HTS Continuing Disclosure Services
A Division of Hilltop Securities

(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated May 6, 2025

Ratings:
S&P: "AA-"
Moody's: "Aa2"
(See "BOND INSURANCE" and "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

$204,175,000*
NORTH TEXAS MUNICIPAL WATER DISTRICT
PANTHER CREEK REGIONAL WASTEWATER SYSTEM
CONTRACT REVENUE BONDS, SERIES 2025

Dated Date: May 15, 2025
Interest Accrues: Delivery Date (defined below)

Due: June 1, as shown on page 2

PAYMENT TERMS . . . Interest on the $204,175,000* North Texas Municipal Water District Panther Creek Regional Wastewater System Contract Revenue Bonds, Series 2025, (the "Bonds") will accrue from the date of initial delivery thereof, will be payable on June 1 and December 1 of each year until maturity or prior redemption, commencing December 1, 2025, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association (see "THE BONDS - Paying Agent/Registrar").

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the North Texas Municipal Water District (the "District"), secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Resolution authorizing the Bonds, including the Gross Revenues of the Panther Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the City of Frisco, Texas (the "Participant"), and any future Additional Participants pursuant to the contracts with the Participant and any Additional Participants. The Bonds are on parity in all respects with the outstanding Panther Creek Regional Wastewater System Contract Revenue Bonds (the "Outstanding Bonds") and any Additional Bonds (as defined herein) which are also secured by and payable from the Pledged Revenues. The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation or any other source of funds other than the "Pledged Revenues". See "THE BONDS – Authority for Issuance" and "THE BONDS – Security and Source of Payment."

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) construction of Panther Creek WWTP Expansion to 15 MGD, and other system improvements (ii) funding a deposit to the Reserve Fund to the extent necessary, and (iii) paying the costs incident to the issuance and delivery of the Bonds.

BOND INSURANCE . . . The District has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, the Initial Purchaser may elect to purchase, at its sole expense, municipal bond insurance to insure the Bonds. (See "BOND INSURANCE" and "BOND INSURANCE – Bond Insurance Risk Factors" herein.)

MATURITY SCHEDULE

See Schedule on page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C - "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on June 25, 2025.

BIDS DUE THURSDAY, MAY 22, 2025, AT 10:00 AM, CDT

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*Preliminary, subject to change. See "Place and Time of Bid Opening" and "Adjustment of Principal and/or Types of Bids" in the Notice of Sale and Bidding Instructions.

MATURITY SCHEDULE* **CUSIP Prefix: 66283A (1)**

Principal Amount	Maturity June 1	Rate	Yield	CUSIP Suffix (1)	Principal Amount	Maturity June 1	Rate	Yield	CUSIP Suffix (1)
$ 500,000	2026				$ 6,460,000	2041			
3,265,000	2027				6,785,000	2042			
3,425,000	2028				7,120,000	2043			
3,595,000	2029				7,495,000	2044			
3,775,000	2030				7,890,000	2045			
3,965,000	2031				8,305,000	2046			
4,165,000	2032				8,710,000	2047			
4,375,000	2033				9,135,000	2048			
4,590,000	2034				9,580,000	2049			
4,820,000	2035				10,045,000	2050			
5,060,000	2036				10,535,000	2051			
5,315,000	2037				11,060,000	2052			
5,580,000	2038				11,615,000	2053			
5,860,000	2039				12,195,000	2054			
6,150,000	2040				12,805,000	2055			

(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. CUSIP numbers are provided for convenience of reference only. Neither the District, the Initial Purchaser, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION OPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2034, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

*Preliminary, subject to change. See “Place and Time of Bid Opening” and “Adjustment of Principal and/or Types of Bids” in the Notice of Sale and Bidding Instructions.

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

This Official Statement, which includes Page 2 and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

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

Certain information set forth herein has been obtained from the District and other sources believed by the District 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 Financial Advisor. This 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 Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the financial conditions or operations of the District or other matters described herein since the date hereof. See "Continuing Disclosure of Information" for a description of the undertakings of the District and the Significant Obligated Persons (defined herein), respectively, to provide certain information on a continuing basis.

Neither the District nor the Financial Advisor make any representation or warranty regarding the information in this Official Statement describing DTC or the DTC 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. SEE "FORWARD LOOKING STATEMENTS DISCLAIMER" HEREIN.

THE BONDS 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 BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Bonds or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

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Page 2 hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds 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 DISTRICT .... North Texas Municipal Water District (the "District") is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature of Texas, Regular Session, 1951, as amended (the "District Act").

THE BONDS....................................... The Bonds are issued as $204,175,000* Panther Creek Regional Wastewater System Contract Revenue Bonds, Series 2025, (the "Bonds"). The Bonds mature on June 1 in each of the years and in the amounts shown on Page 2 hereof (see "THE BONDS – Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of initial delivery thereof (the "Delivery Date"), at the rates shown on page 2 hereof, and is payable on December 1, 2025, and each June 1 and December 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption").

RESERVE FUND REQUIREMENT........ The District is required to accumulate and maintain, in the Reserve Fund (as defined herein) an aggregate amount of money and/or investments equal in market value to the average annual principal and interest requirements (the "Reserve Required Amount") on all outstanding Parity Bonds (hereinafter defined).

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the District Act, Chapter 1371, Texas Government Code, as amended, and other applicable laws, and pursuant to a bond resolution (the "Bond Resolution") adopted by the Board of Directors of the District. In the Bond Resolution, the Board has delegated the authority to a designated officer of the District to establish the terms and details of the Bonds and to effect the sale of the Bonds pursuant to an "Approval Certificate" (the Bond Resolution and the Approval Certificate are jointly referred to as the "Resolution") (see "THE BONDS - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds are special obligations of the District payable both as to principal and interest solely from and secured by a first lien on and pledge of the “Pledged Revenues” as defined in the Resolution authorizing the Bonds, including the "Gross Revenues" to be received by the District from the City of Frisco, Texas (the "Participant") and any future Additional Participants (collectively, the "Participants") pursuant to the North Texas Municipal Water District Panther Creek Regional Wastewater System Contract dated September 23, 2004, and any similar contracts with Additional Participants (collectively, the “Contract”), as more fully described herein (see "THE BONDS - Security and Source of Payment"). Payments under the Contract shall be made from the gross revenues of the Participants’ respective combined waterworks and sewer systems. The Bonds will be on a parity in all respects with the remaining outstanding bonds of those issues of North Texas Municipal Water District Panther Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2014, North Texas Municipal Water District Panther Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2017 and North Texas Municipal Water District Panther Creek Regional Wastewater System Contract Revenue Bonds, Series 2020 (collectively, the "Outstanding Bonds") and any Additional Bonds (as defined herein). See “THE BONDS – Security and Source of Payment.”

OPTIONAL REDEMPTION .... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2034, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

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

USE OF PROCEEDS............................. Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) construction of Panther Creek WWTP Expansion to 15 MGD, and other system improvements (ii) funding a deposit to the Reserve Fund to the extent necessary, and (iii) paying the costs incident to the issuance and delivery of the Bonds.

MUNICIPAL BOND INSURANCE AND RATINGS .... Applications have been made for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, other than S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and Moody’s Investor Services, Inc. (“Moody’s”) as a result of such insurance, will be paid by the Initial Purchaser. The Bonds and the Outstanding Bonds for the Panther Creek Regional Wastewater System are rated "AA-" by S&P and "Aa2" by Moody’s (see "BOND INSURANCE" and "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM........... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

PAYMENT RECORD........................... The District has never defaulted in payment of its bonds including the Outstanding Bonds.

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* Preliminary, subject to change.

NORTH TEXAS MUNICIPAL WATER DISTRICT
DISTRICT OFFICIALS, STAFF AND CONSULTANTS

BOARD OF DIRECTORS

George Crump, Farmersville, President
David Hollifield, Royse City, Vice President
Donald Imrie, Rockwall, Secretary

ALLEN	**FORNEY**	**FRISCO**	**GARLAND**
Joe Farmer	Alan McCuistion	Richard Peasley	Jack May
James Kerr	Raymond Stephens	George Purefoy	Lori Barnett Dodson
McKINNEY	**MESQUITE**	**PLANO**	**PRINCETON**
Geralyn Kever	Terry Sam Anderson	Ron Kelley	Jody Sutherland
Donald E. Paschal, Jr.	Rick Mann	Phil Dyer	Larry Thompson
RICHARDSON	**ROCKWALL**	**ROYSE CITY**	**WYLIE**
Randy Roland	Rick Crowley	Blair Johnson	Marvin Fuller
John Sweeden			Keith Stephens

MANAGEMENT & STAFF

Executive Director/General Manager . . . . Jennafer P. Covington

Assistant General Manager - Chief Financial Officer. . . . . Jeanne Chipperfield

Assistant General Manager - Planning & Engineering. . . . . Cesar Baptista

Assistant General Manager - Water & Wastewater. . . . . Billy George

Assistant General Manager - Solid Waste & Integrated Services. . . . . Jeff Mayfield

CONSULTANTS AND ADVISORS

General Counsel..Saunders, Walsh & Beard
McKinney, Texas

Bond Counsel.. McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

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

For additional information regarding the District, please contact:

Ms. Jeanne Chipperfield		Mr. Nick Bulaich
Mr. Drew Farris		Mr. David K. Medanich
North Texas Municipal Water District	or	Hilltop Securities Inc.
P.O. Box 2408		777 Main Street, Suite 1525
Wylie, Texas 75098		Fort Worth, TX 76102
(972) 442-5405		(817) 332-9710

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$204,175,000*
NORTH TEXAS MUNICIPAL WATER DISTRICT
PANTHER CREEK REGIONAL WASTEWATER SYSTEM
CONTRACT REVENUE BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $204,175,000* North Texas Municipal Water District Panther Creek Regional Wastewater System Contract Revenue Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution authorizing the Bonds (the "Resolution") which will authorize the issuance of the Bonds, and the Approval Certificate of the District approving certain terms of the Bonds (the "Approval Certificate" and together with the Resolution, the "Bond Resolution").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the North Texas Municipal Water District (the "District") 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 District's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Fort Worth, Texas.

THE NORTH TEXAS MUNICIPAL WATER DISTRICT

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution pursuant to Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, 1951, as amended (the "District Act"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing and transportation of such water to its thirteen District Member Cities (as defined below) and other customers located in North Central Texas. Under the Texas Constitution and laws of the State of Texas, including the District Act, the District has broad powers to effectuate flood control and the conservation and use, for all beneficial purposes, of storm and floodwaters and unappropriated flow waters and, as a necessary aid to these purposes, the specific authority to construct, own and operate water supply, treatment and distribution facilities and sewage gathering, transmission and disposal facilities, and to collect, transport, treat, dispose of, and control all municipal, domestic, industrial, or communal waste, whether in fluid, solid or composite state.

The District currently serves a 2,200 square-mile area located in ten counties in the State of Texas and comprises all of the territory of its current Member Cities, viz., Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Allen, Forney, Frisco, and Royse City (together with any cities which subsequently become member cities of the District, the "District Member Cities"). The District's Administrative Office is located at 501 East Brown Street, Wylie, Texas. The District is governed by a 25-member Board of Directors. Each District Member City having a population of 5,000 or more is represented by two members on the Board of Directors and each District Member City of less than 5,000 is represented by one member on the Board of Directors. Members of the Board of Directors are appointed by the governing bodies of the respective District Member Cities for two-year terms.

In addition to its Panther Creek Regional Wastewater System (herein after defined), the District, in cooperation with certain area cities, has established and implemented the Water System, the Regional Wastewater System, the Upper East Fork Wastewater Interceptor System, the Stewart Creek Regional Wastewater System, Muddy Creek Regional Wastewater System, Sabine Creek Regional Wastewater System, Lower East Fork Wastewater Interceptor System and the Trinity East Fork Solid Waste Disposal System wherein the District, pursuant to contracts and other agreements, has accepted the responsibility to design, acquire, construct, complete, operate, maintain, and from time to time enlarge, improve and expand the systems to provide facilities to adequately receive, transport, treat and dispose of wastewater and solid waste of such cities and future additional cities. These Regional Systems were created, exist and operate as completely separate and independent Regional Systems, and except for moderate cost-sharing enterprises, the financial transactions and other activities associated with the operation and maintenance of each system are kept separate and apart, and are not in any manner commingled or connected with any of the other systems. While all District Member Cities are contracting partners for the Water System, not all District Member Cities participate in the District's other Regional Systems. **Revenues from any of the District's systems, other than the Panther Creek Regional Wastewater System, are not pledged to the payment of the Bonds.**

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* Preliminary, subject to change.

THE PANTHER CREEK REGIONAL WASTEWATER SYSTEM

Pursuant to terms and conditions of the Panther Creek Regional Wastewater System Contract dated as of September 23, 2004 between the District and the City of Frisco, Texas (the "Participant" and, together with any Additional Participants as permitted therein, collectively the "Participants"), together with all similar contracts which may be executed in the future between the District and Additional Participants, the District has accepted the responsibility to design, acquire, construct, complete, own, operate and maintain a Regional Wastewater System to receive, transport, treat and dispose of wastewater in order to control water pollution, and protect, improve and enhance the water quality of Panther Creek and the Trinity River.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds for (i) construction of Panther Creek WWTP Expansion to 15 MGD, and other system improvements (ii) funding a deposit to the Reserve Fund to the extent necessary, and (iii) paying the costs incident to the issuance and delivery of the Bonds.

ESTIMATED USE OF PROCEEDS . . . The proceeds from the sale of the Bonds and contributions from the District, if any, will be applied approximately as follows:

Sources of Funds		
Principal Amount of Bonds	$	-
Net Premium		-
Total Sources of Funds	$	-
Uses of Funds		
Deposit to Construction Fund	$	-
Estimated Costs of Issuance		-
Deposit to Debt Service Reserve Fund		-
Total Uses of Funds	$	-

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated May 15, 2025, and mature on June 1 in each of the years and in the amounts shown on Page 2 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), at the rates shown on page 2 hereof, to the Initial Purchaser (herein defined), and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 1 and December 1 of each year, commencing December 1, 2025 until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein after defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the provisions and authority provided by the District Act, Chapter 1371, Texas Government Code, as amended, and other applicable laws. Under the Texas Constitution and laws of the State of Texas, including the District Act, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and floodwater, the water of rivers and streams, and underground water, for irrigation, power, and all other useful purposes, and to supply water for municipal, domestic, power, industrial and commercial uses and purposes, and all other beneficial uses and purposes; (2) collect, transport, process, treat, dispose of, and control, all municipal, domestic, industrial, or commercial waste whether in fluid, solid, or composite state, including specifically the control, abatement, or reduction of all types of pollution, and (3) to refund obligations issued for the foregoing purposes.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the District, secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, together with the Outstanding Bonds (hereinafter defined) and any additional parity bonds ("Additional Bonds") which may be issued in the future as defined in the Bond Resolution, including the Gross Revenues of the District's Panther Creek Regional Wastewater System, and including specifically certain payments to be received by the District from the Participants (currently the City of Frisco, Texas) pursuant to the North Texas Municipal Water District Panther Creek Regional Wastewater System Contract (the "Contract") dated September 23, 2004, and any future Additional Participants, under the Contract and all similar contracts with any Additional Participants. Each Participant represents and covenants in the Contract that all payments made by it under the Contract shall constitute reasonable and necessary "expenses of operation and maintenance" of its combined waterworks and sewer system, as defined in Section 1502.056, Texas Government Code, and that all such payments will be made from the gross revenues of its combined waterworks and sewer system, with the effect that the obligation to make such payments from revenues of such combined water and sewer system shall have priority over any obligation to make any payments from such revenues of principal, interest, or otherwise, with respect to all bonds or other obligations heretofore or hereafter issued by such Participant. The Bonds are on a parity in all respects with the remaining outstanding Series 2014 Bonds, Series 2017 Bonds and Series 2020 (collectively the "Outstanding Bonds") and any Additional Bonds.

The District is obligated to pay the principal of and interest on the Bonds solely from and to the extent of the payments to be received from the Participants pursuant to the Contract. No other entity, including the State of Texas, any political subdivision thereof (other than the Participants), or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay such principal or interest from any other source whatsoever. The owners of the Bonds shall never have the right to demand payment of the Bonds out of any other funds of the District except the Pledged Revenues. No part of the physical property of any Participant of the System is encumbered by any lien or security interest for the benefit of the owners of the Bonds.

The District has Outstanding Bonds, as follows:

Dated Date	Original Issue Amount	Outstanding Debt (1)	Issue Description
10/1/2014	$ 19,940,000	$ 4,725,000	Panther Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2014
12/1/2017	11,050,000	6,190,000	Panther Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2017
4/15/2020	5,200,000	4,430,000	Panther Creek Regional Wastewater System Contract Revenue Bonds, Series 2020
		$ 15,345,000	

The Outstanding Bonds and the Bonds are referred to herein, collectively, as the "Parity Bonds".

