide recreational activities such as fishing, boating, camping and water skiing. Denton County residents enjoy beautiful city parks and trails, museums, and seasonal festivals and community activities.

Argyle's close proximity to the Dallas/Fort Worth metroplex allows residents and visitors access to several nationally recognized entertainment attractions, including Six Flags Over Texas, Six Flags Hurricane Harbor, the West End Marketplace, the Fort Worth Zoo, the Fort Worth Stockyards, Fort Worth Sundance Square ,and numerous museums and cultural centers. Texas Motor Speedway attracts race fans for NASCAR and Indy-car racing, and thoroughbred horse racing fans head to the track at Lone Star Park.

APPENDIX B

EXCERPTS FROM THE

TOWN OF ARGYLE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the Town of Argyle, Texas Annual Financial Report for the Year Ended September 30, 2025, 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 LEFT BLANK INTENTIONALLY

VAIL & PARK, P.C. AUDIT TAX ADVISORY

Michael G. Vail, CPA
Charlie S. Park, CPA
Matt P. Chen, CPA
Tung V. Pham, CPA

Charles T. Gregg, CPA
Don E. Graves, CPA
Susan K. LaFollett, CPA
Steven R. Huber, CPA
Leslie L. Henson, CPA

INDEPENDENT AUDITOR'S REPORT

To the Town Council and Town Manager
Town of Argyle, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Argyle, Texas (the "Town"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Emphasis of Matter – Correction of an Error

As discussed in Note T, during the year ended September 30, 2025, the Town identified and corrected an error in accumulated depreciation for governmental infrastructure assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Frisco, TX (main office):
11500 State Highway 121, Suite 410, Frisco, TX 75035
Office: 972-234-3333 Fax: 972-234-3331

Dallas, TX:
9330 Lyndon B Johnson Freeway, Suite 280, Dallas, TX 75243
Office: 972-840-1516 Fax: 972-271-6778

Tom Bean, TX:
118 W Cotton Belt Road, Tom Bean, TX 75489
Office: 903-546-6975 Fax:: 903-546-6017

www.vailcpas.com

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 on pages 17–26, general fund budgetary comparison information on page 81, and pension tables on pages 82–85 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 accompanying combining and individual nonmajor fund financial statements on pages 90-96 and the budgetary comparison information for the other funds for which the Town legally adopted a budget on pages 98-108, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and non-general fund budgetary comparison information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section on pages 1-10 and the statistical section on pages 111-129 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 February 17, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Vail + Park, P.C.

Tom Bean, Texas

February 17, 2026

THIS PAGE LEFT INTENTIONALLY BLANK

Our discussion and analysis of the Town of Argyle's financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the Town's financial statements.

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 $58,330,731.
- The unrestricted net position at the close of the fiscal year is $10,250,272 and may be used to meet the Town's ongoing/unallocated obligations to citizens and creditors.
- The Town's total net position increased by $5,562,573. The increase in governmental activities of $5,555,901 is primarily due to increased sales taxes and permits. The increase in business-type activities of $6,672 is primarily due to decreased expenses.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $22,224,376. The fund balances increased overall by an amount of $6,360,850. This is primarily due to increased permit fees and sales taxes.
- At the end of the current fiscal year, the unassigned General Fund balance was $5,815,097, which was 90% of total FY25 General Fund budgeted expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and Statement of Activities. These provide information about the activities of the Town as a whole and present a long-term view of the Town's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. Governmental fund statements tell how services were financed in short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for funding requests and the appropriations from the State. Proprietary fund financial statements report activity for the Town's wastewater operations.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

Reporting the Town as a Whole – Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the Town's overall financial condition and operation. The primary objective of these statements is to show whether the Town's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the Town's assets and liabilities (including long-term items) while the Statement of Activities includes all the revenue and expenses generated by the Town's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The Town's revenue is divided into the following categories: 1) charges for services; 2) operating grants and contributions; 3) capital grants and contributions; and 4) general revenues not associated with any specific program function. All of the Town's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the Town's net position and changes in it. The Town's net position (the difference between assets and liabilities) provides one measure of the Town's financial health. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the Town however, non-financial factors should also be considered, such as changes in the Town's request for services from citizens and the condition of the Town's facilities.

In the Statement of Net Position and the Statement of Activities, the Town has two kinds of activities:

Governmental Activities – Town services such as public safety, municipal court, public works, development services and general government are reported here. Town property taxes finance approximately 30% of these activities.

Business-Type Activities - The Town uses proprietary (business-type) funds to account for its wastewater services. The services are supported by monthly charges to citizens.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The Town's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental Funds – The Town reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary Funds – The Town uses proprietary (business-type) funds to account for its wastewater operations. The full-accrual basis of accounting is used for all proprietary type funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide Statement of Net Position

Net position serves as one useful indicator of a government's financial position. In the case of the Town, net position totaled $58,330,731 at the close of FY25. Net assets increased from the prior year's balance by $5,562,573 or 11% during fiscal year 2025. This increase is primarily a result of increased sales taxes.

TABLE I NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
		(as restated)				*(as restated)*
Current and other assets	$ 22,951,305	$ 17,225,615	$ 4,071,850	$ 3,818,563	$ 27,023,155	$ 21,044,178
Capital assets, net of accumulated depreciation	30,725,142	31,753,866	9,893,422	10,297,497	40,618,564	42,051,363
Total assets	53,676,447	48,979,481	13,965,272	14,116,060	67,641,719	63,095,541
Deferred outflows of resources	274,750	517,963	13,750	-	288,500	517,963
Current payables & other liabilities	603,366	1,382,279	357,175	327,785	960,541	1,710,064
LT bonds and leases payable	6,385,146	6,794,727	2,134,881	2,313,650	8,520,027	9,108,377
Total liabilities	6,988,512	8,177,006	2,492,056	2,641,435	9,480,568	10,818,441
Deferred inflows of resources	113,251	26,905	5,669	-	118,920	26,905
Net assets						
Net investment in capital aset	24,346,996	25,195,203	7,758,541	7,989,334	32,105,537	33,184,537
Restricted net assets						
Debt retirement	1,208,285	735,397	-	-	1,208,285	735,397
Capital improvements	7,490,627	4,897,676	-	1,302,194	7,490,627	6,199,870
Street maintenance	3,787,025	2,832,951	-	-	3,787,025	2,832,951
Economic development	3,383,649	1,995,107	-	-	3,383,649	1,995,107
Court security and technology	105,336	-	-	-	105,336	-
Unrestricted	6,527,516	5,637,199	3,722,756	2,183,097	10,250,272	7,820,296
Total net position	$ 46,849,434	$ 41,293,533	$ 11,481,297	$ 11,474,625	$ 58,330,731	$ 52,768,158

The Town's net investment in capital assets is 55% of the Town's total net position. This includes all capital assets, net of related debt: land, construction in progress, buildings and improvements, general infrastructure, intangibles, vehicles and equipment, leases, and wastewater system, less outstanding debt used to acquire these assets. The Town uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending.

An additional portion of the Town's net position 27% represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position,* $10,250,272, may be used to meet the Town's ongoing obligations to citizens and creditors.

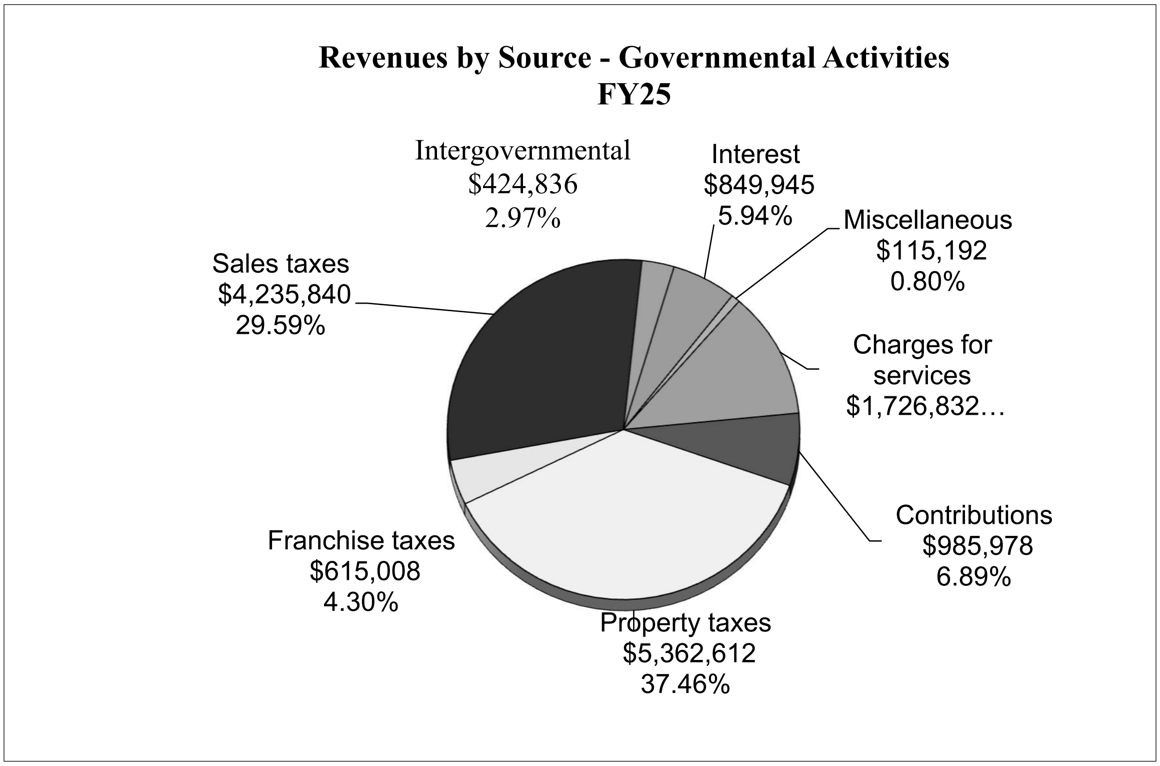
Government-wide Statement of Activities

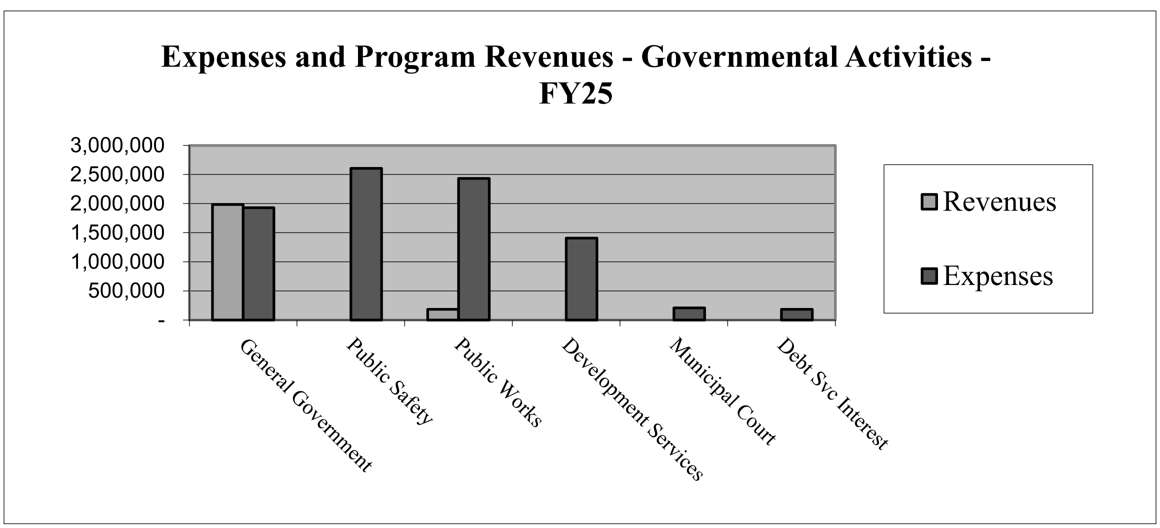
TABLE II
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:		*(as restated)*				*(as restated)*
Program revenues						
Charges for services	$ 1,726,832	$ 1,183,372	$ 2,436,895	$ 2,413,529	$ 4,163,727	$ 3,596,901
Operating grants and contributions	985,978	28,815	-	-	985,978	28,815
General revenues						
Property taxes	5,362,612	4,845,793	-	-	5,362,612	4,845,793
Sales taxes	4,235,840	3,580,700	-	-	4,235,840	3,580,700
Franchise and hotel taxes	615,008	630,996	-	-	615,008	630,996
Intergovernmental	424,836	251,021	-	-	424,836	251,021
Interest	849,945	1,064,503	170,007	177,659	1,019,952	1,242,162
Miscellaneous	115,192	234,309	-	-	115,192	234,309
Total revenues	14,316,243	11,819,509	2,606,902	2,591,188	16,923,145	14,410,697
Expenses:					-	-
General government	1,928,144	2,304,937	-	-	1,928,144	2,304,937
Public safety	2,604,455	2,466,131	-	-	2,604,455	2,466,131
Public works	2,433,835	1,413,299	-	-	2,433,835	1,413,299
Development services	1,405,208	762,433	-	-	1,405,208	762,433
Municipal court	206,536	151,550			206,536	151,550
Interest on long term debt	182,164	127,388	47,773	52,836	229,937	180,224
Wastewater utility	-	-	2,552,457	2,712,193	2,552,457	2,712,193
Total expenses	8,760,342	7,225,738	2,600,230	2,765,029	11,360,572	9,990,767
Increase (decrease) in net assets before tran:	5,555,901	4,593,771	6,672	(173,841)	5,562,573	4,419,930
Net transfers	-	221,644	-	(221,644)	-	-
Increase (decrease) in net position	5,555,901	4,815,415	6,672	(395,485)	5,562,573	4,419,930
Net position - beginning, as originally stated	42,162,554	36,693,224	11,474,625	11,870,110	53,637,179	48,563,334
Prior period adjustment	(869,021)	(215,106)	-	-	(869,021)	(215,106)
Net position - beginning, as restated	41,293,533	36,478,118	11,474,625	11,870,110	52,768,158	48,348,228
Net position - ending	$ 46,849,434	$ 41,293,533	$ 11,481,297	$ 11,474,625	$ 58,330,731	$ 52,768,158

Governmental Activities

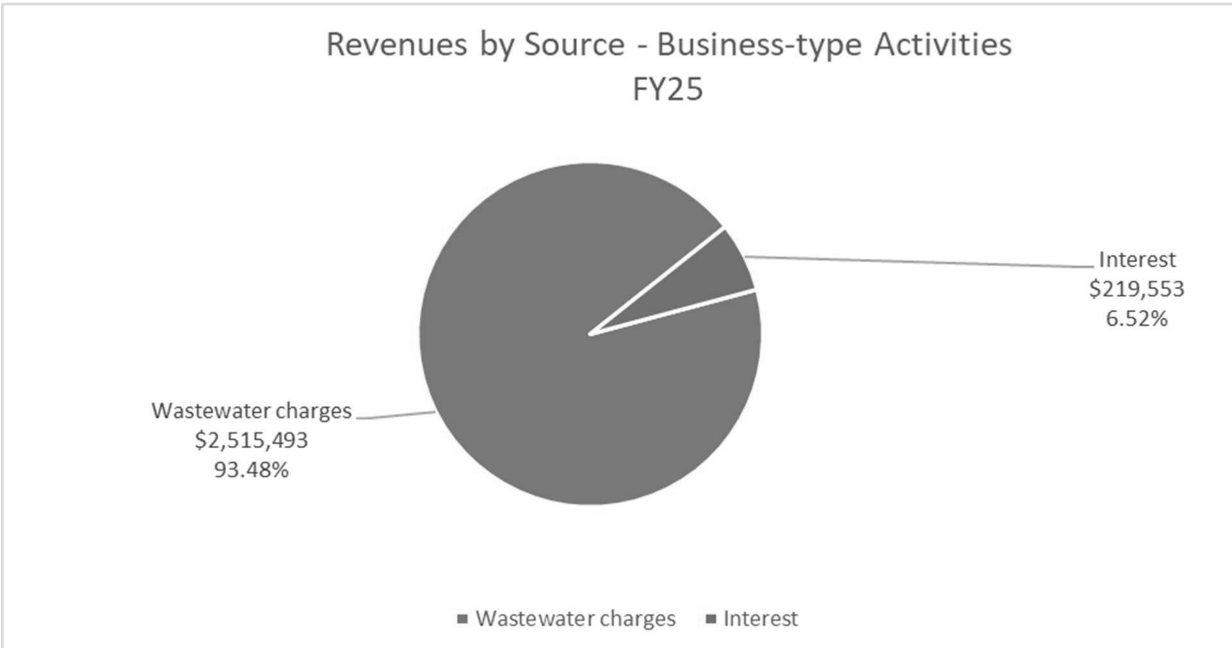
Governmental activities increased the net position of the Town by $5,555,901. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was $6,527,516 for governmental activities.

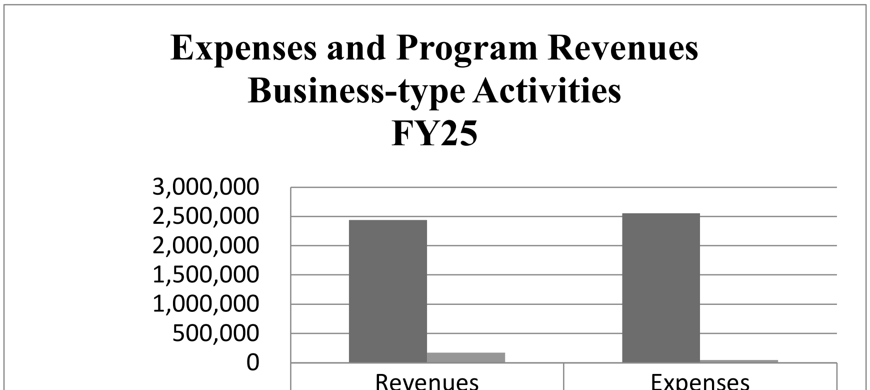




Business-type Activities

Business-type activities net position of the Town increased by $6,672.





	Revenues	Expenses
Wastewater Utility	2,436,895	2,552,457
Interest income	170,007	47,773

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the year, its combined governmental funds, as presented in the balance sheet, reported a combined fund balance of $22,224,376. This represents an increase of $6,360,850 from the prior fiscal year.

Revenues for the Town's general fund were $9,365,526, while total expenses before transfers were $6,252,908. Other financing sources (uses) include a budgeted transfer from the General Fund of $1,389,828 to the Capital Improvements Fund. Transfers to the General Fund included $100,000 from the Street Maintenance Fund, $162,650 from nonmajor governmental funds, and $47,003 from the MDD Fund for the FY 2025.

Factors concerning the finances of the wastewater business-type fund were addressed in the previous discussion of the Town's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

TABLE III
TOWN OF ARGYLE CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
		(as restated)				*(as restated)*
Land	$ 4,803,276	$ 4,803,277	$ -	$ -	$ 4,803,276	$ 4,803,277
Construction in progress	68,213	-	53,093	$ -	121,306	-
Buildings and improvements	1,369,616	1,553,580	-	-	1,369,616	1,553,580
Infrastructure	23,949,479	24,874,095	-	-	23,949,479	24,874,095
Intangibles	-	3,087	-	3,088	-	6,175
Vehicles and equipment	494,816	445,664	172,953	198,559	667,769	644,223
Graveyard branch collection system	-	-	271,472	288,617	271,472	288,617
Wastewater system	-	-	9,395,904	9,807,233	9,395,904	9,807,233
Leased Assets	-	5,304	-	-	-	5,304
Subscription Assets	39,742	68,859	-	-	39,742	68,859
Total	$ 30,725,142	$ 31,753,866	$ 9,893,422	$ 10,297,497	$ 40,618,564	$ 42,051,363

Governmental activities capital assets had a net decrease of $1,897,745 from FY 2024. The decrease is due to annual depreciation expense of $1,330,393.

Business-type activities capital assets had a net decrease of $404,075 from FY 2024. The decrease is a combination of additions to Construction in progress and normal capital purchases and dispositions as well as the annual depreciation expense of $457,168. See *Note H to Financial Statements* for more detailed information on capital asset activity.

Long-term Debt

TABLE IV
TOWN OF ARGYLE OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Bonds payable	$ 5,560,404	$ 6,489,804	$ 2,134,881	$ 2,308,163	$ 7,695,285	$ 8,797,967
Notes payable	785,000	-	-	-	785,000	-
Leases payable	-	5,242	-	-	-	5,242
Compensated absences	133,842	94,290	726	4,040	134,568	98,330
Subscription liability	39,742	68,859	-	-	39,742	68,859
	$ 6,518,988	$ 6,658,195	$ 2,135,607	$ 2,312,203	$ 8,654,595	$ 8,970,398

On September 30, 2025, the Town had bonds payable, leases and accrued compensated absences outstanding of $8,654,595. The decrease of $315,595 is a result of principal payments made during the year, reduced by the issuance of new debt. Debt service payments made include payment on refunded debt. See *Note J to Financial Statements* for more detailed information on long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Argyle enters Fiscal Year 2025–2026 in a position of financial stability amid continued regional growth pressures across North Texas. While the Dallas–Fort Worth Metroplex continues to experience rapid expansion, Argyle remains committed to an intentional growth strategy that prioritizes rural character, infrastructure readiness, and long-term sustainability over rapid or speculative development. This approach continues to shape both the Town's revenue structure and expenditure priorities.

Argyle's local economy is supported by a strong residential tax base, high rates of homeownership, and a median household income well above regional and state averages. Property values have continued to grow steadily, driven primarily by residential development and rising appraisals rather than commercial intensity. At the same time, sales tax revenues have demonstrated consistent, moderate growth, reflecting the Town's strategy of attracting value-aligned businesses that serve residents without altering the community's character. This deliberate approach has produced reliable revenue growth while avoiding volatility commonly associated with high-density commercial development.

The FY 2025–2026 Budget was developed conservatively, acknowledging inflationary pressures, rising utility and infrastructure costs, and uncertainty in broader economic conditions. Revenue projections remain cautious, ensuring that ongoing operations are supported by recurring revenues rather than one-time resources. Expenditure decisions emphasize maintenance, operational clarity, and foundational services rather than expansion, allowing the Town to preserve service levels while strengthening internal processes.