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(1) As of February 28, 2025. Excludes the Bonds.

RESERVE FUND REQUIREMENT . . . The District shall maintain to the credit of the Reserve Fund an amount, if any, which will cause the Reserve Fund to contain an amount equal to the average annual principal and interest requirements of all Bonds to be outstanding after delivery of the Bonds. When and so long as the money and investments in the Reserve Fund are at least equal to a required amount in market value equal to the average annual principal and interest requirements of all then outstanding Parity Bonds and Additional Bonds (the "Required Amount"), no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said Required Amount in market value, then, subject and subordinate to making the required deposits to the credit of the Interest and Redemption Fund, the District shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Bonds, until the Reserve Fund is restored to said Required Amount. So long as the Reserve Fund contains said Required Amount, all amounts in excess of such Required Amount shall, on or before the 10th day prior to each interest payment date, be deposited to the credit of the Bond Fund; and otherwise any earnings from the deposit and investment of the Reserve Fund shall be retained in the Reserve Fund.

ADDITIONAL BONDS . . . The District may issue additional parity revenue bonds (the "Additional Bonds") payable from the Pledged Revenues from the Contract, which together with the Outstanding Bonds and the Bonds, shall be equally and ratably secured by an irrevocable first lien on and pledge of the Pledged Revenues from the Contract, subject, however, to complying with certain conditions in the Resolution. (See "SELECTED PROVISIONS OF THE BOND RESOLUTION - Additional Bonds" herein.)

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after June 1, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 1, 2034, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the District may select the maturities and amounts of Bonds to be redeemed. If fewer than all the Bonds within a maturity are to be redeemed, the Bonds, or portions thereof, to be redeemed shall be selected by lot or other customary method of random selection (or by DTC in accordance with the procedures while the Bonds are in the Book-Entry-Only System). If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In addition to being subject to optional redemption as provided above, should the Initial Purchaser select a combination of Serial Bonds and Term Bonds, the Term Bonds will be subject to mandatory sinking fund redemption prior to maturity at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Bond Fund.

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

DEFEASANCE . . . The Resolution provides for the defeasance of Bonds when the payment of the principal of such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment and/or (2) Government Obligations which mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Bonds. The Resolution provides that "Government Obligations" means (a) direct obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption: (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS . . . The District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend the provisions of the Resolution; except that, without consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition or rescission may (1) make any change in the maturity of the outstanding Parity Bonds or Additional Bonds; (2) reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds; (3) reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds; (4) modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment; (5) affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding; (6) change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

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

The District and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to collectively as the "Participants". DTC has a S&P 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the 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 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be 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 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

All payments on the Bonds 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 District 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 District, 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 District 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 Bonds at any time by giving reasonable notice to the District and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar"). In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank 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 Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption (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 by (ii) with respect to any Bond or portion thereof called for redemption prior to maturity within 45 days prior to its redemption date.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

BONDHOLDERS' REMEDIES . . . The Resolution does not establish specific events of default with respect to the Bonds. Under State law and the Resolution, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Resolution. No assurance can be given that a mandamus or other legal action to enforce a remedy under the Resolution would be successful. The enforcement of any such remedy may be difficult and time consuming. The Resolution does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition. On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Resolution covenants in the absence of District action. Chapter 1371, Texas Government Code as amended, ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of contract revenues of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce the remedies under the Resolution 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 courts); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The District may not be placed into bankruptcy involuntarily. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

BOND INSURANCE

GENERAL . . . The District has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost will be paid by the Initial Purchaser. Any fees to be paid to S&P and Moody's as a result of said insurance will be paid by the District. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Bonds. If the District obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Bonds (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

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

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the sources of funds pledged to the payment of the Bonds (see "The Bonds – Security and Source of Payment"). In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

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

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

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc. ("Moody's"), and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims paying ability of any such bond insurer, particularly over the life of the Bonds.

HISTORICAL OPERATING INFORMATION

The following table presents financial information for the Panther Creek Regional Wastewater System of the District for each fiscal year ended September 30, 2020 through September 30, 2024. Excluded from this data are revenues and expenses of the District not related to the Panther Creek Regional Wastewater System. This selected information has been prepared to summarize the revenues, expenses and amount available to pay debt service historically generated from the Panther Creek Regional Wastewater System.

TABLE 1 - PANTHER CREEK REGIONAL WASTEWATER SYSTEM SCHEDULE OF REVENUES AND EXPENSES

	Fiscal Year Ended September 30,				
Revenues	2024	2023	2022	2021	2020
Panther Creek Service Fees	$ 11,250,670	$ 10,342,852	$ 10,039,368	$ 8,888,349	$ 7,668,142
Interest Income	332,828	396,561	(16,319)	8,254	106,170
Other	3,559	14,442	22,404	22,337	37,740
Total Gross Revenues	$ 11,587,057	$ 10,753,855	$ 10,045,453	$ 8,918,940	$ 7,812,052
Operating Expenses (1)	7,278,514	5,977,100	5,408,348	5,177,405	5,210,756
Net Income	$ 4,308,543	$ 4,776,755	$ 4,637,105	$ 3,741,535	$ 2,601,296

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(1) Does not include depreciation and amortization.

Panther Creek Regional Wastewater System Revenue Bonds Outstanding (as of 12-31-24)	$ 219,520,000 (1)
Average Annual Principal and Interest Requirements, 2025-2055	$ 13,491,312 (1)
Coverage of Average Annual Principal and Interest Requirements by 9-30-24 Gross Revenues (2)	0.85 times (2)
Maximum Annual Principal and Interest Requirements, 2027	$ 15,224,250 (1)
Coverage of Maximum Annual Principal and Interest Requirements by 9-30-24 Gross Revenues (2)	0.76 times (2)
Bond Fund (as of 12-31-24)	$ 3,686,520
Reserve Fund (as of 12-31-24)	$ 1,727,899

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(1) Includes the Bonds. Preliminary, subject to change.
(2) Charges to the Participant(s) are based on current budgeted expenditures and are allocated to each Participant at the beginning of the Fiscal Year based on estimated flows subject to certain minimums. At the end of the Fiscal Year, the actual cost of each Participant is determined on actual flows subject to certain minimums and billing adjustments are provided accordingly. See "Payments by Participants" in the "Summary of Certain Provisions of the Contract" herein.

DEBT INFORMATION

TABLE 2 - DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt			The Bonds (1)			Total Outstanding Debt	Percent of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2025	$ 3,640,000	$ 679,656	$ 4,319,656	$ -	$ -	$ -	$ 4,319,656	
2026	3,810,000	499,756	4,309,756	500,000	9,527,274	10,027,274	14,337,030	
2027	1,465,000	311,456	1,776,456	3,265,000	10,182,794	13,447,794	15,224,250	
2028	1,535,000	240,506	1,775,506	3,425,000	10,019,544	13,444,544	15,220,050	
2029	1,605,000	166,106	1,771,106	3,595,000	9,848,294	13,443,294	15,214,400	10.40%
2030	255,000	101,906	356,906	3,775,000	9,668,544	13,443,544	13,800,450	
2031	265,000	91,706	356,706	3,965,000	9,479,794	13,444,794	13,801,500	
2032	275,000	81,106	356,106	4,165,000	9,281,544	13,446,544	13,802,650	
2033	280,000	70,106	350,106	4,375,000	9,073,294	13,448,294	13,798,400	
2034	290,000	58,906	348,906	4,590,000	8,854,544	13,444,544	13,793,450	20.53%
2035	300,000	50,206	350,206	4,820,000	8,625,044	13,445,044	13,795,250	
2036	305,000	42,706	347,706	5,060,000	8,384,044	13,444,044	13,791,750	
2037	315,000	35,081	350,081	5,315,000	8,131,044	13,446,044	13,796,125	
2038	325,000	26,813	351,813	5,580,000	7,865,294	13,445,294	13,797,106	
2039	335,000	18,281	353,281	5,860,000	7,586,294	13,446,294	13,799,575	33.39%
2040	345,000	9,488	354,488	6,150,000	7,293,294	13,443,294	13,797,781	
2041	-	-	-	6,460,000	6,985,794	13,445,794	13,445,794	
2042	-	-	-	6,785,000	6,662,794	13,447,794	13,447,794	
2043	-	-	-	7,120,000	6,323,544	13,443,544	13,443,544	
2044	-	-	-	7,495,000	5,949,744	13,444,744	13,444,744	49.04%
2045	-	-	-	7,890,000	5,556,256	13,446,256	13,446,256	
2046	-	-	-	8,305,000	5,142,031	13,447,031	13,447,031	
2047	-	-	-	8,710,000	4,737,163	13,447,163	13,447,163	
2048	-	-	-	9,135,000	4,312,550	13,447,550	13,447,550	
2049	-	-	-	9,580,000	3,867,219	13,447,219	13,447,219	68.91%
2050	-	-	-	10,045,000	3,400,194	13,445,194	13,445,194	
2051	-	-	-	10,535,000	2,910,500	13,445,500	13,445,500	
2052	-	-	-	11,060,000	2,383,750	13,443,750	13,443,750	
2053	-	-	-	11,615,000	1,830,750	13,445,750	13,445,750	
2054	-	-	-	12,195,000	1,250,000	13,445,000	13,445,000	94.17%
2055	-	-	-	12,805,000	640,250	13,445,250	13,445,250	100.00%
	$ 15,345,000	$ 2,483,788	$ 17,828,788	$ 204,175,000	$ 195,773,174	$ 399,948,174	$ 417,776,962	

(1) Average life of the issue – 19.202 Years. Interest on the Bonds has been calculated at an estimated rate of 4.96%. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF DEBT . . . The District does not anticipate issuing additional Panther Creek Regional Wastewater System Contract Revenue Bonds in the next 12 months.

SELECTED PROVISIONS OF THE BOND RESOLUTION

The following statements summarize certain portions of the Bond Resolution to be adopted by the Board of Directors authorizing the issuance, sale and delivery of the Bonds and do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Resolution. As used in this Summary, the term "Issuer" refers to the District as otherwise defined herein.

ADDITIONAL DEFINITIONS. As used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" shall mean the additional parity revenue bonds permitted to be authorized in the future in this Resolution.

The term "Additional Participants" shall mean a city or cities in addition to the City of Frisco, Texas with which the District enters into a contract for receiving, transporting, treating, and/or disposing of Wastewater (as defined in the Contract) through the System.

The term "Board" shall mean the Board of Directors of the Issuer, being the governing body of the Issuer, and it is further resolved that the declarations and covenants of the Issuer contained in this Resolution are made by, and for and on behalf of the Board and the Issuer, and are binding upon the Board and the Issuer for all purposes.

The terms "Bond Resolution" and "Resolution" shall mean this resolution authorizing the Bonds.

The term "Bonds" shall mean collectively the Initial Bond as described and defined in Section 1 of this Resolution, and all substitute bonds exchanged therefor as well as all other substitute and replacement bonds issued pursuant to this Resolution.

The term "Contract" shall mean collectively the Panther Creek Regional Wastewater Contract, dated as of September 23, 2004, between the Issuer and the Participant, together with all similar contracts which may be executed in the future between the Issuer and Additional Participants, as defined and permitted in the aforesaid contract.

The terms "District" and "Issuer" shall mean North Texas Municipal Water District.

The terms "District's System", "Issuer's System", and "System" shall mean all of the Issuer's facilities acquired, constructed, used, or operated by the Issuer for receiving, transporting, treating, and disposing of Wastewater (as defined in the Contract) of and for the Participants, pursuant to the Contract, including the contracts with Additional Participants (but excluding any facilities acquired or constructed with Special Facilities Bonds, and excluding any facilities required to transport Wastewater to any Point of Entry (as defined in the Contract) of the System), together with any improvements, enlargements, or additions to said System facilities and any extensions, repairs, or replacements of said System facilities acquired, constructed, used, operated, or otherwise incorporated into or made a part of said System facilities in the future by the Issuer. Said terms shall include only those facilities which are acquired, constructed, used, or operated by the Issuer to provide service to Participants pursuant to the Contract, including any contracts with Additional Participants, and which, as determined by the Issuer, can economically and efficiently provide service to Participants.

The term "fiscal year" shall mean the 12 month period beginning each October 1, or such other 12 month period hereafter established by the Issuer as a fiscal year for the purposes of this Resolution.

The term "Gross Revenues of the System" shall mean all of the revenues, income, rentals, rates, fees, and charges of every nature derived by the Board or the Issuer from the operation and/or ownership of the System, including specifically all payments constituting the "Annual Requirement" (consisting of the "Operation and Maintenance Component" and the "Bond Service Component"), and all other payments and amounts received by the Board or the Issuer from the Participants pursuant to the Contract, including any contracts with Additional Participants.

The term "Net Revenues of the System" shall mean the Gross Revenues of the System less the Operation and Maintenance Expense of the System.

The term "Operation and Maintenance Expense" shall mean all costs of operation and maintenance of the Issuer's System including, but not limited to, repairs and replacements, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the Issuer's System, any payments required to be made under the Contract into the Contingency Fund (as defined in the Contract), payments made for the use or operation of any property, payments of fines, and payments made by Issuer in satisfaction of judgments or other liabilities resulting from claims not covered by Issuer's insurance or not paid by one particular Participant arising in connection with the operation and maintenance of the Issuer's System. Depreciation shall not be considered an item of Operation and Maintenance Expense.

The term "Parity Bonds" shall mean, collectively, (i) the Bonds, (ii) the outstanding Series 2014 Bonds, (iii) the outstanding Series 2017 Bonds and (iv) the outstanding Series 2020 Bonds.

The term "Participant" shall mean the City of Frisco, in Collin and Denton Counties, Texas.

The term "Participants" shall mean the Participant, together with all Additional Participants.

The term "Pledged Revenues" shall mean: (a) the Gross Revenues of the System and (b) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the Issuer, be pledged to the payment of the Bonds or the Additional Bonds.

The term "Series 2014 Bond Resolution" shall mean the resolution adopted by the Board of Directors of the Issuer on October 23, 2014, authorizing the Series 2014 Bonds.

The term "Series 2014 Bonds" shall mean the unpaid and unrefunded North Texas Municipal Water District Panther Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2014, dated October 1, 2014, that will be outstanding after the issuance and delivery of the Bonds.

The term “Series 2017 Bond Resolution” shall mean the resolution adopted by the Board of Directors of the Issuer on November 29, 2017, authorizing the Series 2017 Bonds.

The term “Series 2017 Bonds” shall mean the unpaid and unrefunded North Texas Municipal Water District Panther Creek Regional Wastewater System Contract Revenue Refunding Bonds, Series 2017, dates December 1, 2017, that will be outstanding after the issuance and delivery of the Bonds.

The term “Series 2020 Bond Resolution” shall mean the resolution adopted by the Board of Directors of the Issuer on September 25, 2020, authorizing the Series 2020 Bonds.

The term “Series 2020 Bonds” shall mean the unpaid and unrefunded North Texas Municipal Water District Panther Creek Regional Wastewater System Revenue Bonds, Series 2020, dates April 15, 2020, that will be outstanding after the issuance and delivery of the Bonds.

The term "Special Facilities Bonds" shall mean revenue obligations of the Issuer which are not secured by or payable from Annual Payments under the Contract, but which are payable solely from other sources; but Special Facilities Bonds may be made payable from payments from any person, including any Participant, under a separate contract whereunder the facilities to be acquired or constructed are declared not to be part of the system and are not made payable from the Annual Payments as defined in the Contract.

PLEDGE. The Bonds authorized by this Resolution are hereby designated, and shall be "Additional Bonds" as permitted by Sections 22 and 23 of the Series 2014 Bond Resolution, the Series 2017 Bond Resolution and the Series 2020 Bond Resolution, and it is hereby determined, declared, and resolved, that all of the Bonds collectively, as defined above, are and shall be secured and payable equally and ratably on a parity, and that Sections 8 through 25 of this Resolution are supplemental to and cumulative of Sections 8 through 25 of the Series 2014 Bond Resolution the Series 2017 Bond Resolution, and the Series 2020 Bond Resolution, with Sections 8 through 25 of this Resolution being equally applicable to all of the Parity Bonds. The Parity Bonds and any Additional Bonds, and the interest thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Bond Fund and the Reserve Fund as provided in this Resolution.

REVENUE FUND. There has been created and established and shall be maintained at an official depository of the Issuer (which must be a member of the Federal Deposit Insurance Corporation) a separate fund entitled the "North Texas Municipal Water District Panther Creek Regional Wastewater System Revenue Bonds Revenue Bonds Revenue Fund" (hereafter called the "Revenue Fund"). All Gross Revenues of the System shall be credited to the Revenue Fund immediately upon receipt.

BOND FUND. For the sole purpose of paying the principal of and interest on all outstanding Parity Bonds and any Additional Bonds, as the same come due, there has been created and established and shall be maintained at The Bank of New York Mellon Trust Company, National Association, a separate fund entitled the "North Texas Municipal Water District Panther Creek Regional Wastewater System Revenue Bonds Bond Fund" (hereinafter called the "Bond Fund").

RESERVE FUND. There has been created and established and shall be maintained at The Bank of New York Mellon Trust Company, National Association, a separate fund entitled the "North Texas Municipal Water District Panther Creek Regional Wastewater System Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be used solely for the purpose of finally retiring the last of the outstanding Parity Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Parity Bonds and Additional Bonds, when and to the extent the amount in the Bond Fund is insufficient for such purpose.

DEPOSITS OF PLEDGED REVENUES. The Pledged Revenues shall be deposited into the Bond Fund and the Reserve Fund when and as required by this Resolution.

INVESTMENTS. Money in any Fund established pursuant to this Resolution may, at the option of the Issuer, be invested in any or all of the authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code (or any successor statute), in which the Issuer may purchase, sell and invest its funds and funds under its control; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the 15th day of January of each year. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made. Such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Bonds or Additional Bonds. No investment of any Fund shall be made in any way which would violate any provision of this Resolution.

FUNDS SECURED. Money in all Funds described in this Resolution, to the extent not invested, shall be secured in the manner prescribed by law, including particularly, the Public Funds Collateral Act, Chapter 2257, Texas Government Code for securing funds of the Issuer.

DEBT SERVICE REQUIREMENTS. (a) Immediately after the delivery of the Initial Bond the Issuer shall deposit to the credit of the Bond Fund, from the proceeds received from the sale and delivery of the Initial Bond, all accrued interest, if any.

(b) The Issuer shall transfer from the Pledged Revenues and deposit to the credit of the Bond Fund the amounts, at the times, as follows:

> (1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month as will be sufficient, together with other amounts, if any, then on hand in the Bond Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Parity Bonds and any Additional Bonds on the next succeeding interest payment date; and
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> (2) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month as will be sufficient, together with other amounts, if any, then on hand in the Bond Fund and available for such purpose, to pay the principal scheduled to mature and come due, and/or mandatorily required to be redeemed prior to maturity, on the Parity Bonds and any Additional Bonds on the next succeeding principal payment date or mandatory redemption date.

RESERVE REQUIREMENTS. Simultaneously with the delivery of the Bonds to the initial purchasers thereof, the Issuer shall cause to be deposited to the credit of the Reserve Fund, out of proceeds of the Parity Bonds, an amount of money, if any, sufficient to cause the Reserve Fund to contain together with any other money and/or investments on hand therein, an amount of money and/or investment equal in market value to the average annual principal and interest requirements on all the Bonds. So long as the money and investments in the Reserve Fund are at least equal to the average annual principal and interest requirements on all Parity Bonds and Additional Bonds then outstanding (the "Required Amount"), no deposits need be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than said Required Amount in market value, then, subject and subordinate to making the required deposits to the credit of the Bond Fund, the Issuer shall transfer from Pledged Revenues and deposit to the credit of the Reserve Fund, on or before the 25th day of each month, a sum equal to 1/60th of the average annual principal and interest requirements of all then outstanding Parity Bonds and Additional Bonds, until the Reserve Fund is restored to said Required Amount. So long as the Reserve Fund contains said Required Amount, all amounts in excess of such Required Amount shall, on or before the 10th day prior to each interest payment date, be deposited to the credit of the Bond Fund; and otherwise any earnings from the deposit and investment of the Reserve Fund shall be retained in the Reserve Fund.

DEFICIENCIES. If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

EXCESS PLEDGED REVENUES. Subject to making the required deposits to the credit of the Bond Fund and the Reserve Fund, when and as required by this Resolution, or any Resolution authorizing the issuance of Additional Bonds, subject to any credits required by the Contract, the excess Pledged Revenues first shall be used to pay the Operation and Maintenance Expenses of the System, and then, subject to paying such Operation and Maintenance Expenses of the System, may be used for any other lawful purpose.

PAYMENT OF PARITY BONDS AND ADDITIONAL BONDS. Semiannually on or before the last day of each May and November while any of the Parity Bonds or Additional Bonds are outstanding and unpaid, the Issuer shall make available to the paying agents therefor, out of the Bond Fund or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Parity Bonds and Additional Bonds as will accrue or mature on the June 1 or December 1 immediately following.

FINAL DEPOSITS. At such times as the aggregate amount of money and investments in the Bond Fund and the Reserve Fund are at least equal in market value to (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Parity Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid interest, including all unpaid (unmatured and matured) outstanding interest coupons, appertaining to such Parity Bonds and Additional Bonds, no further deposits need be made into the Bond Fund or the Reserve Fund. In determining the amount of such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, outstanding at any time, there shall be subtracted and excluded the amount of any such Parity Bonds and Additional Bonds, and unpaid interest appertaining thereto, which shall have been duly called for redemption and for which funds shall have been deposited with the paying agents therefor sufficient for such redemption.

ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in any amounts, for any lawful purpose of relating to the System, including the refunding of any Parity Bonds or Additional Bonds. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds, and all other outstanding Additional Bonds, from a first lien on and pledge of the Pledged Revenues.

(b) The Bond Fund and the Reserve Fund, established by this Resolution shall secure and be used to pay all Additional Bonds as well as the Parity Bonds. However, each Resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other Resolution or Resolutions authorizing Additional Bonds to be deposited to the credit of the Bond Fund, the Issuer shall deposit to the credit of the Bond Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirements of all Parity Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Issuer, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in monthly installments, made on or before the 25th day of each month following the adoption of the Resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/60th of said required additional amount (or 1/60th of the balance of said required additional amount not deposited in cash as permitted above).

(c) All calculations of average annual principal and interest requirements made pursuant to this Section shall be made as of and from the date of the Additional Bonds then proposed to be issued.

(d) The principal of all Additional Bonds must be scheduled to be paid or mature on June 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on June 1 and December 1.

FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the Resolutions authorizing same, and that the Bond Fund and the Reserve Fund each contains the amount then required to be therein.

GENERAL COVENANTS. The Issuer further covenants and agrees that:

(a) PERFORMANCE. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Parity Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Parity Bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Parity Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Bond Fund and the Reserve Fund; and any holder of the Parity Bonds or Additional Bonds may require the Issuer, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its Board, and its officials and employees.

(b) ISSUER'S LEGAL AUTHORITY. The Issuer is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59 of the Texas Constitution, and Chapter 62, Acts of 1951, 52nd Legislature of Texas, Regular Session, as amended (originally compiled as Vernon's Ann. Tex. Civ. St. Article 8280-141), and is duly authorized under the laws of the State of Texas to create and issue the Parity Bonds; that all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and that the Parity Bonds in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) TITLE. It has or will obtain lawful title to, or the lawful right to use and operate, the lands, buildings, and facilities constituting the System, that it warrants that it will defend, the title to or lawful right to use and operate, all the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the holders and owners of the Parity Bonds and Additional Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) LIENS. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Board.

(e) OPERATION OF SYSTEM. While the Parity Bonds or any Additional Bonds are outstanding and unpaid it will cause the System to be continuously and efficiently operated and maintained in accordance with accepted good business and engineering practices.

(f) FURTHER ENCUMBRANCE. While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer shall not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Resolution and any resolution authorizing the issuance of Additional Bonds; but the right of the Issuer and the Board to issue revenue bonds payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) SALE OF PROPERTY. While the Parity Bonds or any Additional Bonds are outstanding and unpaid, the Issuer will maintain its current legal corporate status as a conservation and reclamation district, and the Issuer shall not sell, convey, mortgage, or in any manner transfer title to, or lease, or otherwise dispose of the entire System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any machinery, fixtures, and equipment, it may sell or otherwise dispose of such machinery, fixtures, and equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by the Issuer that no such replacement or substitute is necessary.

(h) INSURANCE. (1) It will cause to be insured (including self-insurance) such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for Issuer, or the Attorney General of Texas, gives a written opinion to the effect that the Issuer, the Board, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times.

(2) Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(a) for the redemption prior to maturity of the Parity Bonds and Additional Bonds, if any, ratably in the proportion that the outstanding principal of each series or issue of Parity Bonds or Additional Bonds bears to the total outstanding principal of all Parity Bonds and Additional Bonds; provided that if on any such occasion the principal of any such series or issue is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or

(b) if none of the outstanding Parity Bonds or Additional Bonds is subject to redemption, then for the purchase on the open market and retirement of said Bonds and Additional Bonds, in the same proportion as prescribed in the foregoing clause (a), to the extent practicable; provided that the purchase price for any such Parity Bond or Additional Bonds shall not exceed the redemption price of such parity Bond or Additional Bond on the first date upon which it becomes subject to redemption; or

(c) to the extent that the foregoing clauses (a) and (b) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the Issuer, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (a) and/or (b) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(3) The annual audit hereinafter required shall contain a list of all such insurance policies carried, together with a statement as to whether or not all insurance premiums upon such policies have been paid.

(i) RATE COVENANT. It will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient, together with any other Pledged Revenues, (a) to make all payments and deposits required to be made into the Bond Fund, and to maintain the Reserve Fund, as required by the resolutions authorizing all Parity Bonds and Additional Bonds, and (b) to pay all Operation and Maintenance Expenses of the System.

(j) RECORDS. Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and all Funds described in this Resolution; and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholder.

(k) AUDITS. Each year while any of the Parity Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants.

(l) GOVERNMENTAL AGENCIES. It will comply with all of the terms and conditions of any and all agreements applicable to the System and the Parity Bonds or Additional Bonds entered into between the Issuer and any governmental agency, and the Issuer will take all action necessary to enforce said terms and conditions; and the Issuer will obtain and keep in full force and effect all franchises, permits, and other requirements necessary with respect to the acquisition, construction, operation, and maintenance of the System.

(m) CONTRACTS WITH PARTICIPANTS. It will comply with the terms and conditions of the Contract, including any contracts with Additional Participants, and will cause the Participants to comply with all of their obligations thereunder by all lawful means; and the Issuer agrees to prepare an annual budget as required by the Contract.

AMENDMENT OF RESOLUTION. (a) The holders or owners of Parity Bonds and Additional Bonds aggregating 51% in principal amount of the aggregate principal amount of then outstanding Parity Bonds and Additional Bonds shall have the right from time to time to approve any amendment to this Resolution or any resolution authorizing the issuance of Additional Bonds, which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds or Additional Bonds so as to:

(1) Make any change in the maturity of the outstanding Parity Bonds or Additional Bonds;

(2) Reduce the rate of interest borne by any of the outstanding Parity Bonds or Additional Bonds;

(3) Reduce the amount of the principal payable on the outstanding Parity Bonds or Additional Bonds;

(4) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or Additional Bonds, or impose any conditions with respect to such payment;

(5) Affect the rights of the holders of less than all of the Parity Bonds and Additional Bonds then outstanding;

(6) Change the minimum percentage of the principal amount of Parity Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, or in the City of Austin, Texas, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent for each series of Parity Bonds and Additional Bonds for inspection by all holders of Parity Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity Bonds and Additional Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of notice or other service of written notice the Issuer shall receive an instrument or instruments executed by the holders or owners of at least 51% in aggregate principal amount of all Parity Bonds and Additional Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Issuer may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Issuer and all the holders or owners of then outstanding Parity Bonds and Additional Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the holder or owner of a Parity Bond or Additional Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders or owners of the same Parity Bond or Additional Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder or owner who gave such consent, or by a successor in title, by filing notice thereof with each Paying Agent for each series of Parity Bonds and Additional Bonds, Texas, and the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the then outstanding Parity Bonds and Additional Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the ownership of all Parity Bonds and Additional Bonds shall be ascertained by the registration books pertaining thereto kept by the registrar. The Issuer may conclusively assume that such holding or ownership continues until written notice to the contrary is served upon the Issuer.

DEFEASANCE OF BONDS. (a) Each of the Bonds, including the Initial Bond and each of the other Bonds (as hereinbefore defined), and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues as provided in this Resolution, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer.

(c) The term "Government Obligations" as used in this Section shall mean (i) direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which may be in book-entry form and (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Resolution.

DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bonds or Bond authorized by this Resolution is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1206, Texas Government Code, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

COVENANTS REGARDING TAX-EXEMPTION. (a) The Issuer covenants to refrain from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986 (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code, or if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds five percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of five percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of $5,000,000, or five percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is, directly or indirectly, used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action that would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with –

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the Bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage), or section 149(g) of the Code (relating to hedge bonds);

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f)

of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) Compliance with Code. For purposes of the foregoing, the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs, the President of the Board of Directors, the Executive Director, and the Assistant General Manager – Chief Financial Officer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. The Issuer covenants to comply with the covenants contained in this Section after defeasance of the Bonds.

(c) Rebate Fund. In order to facilitate compliance with the above covenant (a)(9), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation, the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(d) Written Procedures. Unless superseded by another action of the Issuer to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the Issuer hereby adopts and establishes the instructions attached to the Resolution as Exhibit A as their written procedures applicable to Bonds issued pursuant to the Contract.

DISPOSITION OF PROPERTY. The Issuer covenants that the property refinanced with the proceeds of the Bonds (the "Project") will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Bonds. For purpose of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

ALLOCATION OF, AND LIMITATION ON, EXPENDITURES. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the Issuer shall not expend sale proceeds or investment earnings thereon more than 60 days after the later of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SUMMARY OF CERTAIN PROVISIONS OF THE CONTRACT

The District entered into contracts, dated September 23, 2004 (together with any similar contracts with Additional Participants, collectively the "Contract"), with the City of Frisco, Texas (together with any Additional Participants, the "Participants"), which provide for the acquisition, construction, improvement, operation and maintenance, of a Regional Wastewater System. Pursuant thereto the District has accepted the responsibility of providing facilities to adequately receive, transport, treat and dispose of the Participants' wastewater. Pertinent provisions of the Contract are as follows:

Facilities and Initial Contract. In order to provide services for receiving, transporting, treating, and disposing of Wastewater for Participants, the District will use its best efforts to design, acquire, construct, and complete the System, as generally described in the Engineering Report with respect to Frisco, and as generally described in appropriate additional engineering reports hereafter to be obtained with respect to any Participant and will own, operate, and maintain the System, and from time to time enlarge, improve, repair, replace, and/or extend the System to provide service to the Participants. The District shall obtain and hold in its name all required discharge permits from the appropriate Federal and State agencies, and each Participant shall assist the District in obtaining same. The District shall provide, manage, operate, and maintain the System in such manner as it determines is necessary for providing adequate, efficient, and economical service to Participants, and shall have the right to provide single plants, multiplants, or combine two or more plants, and to use or discontinue the use of any facilities of the System as the District deems necessary.

Discharge. In consideration of the payments to be made under its respective contract with the District, each of the Participants have and shall have the right to discharge such Wastewater into the District's System as is generally described in the Engineering Report and Wastewater from such other areas as is consented to by the District (acting through its General Manager), provided that such Wastewater meets the requirements for quantity and quality as set forth in its respective Contract with the District; and further provided that, the District is able to obtain permits for the treatment and discharge of such quantity and quality of Wastewater and that discharge of such Wastewater to the System may be made only after notice by the District that it is ready to receive the same pursuant to this Contract.

Points of Entry. Each Participant may discharge Wastewater generated from such Participant's sewer system only into the designated Point or Points of Entry for such Participant.

Conveyance to Point of Entry. It shall be the sole responsibility of each Participant to transport, or cause to be transported, at no cost to the other Participants, its Wastewater to its Point or Points of Entry.

Quantity at Points of Entry. (a) The quantity of Wastewater conveyed to the Point or Points of Entry shall be metered by the District and the total annual contributing flow of Wastewater received during any Fiscal Year shall be used to determine each Participant's Annual Payment for service as set forth in Article V.

(b) The maximum discharge rate is defined as a rate in million gallons per day (MGD), exceeded for a period of sixty minutes, which, if continued over a period of 24 hours, would be equal to 3.50 times the Participant's average daily flow during that Fiscal Year.

(c) Any Participant exceeding the maximum discharge rate shall have a surcharge applied to the next Fiscal Year's Annual Payment equal to l% of the Annual Payment in that Fiscal Year for each l/10th that the ratio of the maximum discharge to the average daily flow exceeds 3.50.

Quality. Each Participant agrees to limit discharge into the District's System to Wastewater that complies with quality requirements the District finds it necessary from time to time to establish in order to meet standards imposed by regulatory agencies having appropriate jurisdiction or to protect the water quality for water supply purposes. No discharge shall be made into the System which would cause the District to violate any permit granted, or any rule or regulation promulgated, by any State or Federal agency having jurisdiction over the District. Each Participant specifically covenants that it will enact and enforce procedures which will prohibit or prevent customers of its sewer system from making any discharge which would cause such Participant to violate the provisions of this contract or any applicable State or Federal permit, law, rule, or regulation. To enable the highest degree of treatment in the most economical manner possible, certain solids, liquids, and gases have been and are hereby prohibited from entering the System, either absolutely or in excess of established standards, and the prohibited discharges will be listed and furnished to all Participants, with a minimum of sixty days of notice before the effective date thereof.