The Town Council adopted a slightly reduced property tax rate for FY 2025–2026, maintaining stability for taxpayers while responsibly managing existing and planned debt obligations. As older debt obligations sunset, capacity is created to finance future capital priorities, such as Streets, Town Center and Police Department Building, without increasing the property tax rate. This approach reflects the Town's long-standing commitment to affordability, transparency, and disciplined debt management.

Strong fund balances across all major funds continue to provide resilience against economic fluctuations and flexibility for strategic investment. Rather than relying on reserves for recurring operations, the Town uses fund balance intentionally for one-time capital projects and infrastructure investments that support long-term efficiency and community benefit. This financial posture positions Argyle to navigate economic uncertainty while remaining focused on its core values of stewardship, thoughtful growth, and preservation of its rural identity.

FY 2025–2026 Budget Highlights

- Maintains a stable and slightly reduced property tax rate while supporting long-term capital planning and debt management
- Continue conservative revenue projections supported by steady residential growth and value-aligned sales tax activity
- Prioritizes infrastructure maintenance and reliability, including wastewater, drainage, and street preservation
- Advances planning and early-phase development for the Town Center and Police Department Building as a long-term civic investment
- Preserves strong fund balances across all major funds, exceeding adopted reserve policy thresholds
- Reinforces Argyle's commitment to intentional, protected, and strategic growth that preserves rural character and quality of life

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Town of Argyle, Attn: Finance Director, P.O. Box 609, Argyle, TX 76226.

Basic Financial Statements

For the Fiscal Year Ended
September 30, 2025

THIS PAGE LEFT INTENTIONALLY BLANK

Town of Argyle, Texas

STATEMENT OF NET POSITION

As of September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	$ 8,844,477	$ 2,747,568	$ 11,592,045
Receivables (net of allowances)	1,085,016	183,958	1,268,974
Internal balances	83,520	(83,520)	-
Restricted assets:			
Cash and cash equivalents	12,723,084	1,213,074	13,936,158
Capital assets (net of acc. depreciation)			
Non-depreciable	4,871,489	53,093	4,924,582
Net depreciable capital assets	25,853,653	9,840,329	35,693,982
Net pension asset	215,208	10,770	225,978
Total Assets	53,676,447	13,965,272	67,641,719
Deferred Outflows of Resources			
Deferred outflows - pension	274,750	13,750	288,500
Total Deferred Outflows of Resources	274,750	13,750	288,500
Liabilities			
Accounts payable	270,637	193,871	464,508
Accrued liabilities	177,324	158,354	335,678
Interest payable	21,563	4,224	25,787
Compensated absences	133,842	726	134,568
Noncurrent liabilities:			
Debt due within one year	1,483,882	183,283	1,667,165
Debt due in more than one year	4,901,264	1,951,598	6,852,862
Total Liabilities	6,988,512	2,492,056	9,480,568
Deferred Inflows of Resources			
Deferred inflows - pension	113,251	5,669	118,920
Total Deferred Inflows of Resources	113,251	5,669	118,920
Net Position			
Net investment in capital assets	24,346,996	7,758,541	32,105,537
Restricted	15,974,922	-	15,974,922
Unrestricted	6,527,516	3,722,756	10,250,272
Total Net Position	$ 46,849,434	$ 11,481,297	$ 58,330,731

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 1,928,144	$ 997,889	$ 985,978	$ -
Streets and parks	1,128,946	181,656	-	-
Court	206,536	547,287	-	-
Public safety	2,604,455	-	-	-
Economic development	1,405,208	-	-	-
Public works	1,304,889	-	-	-
Interest and charges on long-term debt	182,164	-	-	-
Total governmental activities	8,760,342	1,726,832	985,978	-
Business-type activities:				
Water and sewer	2,600,230	2,436,895	-	-
Total business-type activities	2,600,230	2,436,895	-	-
Total primary government	$ 11,360,572	$ 4,163,727	$ 985,978	$ -

General Revenues and Transfers:
- Property taxes
- Sales taxes
- Franchise taxes
- Hotel/motel taxes
- Unrestricted investment earnings
- Other revenue
- Intergovernmental

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position, as originally stated

Cumulative effect - error correction

Beginning Net Position, as restated

Ending Net Position

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ 55,723		$ 55,723
(947,290)		(947,290)
340,751		340,751
(2,604,455)		(2,604,455)
(1,405,208)		(1,405,208)
(1,304,889)		(1,304,889)
(182,164)		(182,164)
(6,047,532)		(6,047,532)
-	$ (163,335)	(163,335)
-	(163,335)	(163,335)
(6,047,532)	(163,335)	(6,210,867)
5,362,612	-	5,362,612
4,235,840	-	4,235,840
611,866	-	611,866
3,142	-	3,142
849,945	170,007	1,019,952
115,192	-	115,192
424,836	-	424,836
11,603,433	170,007	11,773,440
5,555,901	6,672	5,562,573
42,143,512	11,474,625	53,618,137
(869,021)	-	(869,021)
41,293,533	11,474,625	52,768,158
$ 46,849,434	$ 11,481,297	$ 58,330,731

Town of Argyle, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

As of September 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund
Assets			
Cash and investments	$ 5,818,833	$ 1,107,076	$ 4,363,057
Receivables (net):			
Sales taxes	353,229	-	-
Franchise	192,719	-	-
Other	126,280	71	-
Property taxes	44,960	18,800	-
Due from other funds	-	221,644	-
Total Assets	6,536,021	1,347,591	4,363,057
Liabilities			
Accounts payable	202,160	-	43,460
Accrued liabilities	177,324	-	-
Due to other funds	296,480	120,506	-
Total Liabilities	675,964	120,506	43,460
Deferred Inflows of Resources			
Unavailable revenues due to property tax and other	44,960	18,800	-
Total Deferred Inflows of Resources	44,960	18,800	-
Fund Balances			
Restricted for:			
Debt service	-	1,208,285	-
Capital improvements	-	-	4,319,597
Street maintenance	-	-	-
Economic development	-	-	-
Court security and technology	-	-	-
Committed	-	-	-
Unassigned	5,815,097	-	-
Total Fund Balances	5,815,097	1,208,285	4,319,597
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,536,021	$ 1,347,591	$ 4,363,057

The accompanying notes are an integral part of this statement.

Street Maintenance Fund	Roadway Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 3,613,328	$ 3,171,030	$ 3,494,237	$ 21,567,561
173,697	-	175,260	702,186
-	-	-	192,719
-	-	-	126,351
-	-	-	63,760
-	-	278,862	500,506
3,787,025	3,171,030	3,948,359	23,153,083
-	-	25,017	270,637
-	-	-	177,324
-	-	-	416,986
-	-	25,017	864,947
-	-	-	63,760
-	-	-	63,760
-	-	-	1,208,285
-	3,171,030	-	7,490,627
3,787,025	-	-	3,787,025
-	-	3,383,649	3,383,649
-	-	105,336	105,336
-	-	434,357	434,357
-	-	-	5,815,097
3,787,025	3,171,030	3,923,342	22,224,376
$ 3,787,025	$ 3,171,030	$ 3,948,359	$ 23,153,083

THIS PAGE LEFT INTENTIONALLY BLANK

Town of Argyle, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
As of September 30, 2025

Total Fund Balances - Governmental Funds Balance Sheet	$ 22,224,376
Adjustments for the Statement of Net Position	
Capital and right to use assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.	
Capital assets - non-depreciable	4,871,489
Capital assets - net depreciable	25,853,653
Other long-term assets are not available to pay for current-priod expenditures and, therefore, are deferred in the governmental funds.	
Property taxes	63,760
Some liabilities, including bonds payable, accrued interest payable, and pension and OPEB liabilities are not reported as liabilities in the governmental funds.	
Accrued interest	(21,563)
Net pension asset	215,208
Compensated absences	(133,842)
Long-term debt due in one year	(1,483,882)
Long-term debt due in more than one year	(4,901,264)
Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure)/(revenue) until then.	
Pension outflows	274,750
Pension inflows	(113,251)
Net Position of Governmental Activities	$ 46,849,434

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	General Fund	Debt Service Fund	Capital Improvements Fund
Revenues			
Taxes:			
Property taxes, penalties, and interest	$ 3,498,832	$ 1,463,552	-
Sales taxes	2,116,205	-	-
Franchise taxes	611,866	-	-
Licenses and permits	997,889	-	-
Contributions & grants	932,328	-	-
Interest	233,761	63,512	109,491
Fines	518,454	-	-
Intergovernmental	424,836	-	-
Other	1,840	-	1,128
Park development fees	29,515	-	-
Charges for services	-	-	-
Total Revenues	9,365,526	1,527,064	110,619
Expenditures			
Current:			
Public safety	2,367,963	-	-
Economic development	1,041,998	-	-
General government	1,422,938	1,851	-
Public works	1,156,401	-	43,601
Court	196,869	-	-
Streets	-	-	-
Parks	-	-	-
Capital outlays	51,112	-	-
Debt service:			
Principal	15,627	895,000	-
Interest and fiscal charges	-	157,325	33,720
Total Expenditures	6,252,908	1,054,176	77,321
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,112,618	472,888	33,298
Other Financing Sources (Uses)			
Lease proceeds	-	-	785,000
Proceeds from sale of capital assets	-	-	139,693
Transfers in	309,653	-	1,389,828
Transfers out	(1,389,828)	-	-
Total Other Financing Sources (Uses)	(1,080,175)	-	2,314,521
Net Change in Fund Balances	2,032,443	472,888	2,347,819
Beginning Fund Balances, as originally stated	3,783,751	735,397	1,971,778
Adjustments	(1,097)	-	-
Beginning fund balance, as restated	3,782,654	735,397	1,971,778
Ending Fund Balances	$ 5,815,097	$ 1,208,285	$ 4,319,597

The accompanying notes are an integral part of this statement.