Financing. The District will issue its Bonds, in amounts and at times as determined by the District, to provide the System. The proceeds from the sale of the Bonds will be used for the payment of all of the District's costs and expenses in connection with the design, acquisition, and construction of the System and the Bonds, including, without limitation, all financing, legal, printing, administrative overhead, and other expenses and costs incurred in issuing its Bonds and to fund a debt service reserve and other funds if required by any Bond Resolution. Each Bond Resolution of the District shall specify the exact principal amount of the Bonds initially issued, which shall mature not more than 40 years from the date of such Bonds, and shall bear interest at not to exceed the maximum legal rates, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and other funds and accounts, all in the manner and amounts as provided in such Bond Resolution. Prior to the sale of any such Bonds, the District shall provide to the Participants a copy of the Preliminary Official Statement relating to such Bonds, which shall include, among other things, proposed maturity schedule and optional and mandatory redemption provisions. The Participants agree that if such Bonds are actually issued and delivered to the purchaser thereof, the Bond Resolution authorizing the Bonds shall for all purposes be deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract.

Annual Requirement. It is acknowledged and agreed that payments to be made under this Contract will be the only source available to the District to provide the Annual Requirement; and that the District has a statutory duty to establish and from time to time to revise the charges for services to be rendered and made available to Participants hereunder so that the Annual Requirement shall at all times be not less than an amount sufficient to pay or provide for the payment of:

(a) An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expense; and

(b) A "Bond Service Component" equal to:

(l) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds if permitted by any Bond Resolution; and

(2) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of any Bond Resolution; and

(3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and

(4) the charges of paying agents and registrars for paying principal of, redemption premium, if any, and interest on, all Bonds, and for registering and transferring Bonds.

Payments By Participants. (a) For services to be rendered to each Participant by the District under this Contract and other similar contracts, if any, each Participant has agreed to pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Participant's Annual Payment or Adjusted Annual Payment. For the Fiscal Year beginning on October 1, 2004, and for each Fiscal Year thereafter each Participant's proportionate share of the Annual Requirement shall, subject to the subsequent provisions hereof, be a percentage obtained by dividing such Participant's estimated contributing flow to the System for the next succeeding Fiscal Year or portion thereof by the total estimated contributing flow to the System by all Participants during such Fiscal Year or portion thereof. The calculation of each Annual Payment as determined herein, and each Adjusted Annual Payment, shall be determined as provided in this Section. The terms "contributing flow to the System" and "contributing flow" as used in this Contract with respect to any Fiscal Year, commencing with the Fiscal Year beginning October 1, 2004, shall mean the greater of (i) the actual metered contributing flow of a Participant or (ii) the minimum annual contributing flow for which a Participant has agreed to pay, which minimum annual contributing flow for Frisco is as follows:

Frisco 500,000 gallons per day

The above minimum annual contributing flows may be adjusted by the District and the Participants to include minimum annual contributing flows of Additional Participants should Additional Participants be approved for connection to the System in accordance with Section 8.02 hereof. Each Participant's Annual Payment shall be calculated by the District by multiplying such Participant's estimated percentage of the estimated total contributing flow times the Annual Requirement. Each Participant's Annual Payment shall be made to the District in monthly installments, on or before the twentieth (20th) day of each month, for its required part of the Annual Requirement for each Fiscal Year, commencing with the Fiscal Year or portion thereof beginning October 1, 2004. Such payments shall be made in accordance with a Schedule of Payments for each Fiscal Year which will be supplied to each Participant. At the close of the Fiscal Year or portion thereof which commenced on October 1, 2004, and for each Fiscal Year thereafter, the District shall redetermine each Participant's percentage by dividing each Participant's contributing flow to the System by the total contributing flow of all Participants. Each Participant's Adjusted Annual Payment shall be calculated by multiplying each Participant's redetermined percentage times the Annual Requirement. The difference between the Adjusted Annual Payment and the Annual Payment, if any, when determined, shall be applied as a credit or a debit to each Participant's account with the District and shall be credited or debited to such Participant's next subsequent monthly payment or payments.

(b) If a Participant fails to pay its monthly charge on or before the twentieth (20th) day of any month, it shall incur and pay a penalty of ten percent of the amount due together with any legal or other costs incurred by the District in collecting the amount due. The District is authorized to discontinue service to any Participant which fails to make any monthly payment, and which, after written notice, does not make such payment.

(c) If, during any Fiscal Year, the District begins providing services to an Additional Participant, each Participant's Annual Payment for such Fiscal Year shall be redetermined consistent with the provisions of this contract.

(d) Each Participant's Annual Payment also shall be adjusted and redetermined for the balance of any applicable Fiscal Year, consistent with the provisions of this contract, and initially based on estimated contributing flow, at any time during any Fiscal Year if:

(i) Additions, enlargements, repairs, extensions, or improvements to the System are placed in service by the District which require an increase and redetermination of the Annual Requirement; or

(ii) Unusual or extraordinary expenditures for operation and maintenance of the System are required which are not provided for in the Annual Budget or in a Bond Resolution; or

(iii) A Participant's contributing flow to the System, after the beginning of the Fiscal Year, is estimated to be substantially different from that on which Annual Payments are based as determined by the District, to the extent that such difference in flow will substantially affect such Participant's Budget, and consequently such Participant's Annual Payment to the District; or

(iv) The District issues additional Bonds, the payments in connection with which require an increase and redetermination of the Annual Requirement; or

(v) The District receives significantly more or significantly less revenue or other amounts than those contemplated.

(vi) It appears to the District that for any other reason it will not receive the full amount of the Annual Requirement unless such adjustment and redetermination are made.

(e) During each Annual Payment Period all revenues received by the District from providing services of the System to parties which are not Participants, shall (i) first be credited to the Operation and Maintenance Component of the Annual Requirement, and (ii) then any remainder credited to the Bond Service Component of the Annual Requirement, with the results that such credits under (i) and (ii), respectively, shall reduce, to the extent of such credits, the amounts of such Components, respectively, which otherwise would be payable by the Participants pursuant to the method prescribed in (a) above. The District may estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(f) The District shall give all Participants at least 21 days written notice prior to consideration by the Board of Directors of the District of making any Adjusted Annual Payment for any Participant during any Fiscal Year.

(g) The Annual Payment set forth in this section shall be considered the Basic Charge for service hereunder, and each Participant shall pay a surcharge for excess BOD and/or TSS as provided in Section 4.02, and for excessive discharge in the manner set forth in Section 3.04(c).

(h) The District may establish and maintain a separate fund entitled the "Panther Creek Regional Wastewater System Contingency Fund" (the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying unexpected or extraordinary Operation and Maintenance Expenses of the System for which funds are not otherwise available under this Contract. The Contingency Fund shall initially be funded, and any subsequent deficiency shall be restored, with amounts included as Operation and Maintenance Expenses in the Annual Budget.

(i) The facilities and services of the System to be provided to each Participant pursuant to this Contract are and will be essential and necessary to the operation of such Participant's combined waterworks and sanitary sewer system, and all payments to be made hereunder by each Participant will constitute reasonable and necessary "operating expenses" of such Participant's combined waterworks and sanitary sewer system, within the meaning of Section 30.030, Texas Water Code, as amended, and Section 1502.056, Texas Government Code, and the provisions of all ordinances authorizing the issuance of all waterworks and sanitary sewer system revenue bond issues of such Participant, with the effect that such Participant's obligation to make payments from its waterworks and sanitary sewer system revenues under this Contract shall have priority over its obligations to make payments of the principal of and interest on any and all of its waterworks and sanitary sewer system revenue bonds. Each Participant agrees to fix and collect such rates and charges for waterworks and sanitary sewer system services to be supplied by its waterworks and sanitary sewer system as will make possible the prompt payment of all expenses of operating and maintaining its entire waterworks and sanitary sewer system, including all payments, obligations, and indemnities contracted hereunder, and the prompt payment of the principal of and interest on its bonds payable from the net revenues of its waterworks and sanitary sewer system. The District shall never have the right to demand payment of the amounts due hereunder from funds raised or to be raised from taxation by a Participant. Each Participant's payments hereunder shall be made pursuant to the authority granted by Section 30.030, Texas Water Code, as amended, and Section 1502.056, Texas Government Code. Recognizing the fact that the Participants urgently require the facilities and services covered by this Contract, and that such facilities and services are necessary for actual use and for stand-by purposes; and further recognizing that the District will use the payments received from the Participants hereunder to pay, secure, and finance the issuance of its Bonds, it is hereby agreed that the Participants shall be obligated unconditionally, and without offset or counterclaim, to make the payments designated as the "Bond Service Component" of the Annual Requirement, in the manner provided in this Contract, regardless of whether or not the District actually provides such facilities and services, or whether or not any Participant actually receives or uses such facilities and services, and regardless of the validity or performance of the other parts of this or any other contract, and such "Bond Service Component" shall in all events be applied and used for providing debt service and other requirements of the Bonds, and the holders of the Bonds shall be entitled to rely on the foregoing agreement and representation, regardless of any other agreement between the District and the Participants. Each Participant further agrees that it shall be obligated to make the payments designated as the "Operation and Maintenance Component" of the Annual Requirement as described in Section 5.02 of this Contract, so long as the District is willing and able to provide the facilities and services contemplated hereunder to any Participant.

(j) As soon as practicable after issuance of the Bonds, the District shall furnish each Participant with a schedule of monthly payments to be made for the balance of the Fiscal Year commencing October 1, 2004. On or before August l of each year, commencing August 1, 2005, the District will furnish each Participant with a tentative budget and an estimated schedule of monthly payments to be made by such Participant for the ensuing Fiscal Year. On July l of each year, commencing July 1, 2005, the District shall be in a position to furnish any Participant an estimate of the Participant's annual requirement. On or before October l of each year, commencing October 1, 2005, the District shall furnish such Participant with a finalized schedule of the monthly payments to be made by such Participant to the District for the ensuing Fiscal Year. Each Participant agrees that it will make such payments to the District on or before the twentieth (20th) day of each month of such Fiscal Year. If any Participant shall dispute the Annual Budget, and proceed as provided in Article VII, such Participant nevertheless promptly shall make the payment or payments determined by the District, and if it is subsequently determined by agreement that such disputed payments made by such Participant should have been less, the District shall promptly revise, reallocate, and readjust the charges among all Participants then being served by the District in such manner that such Participant will recover its overpayment. In the event any Participant is assessed a surcharge for excess BOD and/or TSS, the District will bill such Participant for such surcharge on or before the tenth (10th) day of the month following the determination of the surcharge and such Participant shall pay such surcharge on or before the twentieth (20th) day of the month of receipt of any such bill. Any such surcharge collected by the District shall be applied by the District against the total cost of Operation and Maintenance Expense of the System.

(k) If any Participant's Annual Payment is redetermined as is herein provided, the District will promptly furnish such Participant with an updated schedule of monthly payments reflecting such redetermination.

(l) All interest income earned by the investment of any Funds created pursuant to any Bond Resolution shall be credited towards the payment of the Bond Service Component and taken into account in determining the Annual Requirement; except that as to any Acquisition or Construction Fund created from any Bond proceeds all interest income earned by the investment thereof may, at the option of the District, be credited to such Acquisition or Construction Fund and used for the System purposes for which the Bonds are issued, or be credited towards the payment of the Bond Service Component.

Filing with Participant (a) Not less than sixty (60) days before the commencement of each Fiscal Year while this Contract, is in effect, the District shall cause its tentative budget for operation and maintenance of the System for the ensuing Fiscal Year to be prepared and a copy thereof filed with each Participant. If no protest or request for a hearing on such tentative budget is presented to the District within thirty (30) days after such filing of the tentative budget by one or more Participants, the tentative budget for the System, when adopted by the District's Board of Directors, shall be considered for all purposes as the "Annual Budget" for the ensuing Fiscal Year. But if a protest or request for a hearing is duly filed, it shall be the duty of the District to fix the date and time for a hearing on the tentative budget. The Board of Directors of the District shall consider the testimony and showings made in such hearing. The Board of Directors of the District may adopt the budget or make such amendments thereof as to it may seem proper. The budget thus approved by the Board of Directors of the District shall be the Annual Budget for the next ensuing Fiscal Year.

(b) The Annual Budget may be amended to provide for transfers of budgeted funds between expenditure accounts, provided however that said transfers do not result in an overall increase in budgeted funds as provided in the Annual Budget. The Annual Budget may be amended and increased through formal action by the Board of Directors of the District, if required. Certified copies of any amended Annual Budget and the resolution authorizing same shall be filed immediately by the District with each Participant.

Annual Audit of System. The District shall, at the close of each Fiscal Year, commencing with the fiscal year beginning October 1, 2004, cause an annual audit of the System to be prepared.

Other Contracts between the District and the Participant. Nothing contained in this Contract shall in any way affect any payments to the District by a Participant or rates charged by the District to such Participant for the providing of water, wastewater or other services or facilities pursuant to other contractual relationships between the District and such Participant.

District Contracts with Additional Participants. (a) The District reserves the right, with the consent of Frisco, to contract with subsequent Additional Participants to provide the services of the System to such Additional Participants; provided that the terms and provisions of such contracts with Additional Participants shall be, to the extent practicable and applicable, the same as the terms and provisions of this Contract except that with respect to any Local Wastewater Facilities of such Additional Participant which are to be acquired, operated, or used by the District as a part of the System as a result of such contract, the District and the Additional Participant may agree in such contract for mutually acceptable payments in connection therewith from Bond proceeds or as an Operation and Maintenance Expense of the System (provided that in any formula used for determining such payments, the value attributed to such Local Wastewater Facilities shall not exceed a sum equal to the principal amount of all then outstanding bonds or other obligations issued by the Additional Participant to acquire and construct such Local Wastewater Facilities), and except that such contract shall provide for payments calculated on the basis of adequate minimum flows as hereinafter provided. The District shall not enter into contracts for any services by the System except with persons which become Additional Participants, or as otherwise provided in Section 8.03 of this Contract.

(b) A Person may become an Additional Participant in the following manner and under the following conditions;

(i) A formal request must be submitted to the District furnishing information on the area to be served, a description of existing facilities, and the latest annual audit of such proposed Additional Participant's waterworks and/or sewer systems, if any.

(ii) Such proposed Additional Participant must provide funds for any necessary engineering studies if funds are not available from the appropriate Federal or State agencies. The preliminary studies must determine or estimate, for the ensuing five year period, the size and type of any proposed facilities, their estimated cost, and estimated flows of Wastewater, so as to enable the District to ascertain or estimate the requirements of the proposed Additional Participant for the ensuing five year period.

(c) Each Additional Participant must agree to make minimum payments under its contract, on the basis of estimated annual minimum flows, that would provide amounts annually at least sufficient, as determined by the District, to pay such Additional Participant's proportionate share of the Annual Requirement.

(d) The provisions of this Section and the payments to be made under an Additional Participant's contract are further subject to the provisions of Section 5.03 of this Contract.

Additional Capacity and Facilities. As the responsible agency for the establishment, administration, management, operation, and maintenance of the System, the District will, from time to time, determine when and to what extent it is necessary to provide additions, enlargements, improvements, repairs, and extensions to the System to receive, transport, treat, and dispose of Wastewater of any Participants, including all Additional Participants, and to issue its Bonds to accomplish such purposes, and all Participants, including Additional Participants, shall be obligated to pay both the Operation and Maintenance Component and the Bond Service Component included in the Annual Requirement with respect to the entire System, as expanded, as provided in Section 5.03; provided that this Section shall not be construed so as to reduce or alter the requirements of Sections 5.03 and 8.02 with respect to minimum payments.

Term of Contract. This Contract shall continue in force from the effective date hereof at least until all Bonds, including any Bonds issued to refund same, shall have been paid in full; and shall also remain in force thereafter throughout the useful life of the System.

INVESTMENTS

The District invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors of the District. Both State law and the District's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas 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 is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (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) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, (i) that are issued by an 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 the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits or (ii) where (a) the funds are invested by the District through a depository institution that has a main office or branch office in the State and that is selected by the District; (b) the depository institution selected by the District arranges for the deposit of funds in one or more federally insured depository institutions, wherever located, for the account of the District; (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; (d) the depository institution acts as a custodian for the District with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the District receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the District through the depository institution selected under clause (ii)(a) above (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) 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 (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (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 of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) 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, (11) commercial paper with a stated maturity of 270 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, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. 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 District 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 District 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 District 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 District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, District 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 District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Directors.

ADDITIONAL PROVISIONS . . . Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or Resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or Resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the District Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District'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 District'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 District.

TABLE 3 - CURRENT INVESTMENTS

As of February 28, 2025, investable funds of the District's Panther Creek Regional Wastewater System were invested as follows:

Description	Percent [(1)]	Market Value	Book Value
FNMA Note	0.11%	$ 10,794	$ 10,784
Treasury Note	15.86%	1,599,110	1,593,091
State Pools	84.04%	8,443,483	8,443,483
	100.00%	$ 10,053,388	$ 10,047,358

(1) Based Upon Market Value.