	Street Maintenance Fund	Roadway Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
	$ -	$ -	$ 367,002	$ 5,329,386
	1,040,068	-	1,079,567	4,235,840
	-	-	-	611,866
	-	-	-	997,889
	-	-	53,650	985,978
	141,076	133,528	168,577	849,945
	-	-	28,833	547,287
	-	-	-	424,836
	-	111,604	620	115,192
	-	-	12,448	41,963
	-	-	3,142	3,142
	1,181,144	245,132	1,713,839	14,143,324
	-	-	95,447	2,463,410
	-	-	367,003	1,409,001
	-	-	434,051	1,858,840
	-	-	-	1,200,002
	-	-	10,542	207,411
	127,070	-	-	127,070
	-	-	19,360	19,360
	-	-	250,557	301,669
	-	-	18,732	929,359
	-	-	-	191,045
	127,070	-	1,195,692	8,707,167
	1,054,074	245,132	518,147	5,436,157
	-	-	-	785,000
	-	-	-	139,693
	-	-	-	1,699,481
	(100,000)	-	(209,653)	(1,699,481)
	(100,000)	-	(209,653)	924,693
	954,074	245,132	308,494	6,360,850
	2,832,951	2,925,898	3,594,709	15,844,484
	-	-	20,139	19,042
	2,832,951	2,925,898	3,614,848	15,863,526
	$ 3,787,025	$ 3,171,030	$ 3,923,342	$ 22,224,376

THIS PAGE LEFT INTENTIONALLY BLANK

Town of Argyle, Texas

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

For the Year Ended September 30, 2025

Net Change in Fund Balances - Total Governmental Funds	$ 6,360,850
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	301,669
Depreciation and amortization expense	(1,330,393)
Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, the amounts are deferred and amortized in the Statement of Activities.	
Long-term debt repaid in current year	929,359
Deferred charges on bond refunding	40,679
Lease proceeds	(785,000)
Amortization of bond premium	34,401
Governmental funds report some prior year tax and court revenues as income in the current year. However, in the Statement of Activities, the revenue is recognized in the year in which it is earned.	33,226
Accrued long term debt interest is not recorded in the govermental fund financials but the increase in the balance is recognized for the full accrual government-wide financial statements as interest expense.	(18,519)
Changes to accrued compensated absenses are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(39,552)
Full accrual based pension expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.	29,181
Change in Net Position of Governmental Activities	$ 5,555,901

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

As of September 30, 2025

		Wastewater Utility Funds
Assets		
Current Assets:		
Cash and investments	$	2,747,568
Receivables (net of allowances for uncollectible):		
Accounts		183,958
Due from other funds		138,124
Total Current Assets		3,069,650
Noncurrent Assets:		
Restricted cash and cash equivalents		1,213,074
Capital assets:		
Non-depreciable		53,093
Net depreciable capital assets		9,840,329
Net pension liability		10,770
Total Noncurrent Assets		11,117,266
Total Assets		14,186,916
Deferred Outflows of Resources		
Deferred outflows - pension		13,750
Total Deferred Outflows of Resources		13,750
Liabilities		
Current Liabilities:		
Accounts payable		193,871
Accrued liabilities		158,354
Due to other funds		221,644
Accrued interest		4,224
Compensated absences		726
Current portions of long-term debt		183,283
Total Current Liabilities		762,102
Noncurrent Liabilities:		
Bonds and certificates of obligation payable (net)		1,951,598
Total Noncurrent Liabilities		1,951,598
Total Liabilities		2,713,700
Deferred Inflows of Resources		
Deferred inflows - pension		5,669
Total Deferred Inflows of Resources		5,669
Net Position		
Net investment in capital assets		7,758,541
Unrestricted		3,722,756
Total Net Position	$	11,481,297

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas

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

For the Year Ended September 30, 2025

	Wastewater Utility Funds
Operating Revenues	
Sewer service	$ 2,134,811
Connection and impact fees	277,451
Inspection fees	24,633
Total Operating Revenues	2,436,895
Operating Expenses	
Contract services	1,761,195
Depreciation	457,168
Personnel services	169,859
Maintenance	86,717
Utilities	39,139
Materials, supplies, and services	38,379
Total Operating Expenses	2,552,457
Operating Income (Loss)	(115,562)
Nonoperating Revenues (Expenses)	
Interest income	170,007
Interest expense	(47,773)
Total Nonoperating Revenues (Expenses)	122,234
Income before Capital Contributions and Transfers	6,672
Total Transfers	-
Change in Net Position	6,672
Beginning Net Position	11,474,625
Ending Net Position	$ 11,481,297

The accompanying notes are an integral part of this statement.

THIS PAGE LEFT INTENTIONALLY BLANK

Town of Argyle, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended September 30, 2025

	Wastewater Utility Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 2,625,364
Cash Payments to Suppliers for Goods and Services	(1,912,925)
Cash Payments to Employees for Services	(155,768)
Net Cash Provided (Used) by Operating Activities	556,671
Cash Flows from Non-capital and Related Financing Activities:	
Cash paid on behalf of other funds	(159,029)
Net Cash Provided (Used) by Non-Capital & Related Financing Activities	(159,029)
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	(221,694)
Acquisition or Construction of Capital Assets	(53,093)
Net Cash Provided (Used) by Capital and Related Financing Activities	(274,787)
Cash Flows from Investing Activities:	
Interest received	170,007
Net Cash Provided (Used) by Non-Capital & Related Financing Activities	170,007
Net Increase (decrease) in Cash, Cash Equivalents and Restricted Cash	292,862
Cash, Cash Equivalents and Restricted Cash at Beginning of the Year	
Unrestricted Cash and Investments	2,365,586
Restricted Cash	1,302,194
	3,667,780
Cash, Cash Equivalents and Restricted Cash at End of the Year	
Unrestricted Cash and Investments	2,747,568
Restricted Cash	1,213,074
	$ 3,960,642
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	46,515
Depreciation and Amortization	457,168
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	188,469
Decrease (Increase) in Deferred Outflows of Resources	(13,750)
Increase (Decrease) in Accounts Payable	(51,372)
Increase (Decrease) in Deferred Inflows of Resources	5,669
Increase (Decrease) in Accrued Liabilities	(82,038)
Increase (Decrease) in Accrued Compensation	(4,760)
Increase (Decrease) in Net Pension Liability	10,770
Total Adjustments	510,156
Net Cash Provided (Used) by Operating Activities	$ 556,671

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY AGENCY FUNDS

ARGYLE PUBLIC IMPROVEMENT DISTRICTS (PID)

As of September 30, 2025

	Highlands PID	Waterbrook PID	Total Agency Funds
Assets			
Restricted cash and cash equivalents	$ 830,158	$ 2,062,410	$ 6,923,042
Total Assets	830,158	2,062,410	6,923,042
Liabilities			
Accounts payable	24,957	25,793	50,750
Long-term debt:			
Due in one year	130,000	300,000	430,000
Due in more than one year	4,860,000	11,715,000	20,605,474
Total Liabilities	5,014,957	12,040,793	21,086,224
Net Position			
Restricted for public improvement district	(4,184,799)	(9,978,383)	(14,163,182)
Total Net Position	$ (4,184,799)	$ (9,978,383)	$ (14,163,182)

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY AGENCY FUNDS

HASLET PUBLIC IMPROVEMENT DISTRICTS (PID)

As of September 30, 2025

	Highlands PID	Waterbrook PID	Total Agency Funds
Additions			
Assessment revenue	$ 395,742	$ 954,249	$ 1,349,991
Investment earnings	43,187	103,475	146,662
Total Additions	438,929	1,057,724	1,496,653
Deductions			
Administrative expenses	15,848	16,550	32,398
Interest expenses	260,188	632,514	892,702
Total Deductions	276,036	649,064	925,100
Change in Net Position	162,893	408,660	571,553
Beginning Net Position	(4,347,692)	(10,387,043)	(14,734,735)
Ending Net Position	$ (4,184,799)	$ (9,978,383)	$ (14,163,182)

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Argyle, Texas (the "Town") is a municipal corporation governed by an elected mayor and a five-member council. The Town provides the following services: public safety (police), community development, public works, municipal court, general administration, and wastewater. 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 applicable to state and local governments. Generally Accepted Accounting Principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant policies of the Town are described below.

1. The Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financial accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financials statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

Blended Component Units

The Argyle Crime Control and Prevention District (the "CCPD"), which was created in fiscal year 2004, and the Argyle Municipal Development District (the "MDD") which was created in fiscal year 2021, are blended presented component units of the Town. The component units do not issue separate financial statements.

The financial statements include government-wide statements prepared on an accrual basis of accounting and fund financial statements that present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. Combining statements for the non-major governmental funds are included in the supplementary section of this report. The Town capitalizes and depreciates all infrastructure assets (streets, bridges, traffic signals, etc.) on a prospective basis effective October 1, 2003.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary Town. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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.

2. <u>Fund Accounting</u>

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of funds' assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and from individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statement section of this report into two broad categories as follows:

GOVERNMENTAL FUND TYPES

The primary government of the Town maintains five major governmental funds that include the general fund, debt service fund, capital improvements fund, street maintenance fund, municipal development district and the roadway impact fees fund. In addition, the Town maintains nine non-major special revenue funds and one non-major capital projects fund. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital improvements fund, street maintenance fund, and the roadway impact fees fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single aggregated presentation. Individual funds data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. Funds with no balances in assets, liabilities, revenue or expenditures are excluded from reporting.

General Fund

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

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general-long term debt, principal, interest, and related costs. The resources of this fund are provided primarily by taxes levied by the Town (General Fund).

Capital Projects Funds

The capital projects funds are used to account for all financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds). These funds are the Capital Improvements Fund, Roadway Impact Fees Fund, and the Street Maintenance Fund. All three are major funds in the year ended September 30, 2025.

Special Revenue Funds

Special revenue funds account for revenues that are raised for a specific purpose. The primary government of the Town maintains one major special revenue fund, and eleven individual non-major special revenue funds.

These funds are the Court Technology Fund, Court Security Fund, Parkland Dedication Fund, Tree Reforestation Fund, LEOSE Training Fund, Police Seizures Fund, Police Donations Fund, Building Maintenance Fund, Hotel Occupancy Tax Fund, Capital Projects Equipment Replacement Fund, the MDD and CCPD blended component units, and Tax Increment Reinvestment Zone (TIRZ).

PROPRIETARY FUND TYPES

Wastewater Utility Funds
The proprietary fund is used to account for the operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (cost of sales and services, administrative expenses, and depreciation on capital assets) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges for sales and services or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

The primary government of the Town maintains three wastewater utility funds. These funds are the Wastewater Utility Operating Fund, Wastewater Utility CIP Fund, and the Wastewater Developments Fund.

FIDUCIARY FUND TYPES

Public Improvement District ("PID") Funds
The Town uses fiduciary funds to account for resources held for the benefit of parties outside the government. Fiduciary agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. Fiduciary agency funds are used to account for the Town's PIDs, which are the Highlands PID No. 1, and Waterbrook PID.

3. Basis of Accounting

Government-Wide Financial Statements
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary funds. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all of the eligibility requirements imposed by the provider have been met.

Fund Financial Statements
The modified accrual basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the fund financial statements. Modified accrual basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized only when payment is due.

Ad valorem, franchise and sales tax revenues recorded in the General Fund, sales taxes recorded in the Street Maintenance Fund, CCPD, and MDD, and ad valorem tax revenues recorded in the Debt Service Fund and TIRZ 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 or losses 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 numerous individual programs are used as guidance.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized in the accounting period in which they are earned and become measurable and expenditures in the accounting period in which they are incurred and become measurable.

4. Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following statements:

GASB Statement No. 101, Compensated Absences, will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. There was no effect on opening balances from implementing this Statement.

GASB issued Statement No. 102, "Certain Risk Disclosures," that clarifies the definitions & disclosure guidance for risks due to concentration or constraint. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources and a constraint as a limitation imposed by an external party or formal action of the government's highest level of decision-making authority.

The Statement requires the government to assess wither a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact, and whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin within the 12 months after the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The Town has determined that there is no impact from implementing this Statement.

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

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

5. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand and time deposits as well as short-term investments in State investment pools. For purposes of the statement of cash flows (proprietary fund types), the Town considers cash deposits and highly liquid investments (including restricted assets) maturing in three months or less when purchased, to be cash equivalents. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

6. Restricted Assets

Certain bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

7. Inventory and Prepaid Items

Inventories, which are expended as they are consumed, are stated at the lower of cost or market on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. At September 30, 2025, the Town had no inventories or prepaid expenses.

8. Interfund Receivables and Payables

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "amounts due to" and "amounts due from" other funds appropriately. Any residual balances outstanding between the governmental activities and proprietary-type activities are reported in the government-wide financial statements as "internal balances."

9. Property Taxes

Taxes are levied on October 1 and are due and payable at that time. Ad valorem taxes attach as an enforceable lien on property as of January 1. All unpaid taxes levied October 1 become delinquent February 1 of the following year and are subject to penalty and interest as the Town Council provides by ordinance. Property tax revenues are recognized when they become available. "Available" includes those property taxes receivable which are expected to be collected within sixty days after year-end.

Property subject to taxation consists of real property and certain personal property situated in the Town. Certain properties of religion, education and charitable organizations, as well as the federal government and the State of Texas are exempt from taxation. Additionally, certain exemptions are granted to property owners in arriving at the net assessed valuation of property subject to Town taxation.

10. Allowance for Doubtful Accounts

The Town uses the direct write-off method of recording proprietary fund bad debts, which approximates the percentage method of recording bad debts. No allowance is provided for un-collectible real property taxes, since all real property taxes will ultimately be collected when title to the property is transferred, except in rare instances in which the taxes are discharged in bankruptcy.

11. Capital Assets

Capital assets, which include property, plants, right to use lease equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are accounted for in the statement of net position, rather than governmental funds.

The Town defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized as projects are constructed. See footnote Note A 13 for depreciable lives.

12. <u>Deferred Outflows/Inflows of Resources</u>

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first is the deferred outflow for pension contributions resulting from GASB 68.

The second item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has a deferred inflow from the actuarial pension gain that is presented on the Statement of Net Position from GASB 68. There is only one type of item, which arises only under a modified accrual basis of accounting, which 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 and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

13. <u>Depreciation and Amortization</u>

Property, plant, equipment, right-to-use leased assets, and infrastructure of the primary government and business-type activities are depreciated/amortized using the straight-line method over the following estimated useful lives:

Infrastructure	40 years
Buildings	15 – 20 years
Machinery and equipment	5 – 12 years
Vehicles	5 – 12 years
Right-to-use leased equipment	3 – 5 years

14. Leases

The Town is a lessee for noncancellable leases of property and equipment. The Town recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The Town recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

15. Subscription-Based Information Technology Arrangements

The Town implemented Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements, in fiscal year 2023. The Town has two software arrangements that require recognition under GASBS No. 96. The software amortization expense is included in public safety expenditures on the Government-Wide Statement of Activities related to the Town's intangible asset of two software systems. The Town recognizes a subscription-based information technology arrangements (SBITA) liability and an intangible right-to-use asset for these assets on the Government-Wide Statement of Net Position. The asset is included in net depreciable capital assets on the Statement and as subscription assets in Note G; the liability is included in long-term debt on the Statement and as subscription liabilities in Note K.

16. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The Town does not offer any other compensated time that meet the recognition criteria. The liability has been calculated based on services already provided at the rates of pay that were in force at September 30, 2025. Vacation leave of government-wide and proprietary funds are recognized as an expense and liability of those funds when the Town judges the leave to be more likely than not to be used or settled by other means in the future.

It is the Town's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the Town's governmental funds recognize accrued compensated absences when it is paid.

17. Fund Balances

In accordance with GASB No. 54, *Fund Balance in Reporting and Governmental Fund Type Definitions,* the Town classifies its fund equity into five categories:

- *Non-spendable fund balance* includes amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted fund balance* includes amounts that are constrained to specific purposes by their providers or by enabling legislations.
- *Assigned fund balance* includes amounts a government intends to use for a specific purpose but are neither restricted nor committed. Assignments are made by Town management based on Town Council direction.
- *Committed fund balance* includes amounts which are constrained to specific purposes by the Town Council through an ordinance or resolution. To be reported as committed, amounts cannot be used for any other purposes unless the Town Council takes the same action to remove or change the constraint.
- *Unassigned fund balance* includes amounts that are available for any purpose. Unassigned fund balances are only reported in the general fund.

The Town’s highest level of decision-making authority is governed by the Town Council. Passage of a resolution would be required to establish, modify, or rescind a fund balance commitment. The Town Council has the authority to assign amounts to specific purposes. The Town considers restricted amounts spent when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Expenditures incurred for purposes for which amounts to any of the unrestricted fund balance classifications could be used are classified using the highest level of spending constraint available at the time of the expenditure. The Town Council adopted Financial Policies in FY20 and FY25 that establish a General Fund balance requirement of 120 days.

18. Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

19. Net Position

In the government-wide and proprietary funds financial statements, the net position is reported in three components: (1) net investment in capital assets, (2) restricted and (3) unrestricted. Net investment in capital assets represents the Town's total investment in capital assets, net of depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvements of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

18. Budgets

The Town prepares annual budgets for the general fund, special revenue funds, debt service fund, and capital projects funds on a GAAP basis in order to provide appropriate budgetary control over revenues and expenditures through comparison of actual data to budgetary data. If a change in the approved budget is required due to unforeseen circumstances, the Council may approve amendments to the budget. All annual appropriations lapse at fiscal year-end. The legal level of budgetary control is established at the fund level.

For the year ended September 30, 2025, the Court Technology Fund exceeded appropriations at the legal level of control by $5,516. Management has implemented procedures to ensure future compliance.

NOTE B – CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures* the following disclosures are presented:

Deposits

Statutes authorize the Town to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by Chapter 2256 Public Funds Investments and Chapter 2257 Collateral for Public Funds of the Government Code. The Town's funds are required to be deposited and invested under the terms of a depository contract and investments policy pursuant to state statute.

The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect 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 dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At September 30, 2025, the Town's carrying amount of demand deposits was $25,528,203 while the bank balance also showed $24,389,788 in deposits at financial banking institutions that are members of the FDIC (Category 1). Amounts deposited in the bank, including the bank balances of the blended component units in the amounts of $1,584,288 for the Municipal Development District and $899,322 for the Crime Control Prevention District, were fully insured by the FDIC (Category 1) or collateralized at all times during the year ended September 30, 2025, and thus had no cash deposits that were exposed to custodial credit risk.

Investments

The Town also had $1,138,415 in the Texas Local Government Investment Pool (TexPool) as follows:

	Amount
Public funds investment pools:	
TexPool General fund	$ 117,539
TexPool MDD fund	945,205
TexPool Roadway Capital Improvement	503
TexPool WW Development fund	75,168
Total public investment pools	$ 1,138,415

Cash and cash equivalents held in the TexPool are not categorized in regard to credit risk. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State comptroller has established an advisory board composed of Participants in the TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, Standard and Poor's rated the TexPool at AAAm. To maintain the rating, weekly portfolio information must be submitted to Standard and Poors and the office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. Deposits held by this public funds investment pool are not subject to custodial credit risk.

Total unrestricted and restricted cash and cash equivalents for the primary government is $25,528,203 on the statement of net position at September 30, 2025. Of this amount, $11,592,045 was unrestricted and available for spending at the Town's discretion.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of September 30, 2025, the Town had no investments that were exposed to concentration of credit risk.

Foreign Currency Risk
Foreign currency risk is the risk that an investment dominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. As of September 30, 2025, the Town was not exposed to foreign currency risk.

NOTE C – RECEIVABLES

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

	General Fund	Capital Projects Fund	Debt Service Fund	Street Maintenance Fund	Nonmajor Governmental Funds	Wastewater Utility Funds	Total
Sales taxes	$ 353,229	$ -	$ -	$ 173,697	$ 175,260	$ -	$ 702,186
Franchise & other	318,999	-	71	-	-	-	319,070
Accounts	-	-	-	-	-	183,958	183,958
Property taxes	44,960	-	18,800	-	-	-	63,760
Municipal court	42,405	-	-	-	-	-	42,405
	759,593	-	18,871	173,697	175,260	183,958	1,311,379
Less: allowance for doubtful accounts	(42,405)	-	-	-	-	-	(42,405)
Net	$ 717,188	$ -	$ 18,871	$ 173,697	$ 175,260	$ 183,958	$ 1,268,974

NOTE D – DELINQUENT AD VALOREM TAX

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current year. At the end of the current fiscal year, the unavailable revenue reported in the governmental funds related to delinquent ad valorem taxes was $63,760.

NOTE E – PROPERTY TAX REVENUE

Ad valorem taxes (property taxes) are billed and collected by Denton County Tax Assessor Collector. For the year ended September 30, 2025, the tax rate was $0.34311 per $100 assessed valuation.

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds. At September 30, 2025, interfund receivables and payables are as follow:

	Due From Other Funds	Due To Other Funds	Internal Balances
Governmental Funds:			
General	$ -	$ 296,480	
Debt Service	221,644	120,506	
Capital Projects	-	-	
Nonmajor Funds	278,862	-	
	$ 500,506	$ 416,986	$ 83,520
Proprietary Funds:			
Water and Sewer	$ 138,124	$ 221,644	
	$ 138,124	$ 221,644	$ (83,520)

NOTE G – GENERAL CAPITAL ASSETS

Capital assets used in governmental fund type operations are accounted for in the statement of net position, rather than in governmental funds. Public domain "infrastructure" general fixed assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, were capitalized prospectively starting in fiscal year 2003. The most notable capital additions in FY25 were vehicles.

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2025:

	Beginning Balance *(as restated)*	Additions	Retirements & Reclasses	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized:				
Land	$ 4,803,276	$ -	$ -	$ 4,803,276
Construction in progress	-	68,213	-	68,213
Capital assets being depreciated/amortized:				
Building and improvements	4,115,572	-	-	4,115,572
Vehicles and equipment	1,752,379	233,456	-	1,985,835
Streets and infrastructure	30,498,982	-	-	30,498,982
Intangibles	720,711	-	-	720,711
Right to use assets	24,367	-	-	24,367
Subscription assets	96,856	-	-	96,856
Totals	42,012,143	301,669	-	42,313,812
Less accumulated depreciation/amortization	(10,258,277)	(1,330,393)	-	(11,588,670)
Governmental activities capital assets, net	$ 31,753,866	$ (1,028,724)	$ -	$ 30,725,142

Depreciation for general capital assets is included as an expense for governmental activities on the statement of activities. Depreciation was allocated to each governmental function as follows:

Governmental Activities:	
General government	$ 82,685
Public Safety	157,095
Streets	904,454
Parks	78,062
Public Works	108,097
	$ 1,330,393

NOTE H - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT

The FY25 proprietary capital additions were related to the addition of construction in progress.

The following is a summary of the property, plant and equipment of the proprietary funds for the year ended September 30, 2025:

Business-Type Activities Capital assets not being depreciated:	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Land	$ -	$ -	$ -	$ -
Construction in progress	-	53,093	-	53,093
Depreciable capital assets:				
Vehicles	13,240	-	-	13,240
Machinery and equipment	417,809	-	-	417,809
Wastewater collection system	12,632,484	-	-	12,632,484
Graveyard branch collection system	687,518	-	-	687,518
Intangibles	82,103	-	-	82,103
Totals	13,833,154	53,093	-	13,886,247
Less accumulated depreciation	(3,535,657)	(457,168)	-	(3,992,825)
Business-type activities capital assets, net	$ 10,297,497	$ (404,075)	$ -	$ 9,893,422

NOTE I – LEASES

Effective October 1, 2021, the Town implemented GASB Statement No. 87, Leases, which required the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

At implementation of GASB Statement No. 87 and the commencement of leases beginning after October 1, 2021, the Town initially measured the lease liability at the present value of payments expected to be made during the remaining lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease right-to-use asset was initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease right-to use asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments.