PENSION PLAN

The District provides a Retirement Plan for Employees of North Texas Municipal Water District (the Plan), a single employer defined benefit pension plan, for all of its eligible full-time employees. Prior to May 1, 1990, the Plan was funded by an Aetna Group Annuity Contract, a deferred annuity contract between Aetna Life Insurance Company and the District. All benefits accrued prior to May 1, 1990 remain guaranteed. Effective May 1, 1990, the Plan's method of funding changed from a deferred annuity basis to a defined benefit fund basis. The Plan is administered by the District's Executive Director/General Manager. The Plan does not currently issue separate financial statements however NTMWD anticipates to to prepare separate audited financial statements for the 2024 Plan Year and going forward. An employee will become a participant in the Plan on the date of full-time employment. Prior to the 2023 plan year, the District's funding policy was based on an annually Actuarially Determined Contributions (ADC) sufficient to fund the Normal Cost under the Entry Age Normal (EAN) funding method and a level dollar amortization of the Unfunded Accrued Liability (UAL) over a closed 30-year period that began January 1, 2014. In 2023, the District adopted a new funding policy effective with the January 1, 2023 valuation. The new funding policy requires an annual ADC sufficient to fund the sum of the Normal Cost under the EAN funding method and a level percentage of pay amortization of the UAL utilizing a closed period, layered approach. The UAL as of January 1, 2024 is being amortized as a level percentage of pay over a closed period of 20 years. Future years' amortization payments will be composed of annual layers amortized over closed periods between 15-20 years, depending on the source of the UAL. For the Plan year ended December 31, 2024, the District made contributions of $13,471,420, which represent 18.4% of annual covered payroll. These contributions were based on actuarially determined contribution requirements through an actuarial valuation performed on January 1, 2024. For the fiscal year ended September 30, 2024, the District made contributions of $13,700,000 of which contributions subsequent to the measurement date through September 30, 2024, were $10,274,987.

See "APPENDIX A – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – Note 10 – Retirement Plan" for a more detailed discussion of the Plan, and in "FINANCIAL SECTION – Required Supplementary Information- Pension & OPEB Trend Information (Unaudited)" of Appendix A.

OTHER POST-EMPLOYMENT BENEFITS

The District's defined benefit other postemployment benefits (OPEB) plan provides OPEB in the form of health and dental insurance benefits for certain retirees and their spouses up to age 65 through a single-employer defined medical plan. These benefits are funded 100 percent by the District for the currently eligible retirees and their spouses, if the retiree had 20 years of District service. For those with less than 20 years of service, the retiree receives a 5% discount off of the total cost of the premium for each year of District service they have. A third-party administrator is utilized to provide claims administration and the District pays claims directly to the insurance provider. Insurance is purchased to provide specific stop loss and aggregate stop loss protection.

The District does not issue separate audited financial statements for its plan.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the District will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C -- Form of Bond Counsel's Opinions.

In rendering its opinion, Bond Counsel to the District will rely upon (a) the District's federal tax certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the District is conditioned on compliance by the District with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the District has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

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

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

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

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. As of the date hereof, legislation has been introduced in the United States Congress that, if enacted, would make significant changes to the Code, including, among other provisions, changes to the federal income tax rates for individuals and corporations. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

OTHER INFORMATION

RATINGS

The Bonds and Outstanding Bonds for the Panther Creek Regional Wastewater System are rated "AA-" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC and "Aa2" by Moody's Investors Service, Inc. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds (See "BOND INSURANCE – Claims Paying Ability and Financial Strength of Municipal Bond Insurers" and " – Bond Insurance Risk Factors" for a description of the current state of the financial guaranty insurance industry and information regarding downgrading and negative changes to the rating outlook of multiple financial guaranty insurers).

LITIGATION

The District is a party to various claims and lawsuits arising in the normal course of District operations. However, to the knowledge of the District, there is no pending, or to its knowledge threatened, litigation or other proceeding against the District that could have a material adverse financial impact upon the District or its operations.

At the time of the initial delivery of the Bonds, the District will provide the Initial Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of said Bonds.

CYBERSECURITY

In November 2023, the District detected a ransomware incident affecting its business computer network and phone system. The business computer network and phone system were promptly restored, and the District's employees continued working through the event. The District's core water, wastewater, and solid waste services were not impacted by the incident, and the District continued to provide such services to its communities without interruption. The District did not pay a ransom.

The District promptly engaged third-party forensic specialists who are actively investigating the extent of any unauthorized activity, including a review of any potentially impacted District data and whether any personally identifiable information was compromised. The District has reported the incident to all required parties, including State and federal agencies. To the District's knowledge and belief, the cybersecurity incident did not have a material adverse effect on its operations or financial condition. However, the District cannot predict the likelihood of future cyber security incidents or whether such incidents could have a materially adverse effect on the operations or financial condition of the District.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041, Texas Government Code, provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds 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 Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" above. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, provides that the Bonds 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 District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The District will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, a copy of which opinion is attached to this Official Statement as Appendix C. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. 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 Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Bond Resolution. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreements for the benefit of the holders and beneficial owners of the Bonds. Under the agreement the District has agreed to provide or cause to be provided with respect to itself and each Significant Obligated Person certain updated financial information and operating data annually and the District will be obligated to provide timely notice of certain specified events. For purposes of such agreement, the "Significant Obligated Person" means any Participant, or Additional Participant, or other party contracting with the District whose payments to the District for use of or service from the System in the calendar year preceding any such determination exceeded 10% of the Gross Revenues of the System. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access ("EMMA") system.

ANNUAL REPORTS . . . The District will provide or cause each Significant Obligated Person to provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under tables numbered 1 through 3 and all quantitative financial information and operating data with respect to each Significant Obligated Person of the general type included in Appendix B to this Official Statement. The District will provide, or cause each Significant Obligation Person to provide, this information within 6 months after the end of each fiscal year ending in and after 2025. The District will additionally provide or cause to be provided audited financial statements for each Significant Obligated Person when and if available, and unaudited financial statements within 12 months after fiscal year end. Any such financial statements will be prepared in accordance with general accepted accounting principles or such other accounting principles or the Significant Obligated Persons may be required to employ from time to time pursuant to State law or regulation. The District or a Significant Obligated Person may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC").

The District's and each Significant Obligated Person's current fiscal year end is September 30. Accordingly, audited financial statements and updated information included in the above-referenced tables and Appendix B must be provided by March 31 in each year, unless the District or a Significant Obligated Person changes its respective fiscal year. If such Significant Obligated Person changes its fiscal year, the District will notify or cause such Significant Obligated Person to notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The District will also provide, or cause a Significant Obligated Person to provide, timely notices of certain events to the MSRB. The District will provide notice (not in excess of ten (10) business days after the occurrence of the event) of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (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 security, or other material events affecting the tax status of the security; (7) Modifications to the rights of security holders, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution or sale of property securing repayment of the securities, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the District, or a Significant Obligated Person; (13) The consummation of a merger, consolidation, or acquisition involving the District, or a Significant Obligated Person, or the sale of all or substantially all of the assets of the District, or a Significant Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; 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 a Significant Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the a

Significant Obligated Person, an of which affect security holder, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of a Significant Obligated Person, any of which reflect financial difficulties. In purposes of (15) and (16) above, the term "Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. In addition, the District will provide, or cause a Significant Obligated Person to provide timely notice of any failure by the District or a Significant Obligated Person to provide, information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information . . . The District and each Significant Obligated Person have agreed to provide the foregoing information to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

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

The District 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 respective Significant Obligated Person, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the Parity Bonds consent to the amendment or (b) any person unaffiliated with the District or the Significant Obligated Person (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, the District has agreed to include or cause the Significant Obligated Person 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 District believes it has complied in all material respects with its previous continuing disclosure undertakings, entered into pursuant to the Rule, except as follows:

In its Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding Bonds, Series 2012, Buffalo Creek Wastewater Interceptor System Contract Revenue Refunding and Improvement Bonds, Series 2019, and Buffalo Creek Wastewater Interceptor System Contract Revenue Bonds, Series 2020, the District agreed that it would provide or cause the Significant Obligated Person to provide certain updated financial information and operating data annually to the MSRB, which information would include audited financial statements, provided an audit is commissioned and the audit is completed in time. The District further agreed that if audited financial statements were not available by the required time, the District would provide or cause to be provided unaudited financial statements within the required time, which is six months after the end of each fiscal year of the Significant Obligated Person (March 31 in each year) and would provide or cause to be provided audited financial statements when and if such audited financial statements became available. For fiscal years ending 2018-2022, the City of Rockwall, Texas, filed its audited financial statements after the March 31 deadline in each year. In addition, with respect to the Series 2012, 2019 and 2020 Bonds, the City of Heath did not timely file its audited financial statements for fiscal years ended 2019, 2022 and 2023 by the March 31 deadline. The District filed certain financial information of the type included in Appendix C of the official statements, and unaudited financial statements for the City of Heath for fiscal year 2022 and 2023 by the required time.

In addition, in connection with its North Texas Municipal Water District Water Transmission Facilities Contract Revenue Refunding Bonds (City of Terrell Project), Series 2014, the District agreed that it would provide or cause the City of Terrell (the "City") to provide certain updated financial information and operating data annually to the MSRB, including audited financial statements for the District and the City when and if available, and unaudited financial statements within 12 months after fiscal year end, unless audited financial statements have been provided sooner. The City did not file audited or unaudited financial statements for fiscal year ended 2020 within 12 months after the end of its fiscal year, but audited financial statements were filed when they became available.

Financial Advisor

HilltopSecurities serves as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

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

INITIAL PURCHASER OF THE BONDS

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

FORWARD LOOKING STATEMENTS DISCLAIMER

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

In the Bond Resolution, the Board delegated pricing of the Bonds and certain other matters to an Authorized Officer who will approve and execute an Approval Certificate which will complete the sale of the Bonds and also 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 Bonds by the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District.

NORTH TEXAS MUNICIPAL WATER DISTRICT

/s/____________________________________
JENNAFER P. COVINGTON
Executive Director/General Manager

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APPENDIX A

EXCERPTS FROM THE

CITY OF FRISCO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

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

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Independent Auditor's Report

The Mayor and City Council
City of Frisco, Texas
Frisco, Texas

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and TIRZ #1 funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 City'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 City'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, pension, and other postemployment benefit information 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 City's basic financial statements. The combining and individual fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and budgetary schedules 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 comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Forvis Mazars, LLP

Dallas, Texas
February 19, 2025

FRISCO

PROGRESS IN MOTION

Management's Discussion and Analysis

As management of the City of Frisco, (the City), we offer this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2024. In the broadest context, the financial well being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so the City's tax base, service levels, City assets and the City's desirability will be maintained, not just for the current year, but well into the future.

Financial reporting is limited in its ability to provide this "big picture", but rather focuses on financial position and changes in said financial position. In other words, are revenues and/or expenses/ expenditures higher or lower than the previous year? Has net position (containing both short-and long-term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the government been maintained? We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (starting on page vii of this report) and the statistical section (page 137), as well as information on the City Council's Strategic Goals, the Annual Budget and other community information found on the City's website at www.friscotexas.gov.

It should be noted that the Independent Auditor's Report describes the auditor's association with the various sections of this report and that all the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Frisco exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $2,633,366,200 (net position). The majority of the City's assets are invested in capital assets or restricted for specific purposes. The remaining $252,237,546 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- The City's net position for governmental activities increased by $111,543,493 as a result of this year's operations. Net position of the City's business-type activities increased as a result of this year's operations by $73,907,852.
- As of the close of the current fiscal year, the City of Frisco's governmental funds reported a combined ending fund balance of $777,274,946. Approximately 13% of this total is available for spending at the City's discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $99,605,373 or 41% of total General Fund expenditures.
- The deferred outflows of the City decreased by $10,763,275 or 21% during the fiscal year. This change is due to amortization of prior balances
- The deferred inflows of the City increased by $76,688,751 or 171% during the fiscal year. This is primarily due to new public private partnerships (PPPs) recorded in the current year.
- The City of Frisco's total debt increased by $82,402,878 or 8% during the fiscal year.

- The ad valorem rate for the City was $.432205 for fiscal year 2024. This tax rate supports debt service, operations and maintenance, and bond programs to construct infrastructure and city facilities. The homestead exemption for residential properties was maintained at 15% for fiscal year 2024 tax statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting. The *statement of net position* presents information on all the City of Frisco's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Frisco is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e., roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

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

In the statement of net position and the statement of activities, the City's reporting entity is divided into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including police, fire, library, planning and development, traffic engineering, parks and recreation, public works, information technology services, finance, human resources and general administration. Property taxes, sales taxes, franchise taxes, charges for services and intergovernmental revenue finance most of these activities.
- Business-type activities – Includes services for which the City charges a fee to customers to cover all or most of the cost of providing such services. The City's water and sewer system operations, stormwater operations and environmental services are reported as business-type activities.
- Component units – The City includes three separate legal entities in its report – the Frisco Economic Development Corporation, the Frisco Community Development Corporation and the City of Frisco Charitable Foundation. Although legally separate, these "component units" are included because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund financial statements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the Chief Financial Officer establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's three kinds of funds – governmental, proprietary and fiduciary – utilize different accounting approaches.

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

  The City of Frisco maintains sixteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Tax Increment Reinvestment Zone Fund (TIRZ), Capital Projects fund, and the Debt Service fund all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements starting on page 108 of this report.

- Proprietary funds – The City charges customers directly for certain services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds (a fund type of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements, but enterprise fund financial statements provide more detail and additional information, such as cash flows.

  The City of Frisco maintains three individual enterprise funds. The City uses enterprise funds to account for its water and sewer, storm drainage, and environmental services activities. Only the water and sewer fund is considered to be a major fund of the City.

- 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 resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that of proprietary funds.

  The City of Frisco maintains one fiduciary fund for the Tourism Public Improvement District.

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

Other information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information (RSI) concerning the City's progress in funding its obligation to provide pension benefits and other post employment benefits to the employees.

THE CITY AS A WHOLE – GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position and assets by category may serve over time as a useful indicator of the government's financial position. In the case of the City of Frisco, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $2,633,366,200 as of September 30, 2024.

By far the largest portion of the City's net position (84%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment, net of accumulated depreciation and amortization); less any related debt used to acquire those assets that is still outstanding. The City uses these capital and lease assets to provide services to citizens; consequently, the assets are not available for future spending. Although the City's investment in its capital and lease assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Frisco Net Position
September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and other assets	$ 976,536,699	$ 829,983,719	$ 247,940,868	$ 251,143,344	$ 1,224,477,567	$ 1,081,127,063
Capital, lease, & subscription assets	2,271,083,933	2,114,269,841	599,880,152	519,572,693	2,870,964,085	2,633,842,534
Total assets	3,247,620,632	2,944,253,560	847,821,020	770,716,037	4,095,441,652	3,714,969,597
Deferred outflows of resources	34,687,138	44,242,070	4,787,253	5,995,596	39,474,391	50,237,666
Other liabilities	79,206,683	69,605,105	17,441,336	21,239,677	96,648,019	90,844,782
Long term liabilities	1,099,732,911	1,003,901,436	183,623,782	177,689,810	1,283,356,693	1,181,591,246
Total liabilities	1,178,939,594	1,073,506,541	201,065,118	198,929,487	1,380,004,712	1,272,436,028
Deferred inflows of resources	120,977,531	44,141,937	567,600	714,443	121,545,131	44,856,380
Net investment in capital assets	1,719,006,495	1,629,704,647	493,028,421	417,152,759	2,212,034,916	2,046,857,406
Restricted	140,794,627	115,789,781	28,299,111	52,921,452	169,093,738	168,711,233
Unrestricted	122,589,523	125,352,724	129,648,023	106,993,492	252,237,546	232,346,216
Total net position	$ 1,982,390,645	$ 1,870,847,152	$ 650,975,555	$ 577,067,703	$ 2,633,366,200	$ 2,447,914,855

An additional portion of the City's net position (6%) represents resources that are subject to external restrictions on how they may be used, including bond covenants. The remaining balance of unrestricted net position $252,237,546 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. As of September 30, 2024, the City is able to report positive balances in all three net position categories, both for the government, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal years.

Analysis of the City's Operations – Overall the City had an increase in net position of $185,451,345.