The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

As of September 30, 2025, the Town has fully amortized all right to use lease assets.

NOTE J – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Town recorded arrangements for tasers & in-car cameras totaling $96,856, with $57,114 of accumulated amortization, as subscription assets in the governmental capital assets. These assets are being amortized over the lease terms of seven and five years since the related equipment will be replaced at the end of the arrangement terms and replaced with new equipment and upgraded software. There are no residual value guarantees in the arrangement provisions. The taser arrangement will end in 2026 and the cameras arrangement will end in 2027.

A summary of the principal and interest amounts for the remaining arrangements includes the following principal and interest payments:

Fiscal Year	Principal	Interest	Total
2026	$ 19,482	$ 1,590	$ 21,072
2027	20,260	810	21,070
	$ 39,742	$ 2,400	$ 42,142

NOTE K - LONG TERM LIABILITIES AND CONTRACTUAL OBLIGATIONS

The following is a summary of changes in long-term debt for the year ended September 30, 2025:

	Balance 9/30/2024	Additions	Retirements	Balance 9/30/2025	Due within one year
Governmental Activities					
CO Series 2019 - Street Improvements	$ 1,500,000	$ -	$ (275,000)	$ 1,225,000	$ 290,000
GO Series 2019 - Refunding Bonds	475,000	-	(95,000)	380,000	105,000
GO Series 2020 - Refunding Bonds	1,765,000	-	(235,000)	1,530,000	240,000
CO Series 2021 - Street Improvements	2,530,000	-	(290,000)	2,240,000	295,000
Tax Note Series 2025	-	785,000	-	785,000	500,000
Unamortized bond premium	219,805	-	(34,401)	185,404	34,400
Lease liabilities	5,242	-	(5,242)	-	-
Subscription liabilities	68,859	-	(29,117)	39,742	19,482
Total bonds, notes, and leases payable	6,563,906	785,000	(963,760)	6,385,146	1,483,882
Compensated absences	94,290	39,552	-	133,842	133,842
Long Term Debt	$ 6,658,196	$ 824,552	$ (963,760)	$ 6,518,988	$ 1,617,724
Business-Type Activities					
GO Series 2019 - Refunding Bonds	$ 495,000	$ -	$ (85,000)	$ 410,000	$ 95,000
CO Series 2020 - Tax & Revenue Bond	1,760,000	-	(85,000)	1,675,000	85,000
Unamortized bond premium	53,164	-	(3,283)	49,881	3,283
Total bonds and notes payable	2,308,164	-	(173,283)	2,134,881	183,283
Compensated absences	4,040	-	(3,314)	726	726
Long Term Debt	$ 2,312,204	$ -	$ (176,597)	$ 2,135,607	$ 184,009

There were no significant contracts or encumbrances at September 30, 2025.

LONG TERM DEBT OF THE GOVERNMENTAL ACTIVITIES

On January 3, 2019 the Town issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2019 in the amount of $2,665,000. These bonds are for construction and improvement of streets. The bonds were issued with a rate of 3.25% to 5.00% and mature on February 15, 2029. These bonds anticipate transfers from the Street Maintenance Sales Tax Fund to balance the annual debt service. As the intent was road reconstruction, the bonds are amortized over 10 years to model the increased life of the roads which creates a large annual principal payment. The principal balance as of September 30, 2025 was $1,225,000.

On January 3, 2019, the Town issued General Obligation Refunding Bonds, Series 2019 in the amount of $1,895,000 to refund three separate issues comprised of general long-term debt and wastewater debt. The general debt refunded is as follows: 2008 C.O.'s in the amount of $980,000 for the purchase of a church for the current Town Hall facility and the 2009 C.O.'s.in the amount of $515,000 issued to the renovate the church and police department buildings. The total general debt refund in the amount of $1,895,000 were issued with a rate of 3.00% to 4.00% rate and mature on February 15, 2030. The principal balance as of September 30, 2025 was $380,000.

On April 23, 2020, the Town issued General Obligation Refunding Bonds in the amount of $2,640,000 to refund the C.O., Series 2010. The general debt refunded in the amount of $2,590,000 for the comprehensive Town-wide street reconstruction and improvement project. The total general debt refunding in the amount of $2,640,000 were issued with a rate of 1.89% rate and mature on February 15, 2031. The principal balance as of September 30, 2025 was $1,530,000.

On November 16, 2021, the Town issued Combination Tax and Revenue Certificates of Obligation, Series 2021 in the amount of $3,085,000. These bonds are issued for construction and improvement of streets. The bonds were issued with a rate of 2.00% to 3.00% and mature on February 15, 2032. As the intent was road reconstruction and street improvement, the bonds are amortized over 10 years to model the increased life of the roads which creates a large annual principal payment. The principal balance as of September 30, 2025 was $2,240,000.

On August 18, 2025, the Town issued Town of Argyle, Texas Tax Notes, Series 2025 in the amount of $785,000. These bonds are issued for general Town expenses. The Note were issued with a rate of 3.5% and mature on February 15, 2027. The principal balance as of September 30, 2025 was $785,000.

The principal and interest requirements related to these governmental bonds and notes at September 30, 2025 are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 1,430,000	$ 133,277	$ 1,563,277
2027	930,000	104,463	1,034,463
2028	950,000	75,141	1,025,141
2029	950,000	48,255	998,255
2030	955,000	26,885	981,885
2031-2035	945,000	16,302	961,302
	$ 6,160,000	$ 404,323	$ 6,564,323

The Town was upgraded from a bond rating of AA to AA+ with stable outlook in November 2018 by Standard & Poor's. This upgrade was predicated on fiscal years 2015, 2016, and 2017. It was conducted during the refunding process for General Obligation bonds to lower the Town's debt costs. The upgrade is a positive reflection of the Town's strong financial position resulting from conservative budgeting and management practices, strong ad valorem values, and proximity in the Dallas-Ft. Worth Metroplex.

Town employees earn one to four weeks of vacation leave, based on tenure with the Town. They are able to accrue no more than two times their annual vacation accrual rate. Town employees accumulate sick leave at the rate of one day per month with a maximum accrual of 320 hours. Vacation and compensatory time are paid upon termination of service with the Town; sick pay is not. The accrual of compensated absences for governmental activities at September 30, 2025 was $133,842.

LONG TERM DEBT OF THE WASTEWATER UTILITY FUNDS

On January 3, 2019, the Town issued General Obligation Refunding Bonds in the amount of $915,000 to refund three separate issues comprised of general long-term debt and wastewater debt. The wastewater debt refunded is as follows: 2008 C.O.'s in the amount of $565,000 for the first phase of the TRA Wastewater Line and the 2009 C.O.'s. issued in the amount of $730,000 for the second phase of the TRA Wastewater Line. The total wastewater debt refunding in the amount of $915,000 were issued with a rate of 3.00% to 4.00% and mature on February 15, 2030. The remaining principal balance on September 30, 2025, was $410,000.

On December 10, 2020, the Town issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2020 in the amount of $1,995,000. The proceeds will be used for constructing improvements and extensions to the Town's sanitary sewer system including the acquisition of land and rights of-way; and (ii) paying legal, fiscal, engineering, and architectural fees in connection with these projects. The bonds were issued with a rate of 2.00% to 2.125% and mature on September 30, 2041. The principal balance as of September 30, 2025, was $1,675,000.

The following is a summary of the Town's Proprietary Fund long-term future debt service for the fiscal year ended September 30, 2025

Fiscal Year	Principal	Interest	Total
2026	$ 180,000	$ 46,394	$ 226,394
2027	190,000	40,744	230,744
2028	205,000	34,694	239,694
2029	200,000	29,019	229,019
2030	100,000	25,494	125,494
2031-2035	520,000	96,969	616,969
2036-2040	570,000	42,178	612,178
2041-2045	120,000	1,200	121,200
	$ 2,085,000	$ 316,691	$ 2,401,691

NOTE L – RESTRICTED CASH

At September 30, 2025, the balance of the restricted cash accounts in the Governmental funds and Wastewater Utility Funds was $12,723,084 and $1,213,074, respectively.

NOTE M – LITIGATION AND CONTINGENCIES

The Town is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the Town does not expect them to have a materially adverse effect on its Basic Financial Statements.

NOTE N - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission, injuries to employees; and natural disaster. The Town purchases commercial insurance through Texas Municipal League. The Town retains no risk of loss for the following coverage types. The Town accounts for risk management issues in accordance with GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues". Settlement of claims has not exceeded coverage in the past three years.

Type of Coverage

General liability
Law enforcement liability
Automobile liability
Worker's Compensation
Cyber Liability and Breach Response
Errors and Omissions liability
Crime Coverage
Automobile Physical Damage
Real and Personal Property

NOTE O – INTERFUND TRANSFERS

Inter-fund transfers are reported in the governmental funds and proprietary fund financial statements. In the government-wide statements, inter-fund transfers are eliminated within the governmental activities column and business-type column, as appropriate. Transfers are used to (1) move revenues collected in the special revenue funds and street maintenance fund to the general fund to finance various programs in accordance with budgetary authorizations, (2) move revenues collected in the street maintenance fund to the general fund to finance various programs in accordance with budgetary authorizations, (3) move receipts restricted for debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, (4) reimburse one fund for services provided to another fund, and (5) move unrestricted General Fund revenues to Capital Improvements Fund as determined by the Council for capital projects. Interfund transfers between the primary government's funds consisted of:

	Transfers To Other Funds	Transfers From Other Funds	Net Transfers
Governmental Funds:			
General	$ 1,389,828	$ 309,653	
Debt Service	-	-	
Capital Projects	-	1,389,828	
Street Maintenance Fund	100,000	-	
Nonmajor funds	209,653	-	
	$ 1,699,481	$ 1,699,481	$ -

NOTE P – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the 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.

Plan provisions for the Town were as follows:

	Plan Year 2024
Employee deposit rate	7%
Matching ratio (Town to Employee)	2 to 1%
Years required for vesting	0.05
Retirement Eligibility (Age/Service)	60/5, 0/20
Updated Service Credit	100% Repeating Transfers
Annuity to Increase (to retirees)	70% of CPI Repeating
Supplemental Death Benefit to Active Employees	No
Supplemental Death Benefit to Retirees	No

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	51
Active employees	34
	118

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method.

The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 12.50% in calendar years 2025 and 2024. The Town's contributions to TMRS for the years ended September 30, 2025 and 2024, were $384,756 and $337,405, respectively, which exceeded the required contributions.