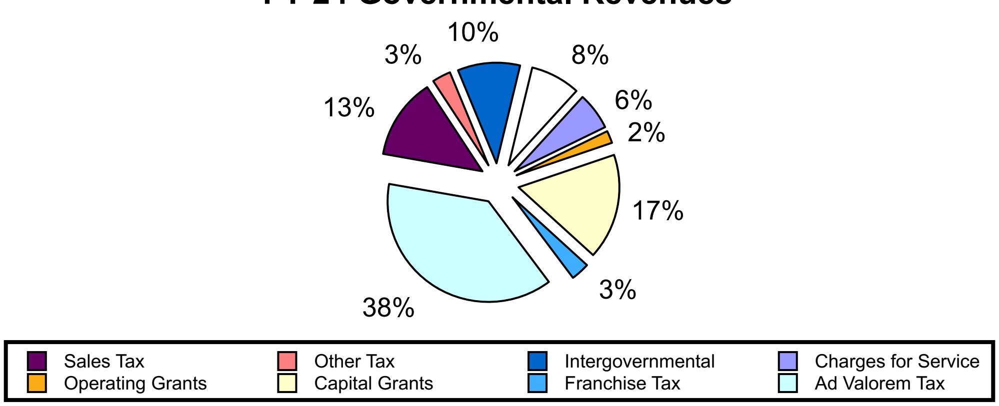
Governmental activities: Governmental activities increased the total net position by $111,543,493 or 60% of the total growth. Net investment in capital assets increased by $89,301,848 due to increases in capital investment (or projects completed during the year), net of changes in debt. Unrestricted net position showed a decrease of $(2,763,201). Restricted net position increased by $25,004,846 primarily due to increases in capital projects and restricted fees to fund the projects.

Total revenues for governmental activities decreased when compared to the prior year by $126,043,373. General revenue had an increase of $33,842,836, while program revenues had a decrease of $159,886,209. These were primarily due to the following factors:

General revenues: Property tax revenue includes an increase of $16.3 million and is due to a combination of the increased value in existing property and the value generated by new improvements. Sales taxes increased $1.1 million, which continues to remain stable after a period of rapid growth following the pandemic. Franchise taxes had a net decrease of $3.3 million and other taxes showed an increase of $2.7 million. Intergovernmental revenues increased $5.8 million due to increases in contributions for debt commitments and capital projects. Investment earnings increased by $11.3 million due to the improvement in overall market conditions, high interest rates and a larger portfolio balance.

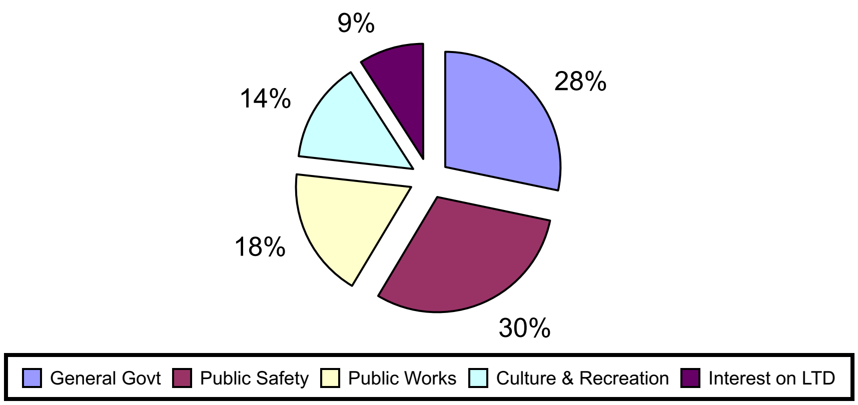
Program revenues: Charges for services decreased by $0.9 million during the year, primarily due to decreases in building permits. Operating grants and contributions increased this fiscal year due to increased services for deployments and resource officers. Capital contributions decreased $159 million during the year, primarily due to the capital asset contributions under the master development agreement between the City and Omni PGA Frisco in the previous year.

FY 24 Governmental Revenues



Total expenses for governmental activities increased $29 million or 8%, which is incremental with providing services to the growing population and a result of operating with the effects of post COVID inflation. General government expenses include a payment of $25.8 million to Frisco Independent School District as part of the agreement with the TIRZ to provide property tax revenue generated in the TIRZ for school district construction expenses. Incurred expenses of $129.3 million were to provide public safety to the citizens of Frisco. These expenses were somewhat offset by the collection of revenues from various sources, including grant income and charges for services. Public works incurred significant expenses of $75 million to provide roadway repairs and traffic control/signals for the citizens. These expenses include depreciation for City infrastructure. Total salaries and benefits for the governmental activities totaled approximately $170.0 million or 41% of the total, while depreciation expense totaled $97.0 million or 24%.

FY 24 Governmental Expenses



<u>Business-type activities</u>: Net position from business-type activities increased by $73,907,852 accounting for the remaining total growth. Program revenues of the City's business-type activities were $237,497,097 for the fiscal year, a 16% increase over the prior fiscal year mainly due to increases to water and sewer rates to cover increased operating costs. Operating expenses increased by 7% for a total of $168,283,049. Additional factors include the following:

> The City's water and sewer system recorded charges for services of $151,885,800 and impact fees and contributions of $47,984,733. Total operating expenses were $138,379,550. The most significant expenses of the water and sewer fund were $51,616,573 to purchase water, $31,620,963 for the cost of sewage treatment, $23,200,317 for depreciation and $17,804,227 for salaries and benefits.

City of Frisco's Changes in Net Position
For the years ended
September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	$ 33,044,314	$ 33,981,803	$ 188,104,273	$ 172,495,548	$ 221,148,587	$ 206,477,351
Operating grants and contributions	8,192,900	7,730,605	20,311	15,534	8,213,211	7,746,139
Capital grants and contributions	83,996,036	243,407,051	49,372,513	32,351,274	133,368,549	275,758,325
Total program revenues	125,233,250	285,119,459	237,497,097	204,862,356	362,730,347	489,981,815
General revenues						
Ad valorem tax	203,270,427	186,988,575	—	—	203,270,427	186,988,575
Sales tax	69,858,143	68,795,969	—	—	69,858,143	68,795,969
Franchise tax	12,971,305	16,257,923	—	—	12,971,305	16,257,923
Other tax	15,061,554	12,353,142	—	—	15,061,554	12,353,142
Intergovernmental	49,284,634	43,525,136	2,136,996	8,324,110	51,421,630	51,849,246
Investment earnings	42,774,755	31,457,237	11,109,390	8,176,067	53,884,145	39,633,304
Total general revenues	393,220,818	359,377,982	13,246,386	16,500,177	406,467,204	375,878,159
Total revenues	518,454,068	644,497,441	250,743,483	221,362,533	769,197,551	865,859,974
Expenses						
General government	113,278,014	107,480,307	—	—	113,278,014	107,480,307
Public safety	129,266,692	122,379,383	—	—	129,266,692	122,379,383
Public works	74,720,050	71,000,153	—	—	74,720,050	71,000,153
Culture and recreation	57,101,287	43,578,414	—	—	57,101,287	43,578,414
Interest	36,018,232	36,546,363	—	—	36,018,232	36,546,363
Water and sewer	—	—	143,458,432	131,605,087	143,458,432	131,605,087
Other enterprise funds	—	—	29,903,499	30,115,945	29,903,499	30,115,945
Total expenses	410,384,275	380,984,620	173,361,931	161,721,032	583,746,206	542,705,652
Increase in net position before transfers	108,069,793	263,512,821	77,381,552	59,641,501	185,451,345	323,154,322
Transfers	3,473,700	5,937,762	(3,473,700)	(5,937,762)	—	—
Increase in net position	111,543,493	269,450,583	73,907,852	53,703,739	185,451,345	323,154,322
Net position, October 1	1,870,847,152	1,600,909,860	577,067,703	523,363,964	2,447,914,855	2,124,273,824
Change in accounting principle	—	486,709	—	—	—	486,709
Net position, October 1 adjusted	1,870,847,152	1,601,396,569	577,067,703	523,363,964	2,447,914,855	2,124,760,533
Net position, September 30	$ 1,982,390,645	$ 1,870,847,152	$ 650,975,555	$ 577,067,703	$ 2,633,366,200	$ 2,447,914,855

THE CITY'S FUNDS

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

At the close of the City's fiscal year on September 30, 2024, the governmental funds of the City reported a combined fund balance of $777,274,946, an increase of $59,090,827 in comparison with the prior year. Unassigned fund balance, which is available for spending at the government's discretion, constitutes $99,605,373 of this balance. The remainder of fund balance is non-spendable, restricted, committed or assigned. 1) Non-spendable fund balances of $10,990,473 includes prepaids, leases, and inventories held by the government, 2) Restricted balances includes bond proceeds and other assets restricted for capital projects $463,561,320, reserves to pay debt service $10,015,182, impact fee revenues restricted for capital project funding $68,611,593, TIRZ #1 balances for other purposes $16,384,267, and other special revenues restricted for a specific purpose $16,920,272, 3) Committed funds included commitments made by resolution by the governing body for insurance reserves and other post-employment benefits (OPEB) $25,975,816, workforce housing programs $301,381 and the capital reserve fund $24,909,269. 4) Assigned fund included commitments made by management for equipment and deferred maintenance $20,000,000 and infrastructure $20,000,000.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $99,605,373, while total fund balance reached $197,860,010. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 41% of total General Fund expenditures, while total fund balance represents 81% of that same amount. The fund balance of the City's General Fund increased $23,127,445 during the current fiscal year attributed mainly to increases in collections for property tax, and investment earnings while expenditures for most functional areas were less than originally budgeted. Property tax increases were mainly attributable to an 5% increase in taxable value and 4% increase in new developments. Investment earning saw higher returns due to market conditions.

The TIRZ #1 Fund has a total fund balance of $17,219,699. This amount is restricted for future projects within the zone. The changes in the fund balance are attributed to increased property tax and intergovernmental revenue with decreased expenditures.

The Capital Projects Fund has a total fund balance of $466,007,002. The fund balance represents unspent bond proceeds, interest earnings, and grant receivables for roads, facilities and parks. The increase in fund balance is due to debt issuance in 2024 that will be expended in future periods. The revenue recognized is for interest earnings on bond proceeds, intergovernmental/developer agreements for shared costs projects and charges for services.

The Debt Service fund has a total fund balance of $10,015,182, all restricted for retirement of City debt. This is an increase from the previous fiscal year of $3,068,832. This increase is mostly due to higher property tax collections. Additionally, excess collections over the amount required for debt service are used in future years to reduce the tax rate needed to service debt or refund outstanding debt obligation early.

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

Unrestricted Net Position of the enterprise funds at September 30, 2024 totaled $129,648,023. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

For FY24 there were no restrictions, commitments, or other limitations significantly affecting the availability of fund resources for future use.

GENERAL FUND BUDGETARY HIGHLIGHTS

For FY24, the City Council approved a final appropriation in September 2024 with the total amount of the appropriation equaling $271 million including transfers out to other City funds. Amendments were made to reallocate funds appropriated to more accurately account for estimated revenues and expenditures.

With the budget amendments made during the fiscal year, the actual expenditures on a budgetary basis were $248 million compared to the re-estimated (revised) budget amount of $270 million. The $22 million variance in total expenditures (excluding transfers out) is attributed to savings in the General Fund for operational dollars budgeted but not required or expended by September 30. This variance includes professional/contract service expenditures, sales tax grants, capital outlay and salaries budgeted but not expended.

The actual (on a budgetary basis excluding transfers in) revenues were $259 million as compared to the re-estimated (revised) budget amount of $253 million excluding transfers. The $6 million variance in total revenues is attributed to increases over projections in franchise taxes, investment earnings, intergovernmental revenues, and charges for services collections, with decreases under projections in sales tax and licenses and permits.

CAPITAL, LEASE, AND SUBSCRIPTION ASSETS AND DEBT, LEASE, AND SUBSCRIPTION OBLIGATION ADMINISTRATION

Capital, lease, and subscription assets. At the end of the year, the City had $4.3 billion invested in a broad range of capital, lease, and subscription assets, including land, buildings, park facilities, roads, bridges, water and sewer lines, police and fire equipment, and public works operating equipment and machinery. This amount represents a net increase (including additions and deductions) of $357 million over the prior fiscal year. Total accumulated depreciation and amortization as of September 30, 2024, was $1.5 billion for net capital, lease, and subscription assets of $2.87 billion.

Capital, Lease, and Subscription Assets September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land	$ 403,799,469	$ 398,995,062	$ 11,869,818	$ 11,379,818	$ 415,669,287	$ 410,374,880
Intangible assets	92,227	92,227	—	—	92,227	92,227
Building & improvements	901,997,183	835,449,937	19,539,887	10,178,723	921,537,070	845,628,660
Machinery & equipment	139,254,116	127,658,763	16,257,202	14,387,630	155,511,318	142,046,393
Construction-in-progress	146,609,839	158,313,140	83,075,237	59,804,379	229,685,076	218,117,519
Improvements other than buildings	1,826,676,542	1,648,099,495	773,554,273	705,581,770	2,600,230,815	2,353,681,265
Right-to-use leased buildings	653,456	653,456	—	—	653,456	653,456
Right-to-use leased equipment	753,331	662,701	96,504	96,504	849,835	759,205
Right-to-use SBITAs	6,134,832	1,635,238	208,416	182,435	6,343,248	1,817,673
Total capital, lease, and subscription assets	3,425,970,995	3,171,560,019	904,601,337	801,611,259	4,330,572,332	3,973,171,278
Less:						
Accumulated depreciation/ amortization	(1,154,887,062)	(1,057,290,178)	(304,721,185)	(282,038,566)	(1,459,608,247)	(1,339,328,744)
Total	$ 2,271,083,933	$ 2,114,269,841	$ 599,880,152	$ 519,572,693	$ 2,870,964,085	$ 2,633,842,534

Land purchased included various right-of-ways for roads and utilities. Improvements other than buildings include park construction projects and the developer contributions for road construction throughout the City, as well as traffic signals and lighting projects. Vehicles, machinery and some equipment were added during the year based on our equipment replacement schedule. For FY24, notable additions include $22 million in building improvements including the police headquarters and city hall remodels, and construction of Fire Station #10, $10 million in park development, $150 million towards roads and traffic systems, and $58 million towards water and sewer system improvements.

The City's 2024 Capital Project Multi-Year Budget called for a continuation of the Capital Project Plan. Funding for several major roadway projects, Grand Park and other community parks, fire equipment, facility expansions and new construction, and utility system infrastructure were included in the 2024 Plan.

Additional information regarding capital assets can be found in Note 6 beginning on page 65.

Debt, lease, and subscription obligation administration. At year-end, the City had $1.16 billion in debt, lease, and subscription obligations outstanding as compared to $1.08 billion at the end of the prior fiscal year, an increase of 8% – as shown below.

Outstanding Debt, Lease, and Subscription Obligations September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
General obligation bonds	$ 706,427,046	$ 660,517,678	$ 34,760,585	$ 34,026,011	$ 741,187,631	$ 694,543,689
Certificates of obligation bonds	281,174,240	252,329,588	137,070,609	132,689,622	418,244,849	385,019,210
Leases & SBITAs payable	4,296,969	1,650,194	32,809	146,287	4,329,778	1,796,481
Totals	$ 991,898,255	$ 914,497,460	$ 171,864,003	$ 166,861,920	$ 1,163,762,258	$ 1,081,359,380

In August 2024, the City of Frisco issued General Obligation Refunding and Improvement Bonds, Series 2024 in the amount of $100,750,000 with a net premium of $9,636,329. Proceeds of the sale of the Bonds are to be used for (i) financing permanent improvements for Police and Fire, Streets, Parks, and Downtown Parking Garage; (ii) to refund $20,665,000 of General Obligation Refunding and Improvement Bonds, Series 2014, and Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014 for debt service savings and (iii) to pay the costs associated with the issuance of the Bonds. The current refunding resulted in the reacquisition price exceeding the net carrying amount of the old debt by $132,189. As a result of the transaction, the City reduced total debt service payments by $941,890 and resulted in an economic gain of $811,856.

In August 2024, the City of Frisco issued General Obligation Bonds, Taxable Series 2024 in the amount of $8,970,000 with a net premium of $240,146. Proceeds of the sale of the Bonds are to be used for financing the construction of a parking garage downtown.

In August 2024, the City of Frisco issued Combination Tax and Surplus Revenue Certificates of Obligation, Series 2024 A in the amount of $55,565,000 with a net premium of $5,012,597. Proceeds from the sale of the Certificates will be used for (i) constructing improvements and extensions to the City's combined waterworks and sewer system and water re-use system consisting of transmission lines, pump stations and ground storage; (ii) construction of Northwest Community Park and (iii) to pay the costs associated with the issuance of the Certificates.

Additional information regarding the City's outstanding debt can be found in Note 8 beginning on page 69.

The City's assigned ratings for general obligation bonds and certificates of obligation bonds were as follows during FY 2024:

	Standard & Poor's Corporation	Moody's Investor Services
General Obligation Bonds	AAA	Aaa
Certificates of Obligation Bonds	AAA	Aaa

This rating has been assigned to the City's tax-supported debt. The City is permitted by state law and provisions to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of general obligation debt to assessed value of all taxable property is 1.54%. In June 2024, the City's assigned ratings for general obligation bonds and certificates of obligation bonds were affirmed by Moody's at Aaa and by Standard & Poor's at AAA.

Authorized bonds remain unissued from the 2006, 2019, and the 2023 Election as outlined in the table below:

Authorized but Unissued Debt
September 30, 2024

	Voted Bonds	Issued Prior Years	Issued FY 2024	Unissued Balance	
Election May 13, 2006					
Branch Library (Prop. 5)	$ 8,000,000	$ —	$ —	$ 8,000,000	(1)
Senior Center (Prop. 7)	2,500,000	—	—	2,500,000	(1)
Grand Park (Prop.12)	22,500,000	22,500,000	—	—	
Remaining	33,000,000	22,500,000	—	10,500,000	
Election May 4, 2019					
Public Safety (Prop. A)	62,500,000	47,500,000	—	15,000,000	
Street Improvements (Prop. B)	155,000,000	155,000,000	—	—	
Parks, Trails and Rec Facilities (Prop. E)	53,500,000	35,700,000	2,500,000	15,300,000	
Remaining	271,000,000	238,200,000	2,500,000	30,300,000	
Election May 2, 2023					
Public Safety (Prop. A)	131,400,000	—	30,600,000	100,800,000	
Street Improvements (Prop. B)	240,000,000	30,800,000	39,180,000	170,020,000	
Parks/Administration/Logistics Operations Center (Prop. C)	39,000,000	—	4,000,000	35,000,000	
Parks, Trails and Rec Facilities (Prop. D)	43,000,000	5,000,000	4,000,000	34,000,000	
City Owned Parking Garage Downtown (Prop. E)	20,000,000	2,000,000	18,000,000	—	
Remaining	473,400,000	37,800,000	95,780,000	339,820,000	
Total Authorized/Unissued Bonds	$ 777,400,000	$ 298,500,000	$ 98,280,000	$ 380,620,000	

(1) These authorizations will not be issued

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2025 budget appropriation, tax rates, and fees that will be charged for the business-type activities.

Current economic indicators were considered when adopting the General Fund budget for FY 2025. The combined budget appropriation totaled $273.5 million. This represents an increase of $3.3 million from the FY 2024 revised budget.

The General Fund's largest revenue source is property tax receipts. Ad valorem tax revenue is determined by two major factors: the total assessed value established by the Central Appraisal District of Collin County and Central Appraisal District of Denton County, and the tax rate established by the Frisco City Council. For the new fiscal year, we saw gains in new improvements of 3.84%, and a gain on existing property of 1.62%. According to final figures received from the CADs, the total certified assessed taxable property value for FY 2025 is $48.9 billion. Council approved a tax rate of $0.425517 per $100 of valuation, a decrease from the FY 2024 tax rate of $0.432205. The homestead tax exemption for FY 2025 remained at 15%.

As for the City's business-type activities, City projections indicate that the water and sewer fund unrestricted net position will be approximately $115.7 million. A fee increase for water sales and sewer services was approved and effective in January 2025. Appropriations are to be used for capital projects in the utility construction projects fund, operating expenses, as well as bond interest and fiscal charges.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT STAFF

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at 6101 Frisco Square Boulevard, 4th Floor Finance Office, Frisco, Texas 75034. The Finance Department also presents the *Citizen's Annual Financial Report*, a condensed version of the financial position presented in the ACFR, online at the City's website www.friscotexas.gov.

BASIC FINANCIAL STATEMENTS

FRISCO

PROGRESS IN MOTION

City of Frisco
Statement of Net Position
September 30, 2024

	Primary Government			
ASSETS	Governmental Activities	Business-type Activities	Total	Component Units
Cash and cash equivalents	$ 415,902,816	$ 68,065,750	$ 483,968,566	$ 90,352,325
Investments	274,726,208	55,079,832	329,806,040	64,227,222
Receivables (net of allowance for uncollectibles)	34,259,954	25,473,339	59,733,293	12,308,482
Leases receivables	4,218,132	—	4,218,132	47,911
PPP receivables	113,274,629	—	113,274,629	184,113
Inventories	4,620,560	2,159,621	6,780,181	—
Prepaids	5,365,480	80,279	5,445,759	80,489
Restricted assets:				
Cash and cash equivalents	94,353,686	57,567,041	151,920,727	43,823,601
Investments	29,410,234	39,515,006	68,925,240	1,800,000
Notes receivable - noncurrent	405,000	—	405,000	—
Land held for resale	—	—	—	60,162,836
Capital, lease, & subscription assets:				
Nondepreciable	550,501,535	94,945,055	645,446,590	89,386,163
Depreciable (net)	1,720,582,398	504,935,097	2,225,517,495	4,017,890
Total assets	3,247,620,632	847,821,020	4,095,441,652	366,391,032
DEFERRED OUTFLOWS OF RESOURCES				
Pension items	27,746,286	3,508,149	31,254,435	637,845
OPEB items	1,238,571	156,599	1,395,170	28,473
Deferred charge on bond refunding	5,702,281	1,122,505	6,824,786	36,349
Total deferred outflows of resources	34,687,138	4,787,253	39,474,391	702,667
LIABILITIES				
Accounts and retainage payable	45,644,754	8,616,033	54,260,787	4,164,874
Accrued liabilities	1,520,004	524,316	2,044,320	55,948
Accrued interest payable	5,020,210	3,268,668	8,288,878	301,579
Customer deposits	—	5,005,203	5,005,203	25,000
Unearned revenue	5,893,360	—	5,893,360	—
Monies held in escrow	21,128,355	27,116	21,155,471	—
Noncurrent liabilities:				
Due within one year:				
Compensated absences	10,558,751	1,367,452	11,926,203	144,908
Leases & subscriptions payable	1,784,768	23,081	1,807,849	8,285
Bonds and notes payable	59,425,000	13,250,000	72,675,000	6,110,000
Due in more than one year:				
Compensated absences	18,477,177	1,793,691	20,270,868	193,606
Pensions	49,607,290	6,272,186	55,879,476	1,140,397
OPEB	3,618,570	457,520	4,076,090	83,187
Pollution remediation obligations	—	—	—	34,721,342
Arbitrage rebates payable	8,243,186	1,868,930	10,112,116	—
Developer payable	17,329,682	—	17,329,682	—
Leases & subscriptions payable	2,512,201	9,728	2,521,929	10,013
Bonds and notes payable	928,176,286	158,581,194	1,086,757,480	66,165,827
Total liabilities	1,178,939,594	201,065,118	1,380,004,712	113,124,966
DEFERRED INFLOWS OF RESOURCES				
Pension items	1,354,970	171,317	1,526,287	31,149
OPEB items	3,134,233	396,283	3,530,516	72,050
Lease related	4,046,160	—	4,046,160	45,994
PPP related	112,442,168	—	112,442,168	178,487
Total deferred inflows of resources	120,977,531	567,600	121,545,131	327,680
NET POSITION				
Net investment in capital assets	1,719,006,495	493,028,421	2,212,034,916	32,011,984
Restricted for:				
Capital projects	100,873,059	28,299,111	129,172,170	—
Tax increment reinvestment zones	20,178,480	—	20,178,480	—
Other purposes	13,917,465	—	13,917,465	—
Debt service	5,825,623	—	5,825,623	—
Community development	—	—	—	105,908,245
Economic development	—	—	—	115,720,824
Unrestricted	122,589,523	129,648,023	252,237,546	—
Total net position	$ 1,982,390,645	$ 650,975,555	$ 2,633,366,200	$ 253,641,053

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

City of Frisco
Statement of Activities
For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	$ 113,278,014	$ 13,006,154	$ 597,259	$ 1,768,082
Public safety	129,266,692	12,513,927	4,152,370	310,812
Public works	74,720,050	112,984	117,607	71,726,425
Culture and recreation	57,101,287	7,411,249	3,325,664	10,190,717
Interest on long-term debt	36,018,232	—	—	—
Total governmental activities	410,384,275	33,044,314	8,192,900	83,996,036
Business-type activities:				
Water and sewer	143,458,432	152,091,454	3,934	49,013,828
Stormwater drainage	3,590,847	6,071,832	16,377	358,685
Environmental services	26,312,652	29,940,987	—	—
Total business-type activities	173,361,931	188,104,273	20,311	49,372,513
Total primary government	$ 583,746,206	$ 221,148,587	$ 8,213,211	$ 133,368,549
Component units:				
Community development	$ 32,211,861	$ 969,971	$ —	$ —
Economic development	19,784,598	46,209	78,744	—
Charitable foundation	1,350	—	1,500	—
Total component units	$ 51,997,809	$ 1,016,180	$ 80,244	$ —

General revenues:
Ad valorem taxes
Sales taxes
Franchise taxes
Other taxes
Ad valorem tax for TIRZ funds, intergovernmental revenues
Investment earnings
Transfers
Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (97,906,519)	$ —	$ (97,906,519)	
(112,289,583)	—	(112,289,583)	
(2,763,034)	—	(2,763,034)	
(36,173,657)	—	(36,173,657)	
(36,018,232)	—	(36,018,232)	
(285,151,025)	—	(285,151,025)	
—	57,650,784	57,650,784	
—	2,856,047	2,856,047	
—	3,628,335	3,628,335	
—	64,135,166	64,135,166	
(285,151,025)	64,135,166	(221,015,859)	
			$ (31,241,890)
			(19,659,645)
			150
			(50,901,385)
203,270,427	—	203,270,427	—
69,858,143	—	69,858,143	69,858,144
12,971,305	—	12,971,305	—
15,061,554	—	15,061,554	—
49,284,634	2,136,996	51,421,630	5,196,573
42,774,755	11,109,390	53,884,145	10,221,171
3,473,700	(3,473,700)	—	—
396,694,518	9,772,686	406,467,204	85,275,888
111,543,493	73,907,852	185,451,345	34,374,503
1,870,847,152	577,067,703	2,447,914,855	219,266,550
$ 1,982,390,645	$ 650,975,555	$ 2,633,366,200	$ 253,641,053

City of Frisco
Balance Sheet
Governmental Funds
September 30, 2024

	General	TIRZ #1	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 78,280,709	$ 16,200,175	$ 332,964,349	$ 10,088,867	$ 72,722,402	$ 510,256,502
Investments	121,038,281	—	153,687,927	—	29,410,234	304,136,442
Receivables (net of allowance for uncollectibles):						
Property taxes	1,464,423	—	—	772,633	—	2,237,056
Sales taxes	11,838,242	—	—	—	—	11,838,242
Franchise taxes	7,110,633	—	—	—	40,293	7,150,926
Occupancy tax	—	—	—	—	1,286,761	1,286,761
Grants	—	—	7,247,416	—	301,488	7,548,904
Leases receivables	2,735,372	1,220,069	—	—	262,691	4,218,132
PPP receivables	—	113,274,629	—	—	—	113,274,629
Other	1,921,913	662,829	1,410,818	—	202,505	4,198,065
Due from other funds	—	—	78,417	—	—	78,417
Inventories	4,620,560	—	—	—	—	4,620,560
Prepaids	2,284,967	—	2,445,682	—	634,831	5,365,480
Notes receivable	32,000	—	373,000	—	—	405,000
Total assets	$ 231,327,100	$ 131,357,702	$ 498,207,609	$ 10,861,500	$ 104,861,205	$ 976,615,116
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	20,797,421	6,352	16,263,760	59,693	4,899,068	42,026,294
Retainage payable	87,941	—	3,530,519	—	—	3,618,460
Accrued liabilities	1,468,857	—	—	—	51,147	1,520,004
Unearned revenue	1,028,558	—	—	—	4,864,802	5,893,360
Monies held in escrow	84,258	472,385	12,033,328	—	8,538,384	21,128,355
Due to other funds	—	—	—	—	78,417	78,417
Total liabilities	23,467,035	478,737	31,827,607	59,693	18,431,818	74,264,890
Deferred inflows of resources:						
Unavailable revenue	7,427,327	—	373,000	786,625	—	8,586,952
Leases related	2,572,728	1,217,098	—	—	256,334	4,046,160
PPP related	—	112,442,168	—	—	—	112,442,168
Total deferred inflows of resources	10,000,055	113,659,266	373,000	786,625	256,334	125,075,280
FUND BALANCES						
Nonspendable	7,068,171	835,432	2,445,682	—	641,188	10,990,473
Restricted for:						
Debt service	—	—	—	10,015,182	—	10,015,182
Capital projects for future construction:						
Roads & traffic systems	—	—	222,509,434	—	29,618,845	252,128,279
Facilities	—	—	171,517,688	—	—	171,517,688
Parks	—	—	69,534,198	—	38,992,748	108,526,946
Special revenue for future commitments:						
Tax increment reinvestment zones	—	16,384,267	—	—	2,958,781	19,343,048
Hotel/motel	—	—	—	—	12,114,435	12,114,435
Traffic control enforcement	—	—	—	—	19,225	19,225
Court fees	—	—	—	—	159,131	159,131
PEG Cable	—	—	—	—	1,668,700	1,668,700
Committed to:						
Insurance	25,975,816	—	—	—	—	25,975,816
Workforce housing	301,381	—	—	—	—	301,381
Capital projects for future construction	24,909,269	—	—	—	—	24,909,269
Assigned to:						
Equipment and deferred maintenance	20,000,000	—	—	—	—	20,000,000
Infrastructure	20,000,000	—	—	—	—	20,000,000
Unassigned	99,605,373	—	—	—	—	99,605,373
Total fund balances	197,860,010	17,219,699	466,007,002	10,015,182	86,173,053	777,274,946
Total liabilities, deferred inflows of resources, and fund balances	$ 231,327,100	$ 131,357,702	$ 498,207,609	$ 10,861,500	$ 104,861,205	$ 976,615,116

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

City of Frisco

Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
September 30, 2024

Total fund balances per balance sheet	$ 777,274,946
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported at the fund level.	2,271,083,933
Deferred outflows of resources related to pensions, OPEB and deferred amounts on bond refundings are not financial resources and, therefore, are not reported at the fund level.	34,687,138
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are unavailable at the fund level.	8,586,952
Long-term liabilities, including bonds payable, leases and SBITA payable, pension liabilities, OPEB, compensated absences, and accrued interest payable are not due and payable in the current period and, therefore, are not reported at the fund level.	(1,104,753,121)
Deferred inflows of resources related to pensions and OPEB are not liabilities and do not require current financial resources, therefore, are not reported at the fund level.	(4,489,203)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,982,390,645

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

City of Frisco
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2024

	General	TIRZ #1	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	$126,631,589	$ 11,256,611	$ —	$ 62,170,084	$ 2,222,930	$ 202,281,214
Sales	69,374,340	—	—	—	483,803	69,858,143
Franchise	13,326,042	—	—	—	177,302	13,503,344
Hotel/motel	—	—	—	—	12,959,430	12,959,430
Other	2,102,124	—	—	—	—	2,102,124
Licenses and permits	8,612,363	—	—	—	—	8,612,363
Intergovernmental	3,681,499	28,555,771	513,079	—	3,246,597	35,996,946
Charges for services	12,527,078	—	906,150	—	—	13,433,228
Fines	2,234,477	—	—	—	168,677	2,403,154
Special assessments	—	—	—	—	14,323,108	14,323,108
Rents	2,745,442	3,337,558	—	—	5,996	6,088,996
Investment earnings	12,719,088	1,690,540	22,546,222	1,161,988	4,657,620	42,775,458
Contributions, donations and grants	172,788	27,900	20,557,058	—	3,135,607	23,893,353
Payments from component units	3,198,644	4,420,327	8,240,635	4,647,552	204,495	20,711,653
Miscellaneous	1,453,866	410,292	—	—	93,026	1,957,184
Total revenues	258,779,340	49,698,999	52,763,144	67,979,624	41,678,591	470,899,698
EXPENDITURES						
Current:						
General government	62,115,670	27,100,215	—	—	391,399	89,607,284
Public safety	118,090,596	—	—	—	1,006,073	119,096,669
Public works	16,804,931	—	—	—	2,200	16,807,131
Culture and recreation	30,025,507	—	—	—	11,839,623	41,865,130
Capital outlay (includes $5,505,775 not capitalized)	16,917,229	—	178,885,192	—	1,597,358	197,399,779
Debt service:						
Principal retirement	1,671,349	—	—	55,770,000	264,100	57,705,449
Interest and fiscal charges	58,158	—	3,318,485	33,660,097	111	37,036,851
Total expenditures	245,683,440	27,100,215	182,203,677	89,430,097	15,100,864	559,518,293
Excess (Deficiency) of revenues over (under) expenditures	13,095,900	22,598,784	(129,440,533)	(21,450,473)	26,577,727	(88,618,595)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	—	—	127,850,000	—	—	127,850,000
Issuance of refunding debt	—	—	—	11,190,000	—	11,190,000
Premium on bonds issued	—	—	11,701,285	1,045,728	—	12,747,013
Discount on bonds issued	—	—	(249,778)	—	—	(249,778)
Payment to refunded debt escrow agent	—	—	—	(12,435,273)	—	(12,435,273)
Lease financing	86,846	—	—	—	3,784	90,630
SBITA financing	3,405,864	—	—	—	1,085,731	4,491,595
Proceeds from sale of assets	551,535	—	—	—	—	551,535
Transfers in	6,424,527	535,036	16,449,649	24,718,850	2,629,814	50,757,876
Transfers out	(437,227)	(18,085,429)	(5,782,085)	—	(22,979,435)	(47,284,176)
Total other financing sources and uses	10,031,545	(17,550,393)	149,969,071	24,519,305	(19,260,106)	147,709,422
Net change in fund balances	23,127,445	5,048,391	20,528,538	3,068,832	7,317,621	59,090,827
Fund balances, beginning	174,732,565	12,171,308	445,478,464	6,946,350	78,855,432	718,184,119
Fund balances, ending	$197,860,010	$ 17,219,699	$466,007,002	$ 10,015,182	$ 86,173,053	$ 777,274,946