Net Pension Liability (Asset)

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

Actuarial Assumptions

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

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 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 using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Actuarial Assumptions (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability (Asset)

Changes in the net pension liability (asset) for the Town are summarized in the following table:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2023	$ 8,546,548	$ 8,410,016	$ 136,532
Changes for the year:			
Service cost	523,906	-	523,906
Interest	581,226	-	581,226
Change of benefit terms	-	-	-
Difference between expected and actual experience	(40,613)	-	(40,613)
Changes of assumptions	-	-	-
Contributions - employer	-	351,383	(351,383)
Contributions - employee	-	206,146	(206,146)
Net investment income	-	875,236	(875,236)
Benefit payments, including refunds of employee contributions	(395,498)	(395,498)	-
Administrative expense	-	(5,604)	5,604
Other changes	-	(132)	132
Net changes	$ 669,021	$ 1,031,531	$ (362,510)
Balance at 12/31/2024	$ 9,215,569	$ 9,441,547	$ (225,978)

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

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$1,193,765	($225,978)	($1,364,532)

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2025, the Town recognized pension expense of $313,680.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At September 30, 2025 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	$ -	$ (1,315)
Changes in actuarial assumptions	-	(9,875)
Differences between projected and actual investment earnings	-	(107,730)
Contributions subsequent to the measurement date	288,500	-
Total	$ 288,500	$ (118,920)

$288,500 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Net Deferred (Inflows) Outflows of Resources
2026	$ (777)
2027	75,722
2028	(132,353)
2029	(61,512)
2030	-
Thereafter	-
Total	$ (118,920)

NOTE Q – PUBLIC IMPROVEMENT DISTRICTS

The Town currently has two public improvement districts (PIDs). Both PID's established by the Town state the "Owner proposes that no portion of the Authorized Improvements Cost shall be apportioned to the Town; consequently, no Town property will be assessed, and the Town will not be obligated to pay any assessments levied against the Property or to pay debt service on any revenue bonds secured by assessments levied against the Property." The Town has engaged a PID Administrator for both PIDs identified below. All assessments paid, whether in full or annually with homeowner's property tax bill, flow through an account at the Town and are wired to the respective trustee hired to administer the bonds.

The Highlands of Argyle Public Improvement District No. 1 (the "Highlands PID")

On April 26, 2016, the Town passed and approved Resolution No. 2016-07 authorizing the establishment of the Highlands PID in accordance with Chapter 372, Texas Local Government Code, as amended, which authorization was effective upon publication as required by the act. The purpose of the PID is to finance the actual costs of authorized improvements that confer a special benefit on approximately 111.41 acres within the corporate limits of the Town: (1) just southwest of the Old Town area; (2) south of Old Justin Road; (3) West of U.S. Highway 377 along and adjacent to the Texas & Pacific Railroad Company; and (4) north of Harpole. The property is zoned under Ordinance No. 2015-21 adopted by the Town Council on September 22, 2015, which ordinance establishes the permitted uses of, and standards for the development of, the property.

On September 1, 2017, the Town issued the Town of Argyle, Texas Special Assessment Revenue Bonds, Series 2017 (Highlands Public Improvement District Project) (the Bonds) in the original principal amount of $5,765,000. The Bonds are being issued by the Town pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code as amended (the PID Act), and ordinance adopted by the Town Council of the Town on August 22, 2017, and an Indenture of Trust, dated September 1, 2017, entered into by and between the Town and the Trustee, U.S. Bank National Association (US Bank). The Bonds were authorized in order to finance the costs of local public infrastructure benefiting Public Improvement District No. 1.

Proceeds of the Bonds were deposited into trust accounts with US Bank for the purpose of funding improvements in the projects described above. US Bank serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time-to-time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned or transferred to Trustee. The total bond principal outstanding for the Town of Argyle, Texas Special Revenue Bonds series 2017 (Highlands Public Improvement District Project) is $4,990,000 at September 30, 2025.

The Waterbrook of Argyle Public Improvement District (the "Waterbrook PID")

On August 23, 2016, the Town passed and approved Resolution No. 2016-22 authorizing the establishment of the Waterbrook PID in accordance with Chapter 372, Texas Local Government Code, as amended, which authorization was effective upon publication as required by the act. The purpose of the Waterbrook PID is to finance the actual costs of authorized improvements that confer a special benefit on approximately 101.350 acres within the corporate limits of the Town, located on the southeast corner of Farm to Market Road 407; along and adjacent to U.S. Highway 377; and North of Frenchtown Road. The property is zoned under Ordinance No. 2016-08 adopted by the Town Council on April 23, 2016, which ordinance establishes the permitted uses of, and standards for the development of, the property.

On January 1, 2018, the Town issued the Town of Argyle, Texas Special Assessment Revenue Bonds, Series 2018 (Waterbrook Public Improvement District Project) (the Bonds) in the original principal amount of $13,955,000. The Bonds are being issued by the Town pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code as amended (the PID Act), and ordinance adopted by the Town Council of the Town on August 22, 2017, and an Indenture of Trust, dated January 1, 2018, entered into by and between the Town and the Trustee, U.S. Bank National Association (US Bank). The Bonds were authorized in order to finance the costs of local public infrastructure benefiting Public Improvement District.

Proceeds of the Bonds were deposited into trust accounts with US Bank for the purpose of funding improvements in the projects described above. US Bank serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time-to-time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned or transferred to Trustee. The total bond principal outstanding for the Town of Argyle, Texas Special Revenue Bonds series 2018 (Waterbrook Public Improvement District No. 1 Project) is $12,015,000 at September 30, 2025.

NOTE R – TAX INCREMENT REINVESTMENT ZONE

Tax Increment Reinvestment Zone (TIRZ) are special zone(s) created by the Town Council under the Texas Tax Code Chapter 311 (Tax Increment Financing Act). A TIRZ is used to finance public improvements within a defined area. These improvements are intended to promote development or redevelopment in the defined area and surrounding areas. Taxes attributable to new improvements (tax increments) are set aside in a special revenue fund to finance public improvements with the boundaries of the zone.

The Argyle Tax Increment Reinvestment Zone No. 1 Board (the "Waterbrook TIRZ") was created by the Town Council on September 27, 2016 through the adoption of Ordinance No. 2016-18. On August 9, 2016, the Council approved the Development Agreement between the Town of Argyle and Terra Manna, LLC for the Waterbrook Development located on the Southeast corner of FM 407 and US 377. The development agreement included components related to the creation of the Waterbrook PID, as well as the creation of a TIRZ which will be used to buy down the PID assessment on the project and reimburse eligible developer costs.

A portion of the real property ad valorem taxes levied by participating taxing entities and a portion of sales taxes collected in Waterbrook TIRZ are set aside for this purpose beginning with taxes levied after January 1, 2017 tax levies. The amount set aside out of the annually adopted tax levy, is based upon the appraised value each January 1st compared to the base year appraised value of property in the TIRZ as of January 1, 2016 (tax increment).

The Town engaged a TIRZ Administrator in June 2021. On March 24, 2021, the TIRZ Administrator conducted a review in coordination with the Denton County GIS/Mapping Coordinator to determine the values of the Waterbrook TIRZ since its creation. The values are summarized below:

Reinvestment Zone Number One of the Town of Argyle Historical Taxable and Incremental Values				
Year	Contribution to TIRZ Fund As of September 30	Taxable Value	Incremental Taxable Value	Town Sales Tax Collected in TIRZ
2024	2025	$ 159,241,951	$ 158,752,557	$ -
2023	2024	$ 145,564,346	$ 145,074,952	$ -
2022	2023	$ 85,595,436	$ 85,106,042	$ -
2021	2022	$ 54,515,273	$ 54,025,879	$ -
2020	2021	$ 31,356,671	$ 30,867,277	$ -
2019	2020	$ 24,524,050	$ 24,034,656	$ -
2018	2019	$ 8,686,722	$ 8,197,328	$ -
2017	2018	$ 22,100,384	$ 21,610,990	$ -

The County agreed to deposit 50% of the County's Tax Increment each year, and the Town agreed to deposit 40% of the Town's Tax Increment and 50% of the Town's $0.01 sales tax collected in the Zone each year. There has been no sales tax component as there is no commercial building to date. The Town recognized property tax portion total $367,002 ($149,123 from the I&S Fund and $217,879 from the M&O Fund) in fiscal year 2025. The Town accounts for the TIRZ as a *Special Revenue Fund.*

The funds generated within the boundary are used as follows:

From the County increment: Administration and creation costs for the Waterbrook TIRZ; reimbursement to the developer for approximately $2.4 million in sewer collection system facilities and farm to market deceleration lanes; and to pay interest on the obligation of the sewer facilities and deceleration lanes.

From the Town increment: Administration and creation costs for the Waterbrook TIRZ; to fund a reserve for the Commercial PID Credit; to fund a set amount to the Commercial Credit after Development Agreement thresholds are met; to reimburse the Developer for certain costs from Sales Tax revenues produced within the boundary.

NOTE S - FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town has two fiduciary funds: Highlands PID Agency Fund and Waterbrook PID Agency Fund. As of September 30, 2025, the Fiduciary funds have negative fund balances as the monies collected are periodically transferred to the developer or pay the Districts' bond obligations.

NOTE T - PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended September 30, 2025, the Town Management adjusted the beginning fund balances for the General Fund & Municipal Development District causing prior period adjustments. The Town's Senior Citizen Organization Fund, a special revenue fund, was closed during year ended September 30, 2025 and the remaining assets and liabilities transferred into the General Fund. The Town's Economic Development Fund, a special revenue fund, was closed during year ended September 30, 2025 and the remaining assets and liabilities transferred into the Municipal Development District. Management also corrected the net position of governmental activities for $869,021 in depreciation not recorded in prior years. See the below table for the total effects on fund balance and net position.

	General Fund	Senior Citizens Organization Fund	Economic Development Corporation	Municipal Development District	Nonmajor Governmental Funds	Total Governmental Net Position
Beginning fund balance, as originally stated	$ 3,783,751	$ (1,097)	$ 23,835	$ 1,971,272	$ 3,613,751	$ 42,162,554
Prior period adjustments						
Closing Senior Citizens Fund into the General Fund	(1,097)	1,097	-	-	1,097	-
Closing Economic Development Fund into the MDD	-	-	(23,835)	42,877	19,042	19,042
Correcting under-reporting of accumulated depreciation	-	-	-	-	-	(869,021)
Total prior period adjustments	(1,097)	1,097	(23,835)	42,877	20,139	(849,979)
Beginning fund balance, as restated	$ 3,782,654	$ -	$ -	$ 2,014,149	$ 3,633,890	$ 41,312,575

NOTE U – ECONOMIC DEVELOPMENT GRANTS AND COMMITMENTS

The Argyle Municipal Development District ("MDD"), a blended component unit of the Town, administers economic development grants funded by restricted sales tax revenue to stimulate local business activity and job creation. On December 18, 2023, the MDD entered into a $100,000 grant agreement with Circle Star Brands Denton LLC and Cactus Canyon LLC Argyle to support the development of a 6,400 square-foot restaurant (Cactus Canyon) at 700 FM 407 W, Argyle, Texas. The agreement requires a $7,000,000 capital investment by the issuance of a Certificate of Occupancy (CO), $4,000,000 in annual taxable sales, and creation of 20 full-time and 40 part-time jobs within one year of CO issuance, maintained for five years.

The Town disbursed $100,000 on November 18, 2024. If performance targets are not met, the Grantee must repay $100,000 in the first year post-CO, decreasing to $20,000 in the fifth year, with joint and several liability among the Grantee's principals. Additionally, on August 22, 2024, the MDD executed a $75,000 grant agreement with Circle Star Brands LLC for a restaurant (Branded Bowls) at 125 FM 407 E, Argyle, Texas, requiring a $700,000 capital investment, $1,750,000 in annual taxable sales, and 8 full-time and 10 part-time jobs within one year of CO issuance, maintained for five years. The Town disbursed $75,000 on September 3, 2024.

On January 8, 2025, the MDD's Board approved a grant to Stable Vet Supply for $40,000. The funds were disbursed on March 17, 2025.

On February 6, 2025, the MDD's Board approved a grant to Little Joe's Farmstead for a maximum of $100,000. The funds were disbursed on June 6, 2025.

On March 6, 2025, the MDD's Board approved a grant to FAC Aesthetics for $7,500. The funds were disbursed on March 17, 2025.

Non-compliance triggers repayment of $75,000 in the first year post-CO, decreasing to $15,000 in the fifth year, with joint and several liability among the Grantee's principals.

The potential repayments for both grants represent contingent receivables, not recognized in the financial statements, as repayment is neither probable nor measurable at this time. The Town monitors compliance through annual Grantee reports.

NOTE V – CONTINGENT LIABILITY: PENDING LITIGATION

The Town is currently a defendant in a lawsuit filed by SPI Asphalt, LLC (Cause No. 24-5719-431) in the 431st Judicial District Court of Denton County, Texas. The case involves a $200,000 payment mistakenly sent to a fraudulent account due to a vendor impersonation scheme. The Town recovered approximately $18,000 and has conditional insurance coverage of $50,000, requiring a $5,000 contribution toward any settlement. SPI is seeking the original invoice amount, attorneys' fees, and court costs. The Town has denied liability and made settlement offers, which were declined. SPI has indicated a willingness to settle for a negotiated amount. Based on legal counsel's assessment, an adverse outcome is possible but not probable. Therefore, no liability has been recorded. If the Town is unsuccessful, potential exposure could be around $150,000, plus legal costs. The case is currently in the discovery period and trial scheduled for February 2, 2026.

The Town is currently a defendant in a lawsuit filed by Ruffner-Ruffner & DC Lending (Cause No. 24-10647-442) in the 442nd Judicial District Court of Denton County, Texas. The case involves the Tree Preservation Ordinance, which the plaintiffs allege violates the Texas Constitution's prohibition against retroactive laws and the Texas Private Real Property Rights Preservation Act, and is an inverse condemnation. Based on legal counsel's assessment, an adverse outcome is possible but moderately low probability. Therefore, no liability has been recorded. If the Town is unsuccessful, potential exposure could be around $1,000,000, plus legal costs. The case is currently in the discovery period and trial scheduled for June 8, 2026.

NOTE W - SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through the audit report date, the date the financial statements were available to be issued. Management has determined that there are no events to disclose.

Required Supplementary Information

For the Fiscal Year Ended
September 30, 2025

THIS PAGE LEFT INTENTIONALLY BLANK

Town of Argyle, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GENERAL FUND - BUDGET TO ACTUAL

For the Year Ended September 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues				
Property tax, penalties, and interest	$ 3,565,045	$ 3,565,045	$ 3,498,832	$ (66,213)
Sales tax	1,956,000	1,956,000	2,116,205	160,205
Franchise Tax	494,000	494,000	611,866	117,866
Licenses and permits	443,000	630,250	997,889	367,639
Contributions & grants	382,327	889,828	932,328	42,500
Interest	220,000	220,000	233,761	13,761
Fines	375,000	375,000	518,454	143,454
Intergovernmental	184,540	184,540	424,836	240,296
Other	-	-	1,840	1,840
Park development fees	25,000	25,000	29,515	4,515
Total Revenues	7,644,912	8,339,663	9,365,526	1,025,863
Expenditures				
Current:				
Public safety	2,632,504	2,632,504	2,367,963	264,541
Economic development	823,330	1,010,580	1,041,998	(31,418)
General government	1,485,201	1,485,201	1,422,938	62,263
Public works	1,886,124	1,136,297	1,156,401	(20,104)
Court	188,595	188,595	196,869	(8,274)
Capital outlay	-	-	51,112	(51,112)
Debt service:				
Principal	-	-	15,627	(15,627)
Total Expenditures	7,015,754	6,453,177	6,252,908	200,269
Excess (Deficiency) of Revenues Over (Under) Expenditures	629,158	1,886,486	3,112,618	1,226,132
Other Financing Sources (Uses)				
Transfers in	309,653	309,653	309,653	-
Transfers out	(660,000)	(1,549,828)	(1,389,828)	160,000
Total Other Financing Sources (Uses)	(350,347)	(1,240,175)	(1,080,175)	160,000
Net Change in Fund Balances	278,811	646,311	2,032,443	$ 1,386,132
Beginning Fund Balances	3,783,751	3,783,751	3,782,654	
Ending Fund Balances	$ 4,062,562	$ 4,430,062	$ 5,815,097	

Town of Argyle, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
Last Ten Measured Years

	2024	2023	2022	2021
Total pension liability				
Service Cost	$ 523,906	$ 467,528	$ 421,015	$ 396,441
Interest (on the Total Pension Liability)	581,226	530,111	482,364	449,370
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(40,613)	104,790	80,479	(84,203)
Change of assumptions	-	(43,935)	-	-
Benefit payments, including refunds of employee contributions	(395,498)	(263,352)	(336,141)	(234,049)
Net Change in Total Pension Liability	669,021	795,142	647,717	527,559
Total Pension Liability - Beginning	8,546,548	7,751,406	7,103,689	6,576,130
Total Pension Liability - Ending (a)	$ 9,215,569	$ 8,546,548	$ 7,751,406	$ 7,103,689
Plan Fiduciary Net Position				
Contributions - Employer	351,383	323,923	329,600	325,268
Contributions - Employee	206,146	188,955	169,180	151,893
Net Investment Income	875,236	848,165	(564,999)	864,407
Benefit payments, including refunds of employee contributions	(395,498)	(263,352)	(336,141)	(234,049)
Administrative Expense	(5,604)	(5,388)	(4,876)	(3,990)
Other	(133)	(37)	5,820	25
Net Change in Plan Fiduciary Net Position	1,031,530	1,092,266	(401,416)	1,103,554
Plan Fiduciary Net Position - Beginning	8,410,017	7,317,751	7,719,167	6,615,613
Plan Fiduciary Net Position - Ending (b)	$ 9,441,547	$ 8,410,017	$ 7,317,751	$ 7,719,167
Net Pension Liability - Enging (a) - (b)	$ (225,978)	$ 136,531	$ 433,655	$ (615,478)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.45%	98.40%	94.41%	108.66%
Covered Payroll	2,944,946	2,857,018	2,416,851	2,230,263
Net Pension Liability as a Percentage of Covered Payroll	-7.67%	4.78%	17.94%	-27.60%

NOTES TO SCHEDULE:
The information in this schedule has been determined as of the measurement date (December 31) of the Town's net pension liability (asset).

2020	2019	2018	2017	2016	2015
$ 378,610	$ 363,721	$ 335,209	$ 285,184	$ 256,946	$ 263,016
413,709	387,971	360,188	325,060	290,933	269,509
-	-	-	-	-	-
(86,274)	(207,859)	(76,452)	28,922	(5,180)	(58,176)
-	(4,544)	-	-	-	40,352
(139,274)	(191,590)	(251,592)	(35,956)	(66,492)	(36,849)
566,771	347,699	367,353	603,210	476,207	477,852
6,009,359	5,661,660	5,294,307	4,691,097	4,214,890	3,737,038
$ 6,576,130	$ 6,009,359	$ 5,661,660	$ 5,294,307	$ 4,691,097	$4,214,890
298,987	293,760	275,179	236,183	310,701	210,859
139,709	137,179	128,503	110,292	98,393	97,620
446,609	756,002	(146,428)	557,079	232,884	4,677
(139,274)	(191,590)	(251,592)	(35,956)	(66,492)	(36,849)
(2,884)	(4,264)	(2,825)	(2,883)	(2,627)	(2,848)
(115)	(126)	(147)	(146)	(142)	(141)
743,032	990,961	2,690	864,569	572,717	273,318
5,872,581	4,881,620	4,878,930	4,014,361	3,441,644	3,168,326
$ 6,615,613	$ 5,872,581	$ 4,881,620	$ 4,878,930	$ 4,014,361	$3,441,644
$ (39,483)	$ 136,778	$ 780,040	$ 415,377	$ 676,736	$ 773,246
100.60%	97.72%	86.22%	92.15%	85.57%	81.65%
1,995,839	1,959,706	1,835,755	1,575,602	1,405,610	1,394,570
-1.98%	6.98%	42.49%	26.36%	48.15%	55.45%

Town of Argyle, Texas

SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Last Ten Fiscal Years

	2025	2024	2023	2022
Actuarially Determined Contribution	$ 366,248	$ 242,015	$ 241,646	$ 257,593
Contributions in relation to the actuarially determined contribution	366,248	342,842	357,000	387,172
Contribution deficiency (excess)	-	(100,827)	(115,354)	(129,579)
Covered payroll	$ 2,963,139	$ 2,857,018	$ 2,416,851	$ 2,416,851
Contributions as a percentage of covered payroll	12.36%	12.00%	14.77%	16.02%

Valuation Date:	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market, market value recognition method, 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information:	
Notes	There were no benefit changes during the year

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

The information in this schedule has been determined as of the Town's most recent fiscal year-end.

2021	2020	2019	2018	2017	2016
$ 262,725	$ 257,064	$ 274,441	$ 257,628	$ 251,203	$ 218,375
334,316	299,176	278,313	256,355	274,007	227,158
(71,591)	(42,112)	(3,872)	1,273	(22,804)	(8,783)
$ 2,230,263	$ 1,995,839	$ 1,959,706	$ 1,835,755	$ 1,827,930	$ 1,515,399
14.99%	14.99%	14.20%	13.96%	14.99%	14.99%

BUDGETARY INFORMATION

The Town follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The Town Administrator submits to the Town Council a proposed budget for the fiscal year commencing the following October 1. The budget includes proposed expenditures and the means of financing them.

2. Prior to October 1, the budget is legally adopted through passage of an ordinance. This budget is reported as the Original Budget in the budgetary comparison schedules.

3. During the fiscal year, changes to the adopted budget may be authorized, as follows:

    a. Items requiring Town Council action – appropriation of fund balance reserves; transfers of appropriations between funds; new inter-fund loans or advances; and creation of new capital projects or increases to existing capital projects.
    b. Items delegated to the Town Administrator – appropriation balances from an expenditure account to another within a single fund.

4. Annual budgets are legally adopted and amended as required for the general, special revenue and debt service funds. Project length budgets are adopted for the capital projects funds. All budgets are adopted on a basis consistent with generally accepted accounting principles. Budgets are adopted for the proprietary funds annually only as a management tool. There are no legally mandated budgetary constraints for the proprietary funds.

5. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.

6. The appropriated budget is prepared by fund, function and department. The Town's management may make transfers of appropriations within a fund. Transfers of appropriations between funds require the approval of the Town Council. The legal level of budgetary control is the fund level.

7. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be re-appropriated and honored during the subsequent year.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

THIS PAGE LEFT BLANK INTENTIONALLY

_________________, 2026

NORTON ROSE FULBRIGHT

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

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

IN REGARD to the authorization and issuance of the "Town of Argyle, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026," dated August 1, 2026, in the principal amount of $___________________ (the "Certificates"), we have examined into their issuance by the Town of Argyle, 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 dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

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

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

1. The Certificates have been duly authorized by the Town and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the Town, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the Town, and are additionally payable from and secured by a limited pledge of the net revenues of the Town's sanitary 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.

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, 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.

THIS PAGE LEFT BLANK INTENTIONALLY

Municipal Advisory Services
Provided By

HilltopSecurities
Investment Banking Solutions