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

City of Frisco

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

Net change in fund balances - total governmental funds	$ 59,090,827
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and developer's contributions exceeded depreciation in the current period.	139,484,410
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	466,493
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(78,300,742)
Some expenses and revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balances and as actuarially determined in the government-wide statement of activities.	(9,197,495)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 111,543,493

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

City of Frisco

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2024

	Budgeted Amounts Original	Budgeted Amounts Final	Actual on a GAAP Basis	Adjustments-Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES						
Taxes:						
Property	$ 125,276,622	$ 125,276,623	$ 126,631,589	$ —	$ 126,631,589	$ 1,354,966
Sales	72,711,737	70,302,752	69,374,340	—	69,374,340	(928,412)
Franchise	12,301,520	12,301,520	13,326,042	—	13,326,042	1,024,522
Other	1,312,772	1,312,772	2,102,124	—	2,102,124	789,352
Licenses and permits	12,687,153	9,986,851	8,612,363	—	8,612,363	(1,374,488)
Intergovernmental	3,401,420	3,375,130	3,681,499	—	3,681,499	306,369
Charges for services	10,526,869	10,529,868	12,527,078	—	12,527,078	1,997,210
Fines	1,590,816	1,824,417	2,234,477	—	2,234,477	410,060
Rents	3,215,520	3,215,520	2,745,442	—	2,745,442	(470,078)
Investment earnings	5,848,380	9,494,070	12,719,088	—	12,719,088	3,225,018
Contributions, donations and grants	243,955	245,245	172,788	—	172,788	(72,457)
Payments from component units	3,198,644	3,198,644	3,198,644	—	3,198,644	—
Miscellaneous	1,830,636	1,594,036	1,453,866	—	1,453,866	(140,170)
Total revenues	254,146,044	252,657,448	258,779,340	—	258,779,340	6,121,892
EXPENDITURES						
Current:						
General government	72,696,806	73,024,847	62,115,670	636,360	62,752,030	10,272,817
Public safety	125,668,389	124,008,521	118,090,596	(159,914)	117,930,682	6,077,839
Public works	21,248,355	20,785,471	16,804,931	107,586	16,912,517	3,872,954
Culture and recreation	31,747,946	32,841,633	30,025,507	68,916	30,094,423	2,747,210
Capital outlay	17,626,405	19,588,509	16,917,229	1,552,028	18,469,257	1,119,252
Debt service:						
Principal retirement	—	—	1,671,349	—	1,671,349	(1,671,349)
Interest and fiscal charges	—	—	58,158	—	58,158	(58,158)
Total expenditures	268,987,901	270,248,981	245,683,440	2,204,976	247,888,416	22,360,565
Excess (Deficiency) of revenues over (under) expenditures	(14,841,857)	(17,591,533)	13,095,900	(2,204,976)	10,890,924	28,482,457
OTHER FINANCING SOURCES (USES)						
Lease financing	—	—	86,846	—	86,846	86,846
SBITA financing	—	—	3,405,864	—	3,405,864	3,405,864
Proceeds from sale of assets	—	—	551,535	—	551,535	551,535
Transfers in	6,103,896	6,103,896	6,424,527	—	6,424,527	320,631
Transfers out	(300,000)	(300,000)	(437,227)	—	(437,227)	(137,227)
Total other financing sources and uses	5,803,896	5,803,896	10,031,545	—	10,031,545	4,227,649
Net change in fund balances	(9,037,961)	(11,787,637)	23,127,445	(2,204,976)	20,922,469	32,710,106
Fund balances, beginning	148,903,700	174,732,563	174,732,565	(4,737,273)	169,995,292	(4,737,271)
Fund balances, ending	$ 139,865,739	$ 162,944,926	$ 197,860,010	$ (6,942,249)	$ 190,917,761	$ 27,972,835

Adjustments to Revenues, Expenditures and Other Financing Sources and Uses from GAAP Basis to Budgetary Basis
For Fiscal Year Ended September 30, 2024

	Net Change in Fund Balance
GAAP basis	$ 23,127,445
Expenditures:	
Increase due to encumbrances from prior year	4,737,273
Decrease due to encumbrances for current year	(6,942,249)
Budgetary basis	$ 20,922,469

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

City of Frisco
TIRZ #1 Fund Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual on a GAAP Basis	Adjustments-Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES						
Taxes:						
Property	11,364,092	11,256,611	11,256,611	—	11,256,611	—
Intergovernmental	33,401,000	28,555,771	28,555,771	—	28,555,771	—
Rents	3,971,386	3,971,386	3,337,558	—	3,337,558	(633,828)
Investment earnings	300,000	937,339	1,690,540	—	1,690,540	753,201
Contributions, donations and grants	—	—	27,900	—	27,900	27,900
Payments from component units	4,420,327	4,420,327	4,420,327	—	4,420,327	—
Miscellaneous	—	—	410,292	—	410,292	410,292
Total revenues	53,456,805	49,141,434	49,698,999	—	49,698,999	557,565
EXPENDITURES						
Current:						
General government	32,908,418	28,273,466	27,100,215	—	27,100,215	1,173,251
Total expenditures	32,908,418	28,273,466	27,100,215	—	27,100,215	1,173,251
Excess of revenues over expenditures	20,548,387	20,867,968	22,598,784	—	22,598,784	1,730,816
OTHER FINANCING SOURCES (USES)						
Transfers in	535,036	535,036	535,036	—	535,036	—
Transfers out	(19,085,429)	(18,085,429)	(18,085,429)	—	(18,085,429)	—
Total other financing sources and uses	(18,550,393)	(17,550,393)	(17,550,393)	—	(17,550,393)	—
Net change in fund balances	1,997,994	3,317,575	5,048,391	—	5,048,391	1,730,816
Fund balances, beginning	9,087,094	12,171,308	12,171,308	—	12,171,308	—
Fund balances, ending	$ 11,085,088	$ 15,488,883	$ 17,219,699	$ —	$ 17,219,699	$ 1,730,816

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

City of Frisco
Statement of Net Position
Proprietary Funds
September 30, 2024

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 52,728,725	$ 15,337,025	$ 68,065,750
Investments	54,593,608	486,224	55,079,832
Receivables: (net of allowances for uncollectibles)			
Utility bills	23,755,922	—	23,755,922
Grants	389,780	16,376	406,156
Other	1,176,936	134,325	1,311,261
Inventories	2,159,621	—	2,159,621
Prepaids	80,279	—	80,279
Restricted cash and cash equivalents	57,567,041	—	57,567,041
Restricted investments	39,515,006	—	39,515,006
Total current assets	231,966,918	15,973,950	247,940,868
Noncurrent assets:			
Capital and lease assets:			
Land	11,869,818	—	11,869,818
Buildings and improvements	19,392,145	147,742	19,539,887
Improvements other than buildings	773,462,083	92,190	773,554,273
Machinery and equipment	13,464,439	2,792,763	16,257,202
Right-to-use leased equipment	96,504	—	96,504
Right-to-use SBITA	208,416	—	208,416
Construction-in-progress	83,075,237	—	83,075,237
Accumulated depreciation/amortization	(302,586,176)	(2,135,009)	(304,721,185)
Total capital and lease assets (net of accumulated depreciation and amortization)	598,982,466	897,686	599,880,152
Total noncurrent assets	598,982,466	897,686	599,880,152
Total assets	830,949,384	16,871,636	847,821,020
DEFERRED OUTFLOWS OF RESOURCES			
Pension items	2,870,305	637,844	3,508,149
OPEB items	128,129	28,470	156,599
Deferred charge on bond refunding	1,122,505	—	1,122,505
Total deferred outflows of resources	4,120,939	666,314	4,787,253

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

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Totals
LIABILITIES			
Current liabilities:			
Accounts payable	$ 7,125,616	$ 1,490,417	$ 8,616,033
Accrued liabilities	426,749	97,567	524,316
Accrued interest payable	3,268,668	—	3,268,668
Customer deposits payable	5,005,203	—	5,005,203
Monies held in escrow	—	27,116	27,116
Compensated absences	1,077,071	290,381	1,367,452
Leases & SBITA payable	23,081	—	23,081
Bonds payable	13,250,000	—	13,250,000
Total current liabilities	30,176,388	1,905,481	32,081,869
Noncurrent liabilities:			
Compensated absences	1,442,208	351,483	1,793,691
Pensions	5,131,788	1,140,398	6,272,186
OPEB	374,336	83,184	457,520
Arbitrage rebates payable	1,868,930	—	1,868,930
Leases payable	9,728	—	9,728
Bonds payable	158,581,194	—	158,581,194
Total noncurrent liabilities	167,408,184	1,575,065	168,983,249
Total liabilities	197,584,572	3,480,546	201,065,118
DEFERRED INFLOWS OF RESOURCES			
Pension items	140,169	31,148	171,317
OPEB items	324,231	72,052	396,283
Total deferred inflows of resources	464,400	103,200	567,600
NET POSITION			
Net investment in capital assets	492,130,735	897,686	493,028,421
Restricted for:			
Capital projects	28,299,111	—	28,299,111
Unrestricted	116,591,505	13,056,518	129,648,023
Total net position	$ 637,021,351	$ 13,954,204	$ 650,975,555

FRISCO

PROGRESS IN MOTION

City of Frisco

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

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Totals
OPERATING REVENUES			
Charges for sales and services:			
Water	$ 88,009,400	$ —	$ 88,009,400
Sewer charges	58,059,373	—	58,059,373
Service charges	1,729,345	—	1,729,345
Sanitation charges	—	29,867,370	29,867,370
Water and sewer connections	1,311,480	—	1,311,480
Inspection fees	2,703,341	—	2,703,341
Stormwater drainage fees	—	6,057,933	6,057,933
Miscellaneous	72,861	71,372	144,233
Total operating revenues	151,885,800	35,996,675	187,882,475
OPERATING EXPENSES			
Cost of sales and services	83,237,536	21,565,663	104,803,199
Administration	31,941,697	8,100,849	40,042,546
Depreciation/amortization	23,200,317	236,987	23,437,304
Total operating expenses	138,379,550	29,903,499	168,283,049
Operating income	13,506,250	6,093,176	19,599,426
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	10,536,273	573,117	11,109,390
Contributions and grants	3,934	16,377	20,311
Gain on sale of equipment	205,654	16,144	221,798
Interest expense	(5,078,882)	—	(5,078,882)
Total nonoperating revenues	5,666,979	605,638	6,272,617
Income before capital contributions	19,173,229	6,698,814	25,872,043
CAPITAL CONTRIBUTIONS			
Grant and Intergovernmental contributions	3,166,091	358,685	3,524,776
Developer contributions	47,984,733	—	47,984,733
Total capital contributions	51,150,824	358,685	51,509,509
Income before transfers	70,324,053	7,057,499	77,381,552
TRANSFERS			
Transfers in	3,988,422	—	3,988,422
Transfers out	(4,675,658)	(2,786,464)	(7,462,122)
Total transfers	(687,236)	(2,786,464)	(3,473,700)
Change in net position	69,636,817	4,271,035	73,907,852
Net position, beginning	567,384,534	9,683,169	577,067,703
Net position, ending	$ 637,021,351	$ 13,954,204	$ 650,975,555

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

City of Frisco

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2024

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 149,044,501	$ 35,908,927	$ 184,953,428
Cash payments to suppliers for goods and services	(93,510,261)	(26,177,590)	(119,687,851)
Cash payments to employees for services	(17,345,230)	(4,233,721)	(21,578,951)
Other receipts	72,861	71,372	144,233
Net cash provided by operating activities	38,261,871	5,568,988	43,830,859
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers received from other funds	3,988,422	—	3,988,422
Transfers made to other funds	(4,675,658)	(1,682,118)	(6,357,776)
Contributions	3,934	16,377	20,311
Net cash used by noncapital financing activities	(683,302)	(1,665,741)	(2,349,043)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(66,259,124)	(248,769)	(66,507,893)
Proceeds from sale or transfer of equipment	205,654	27,399	233,053
Principal paid on long-term debt	(13,195,000)	—	(13,195,000)
Interest and fees paid on long-term debt	(5,995,373)	—	(5,995,373)
Bond proceeds net of issuance costs	20,228,216	—	20,228,216
Payment to paying agent for refunded debt issuance	(169,380)	—	(169,380)
Intergovernmental payments for grant and capital construction	2,776,311	358,685	3,134,996
Transfers made to other funds for capital construction	—	(1,104,346)	(1,104,346)
Developers contributions	5,983,183	—	5,983,183
Net cash used by capital and related financing activities	(56,425,513)	(967,031)	(57,392,544)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(97,697,439)	(482,961)	(98,180,400)
Proceeds from sale and maturities of investment securities	119,038,731	483,155	119,521,886
Interest on investments	9,818,687	569,020	10,387,707
Net cash provided by investing activities	31,159,979	569,214	31,729,193
Net increase in cash and cash equivalents	12,313,035	3,505,430	15,818,465
Cash and cash equivalents, beginning	97,982,731	11,831,595	109,814,326
Cash and cash equivalents, ending	$ 110,295,766	$ 15,337,025	$ 125,632,791
CLASSIFIED AS			
Current assets	$ 52,728,725	$ 15,337,025	$ 68,065,750
Restricted assets	57,567,041	—	57,567,041
Total cash and cash equivalents	$ 110,295,766	$ 15,337,025	$ 125,632,791

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

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$ 13,506,250	$ 6,093,176	$ 19,599,426
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amortization	23,200,317	236,987	23,437,304
Change in assets and liabilities:			
(Increase) decrease in-			
Receivables - utility bills	(2,623,809)	(16,376)	(2,640,185)
Receivables - other	1,301,282	(94,367)	1,206,915
Prepaid expenses and other assets	3,775	—	3,775
Inventories	220,410	—	220,410
Arbitrage rebate expense	1,525,385	—	1,525,385
Pension deferred outflow of resources	916,586	203,688	1,120,274
OPEB deferred outflow of resources	(9,864)	(2,188)	(12,052)
Increase (decrease) in-			
Accounts payable	813,891	(750,338)	63,553
Accrued liabilities	160,315	30,705	191,020
Liability for compensated absences	234,777	54,999	289,776
Pension deferred inflow of resources	(43,673)	(9,708)	(53,381)
OPEB deferred inflow of resources	(76,468)	(16,994)	(93,462)
Net pension liability	(781,281)	(173,618)	(954,899)
OPEB liability	58,606	13,022	71,628
Deposits and escrows	(144,628)	—	(144,628)
Total adjustments	24,755,621	(524,188)	24,231,433
Net cash provided by operating activities	$ 38,261,871	$ 5,568,988	$ 43,830,859

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year, various developers made noncash contributions of water and sewer infrastructure to the City valued at $42,001,550.

Accounts Payable and Retainage Payable related to capital assets totaled $5,608,812.

In August 2024, general obligation bonds were issued for the water and sewer fund to refund debt issued in 2014. The new debt of $7,725,000 defeased $8,445,000 of outstanding principal and related premiums and deferred costs.

Unrealized investment gains as of September 30, 2024 was $398,946.

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

FRISCO

PROGRESS IN MOTION

City of Frisco
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2024

	Tourism PID Custodial Fund
ASSETS	
Cash and cash equivalents	$ 243,724
Total assets	243,724
LIABILITIES	
TPID payable	243,724
Total liabilities	243,724
NET POSITION	
Net position restricted for custodial funds	—
Total net position	$ —

City of Frisco
Statement of Revenues, Expenses, and Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2024

	Tourism PID Custodial Fund
ADDITIONS	
Tourism PID occupancy tax collections	$ 3,569,245
Total additions	3,569,245
DEDUCTIONS	
Tourism PID occupancy tax remittances	3,569,245
Total deductions	3,569,245
Change in net position	—
Net position, beginning	—
Net positions, ending	$ —

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

PROGRESS IN MOTION

City of Frisco

Combining Statement of Net Position
Component Units
September 30, 2024

	Community Development Corporation	Economic Development Corporation	Charitable Foundation	Totals
ASSETS				
Current:				
Cash and cash equivalents	$ 43,903,734	$ 46,399,353	$ 49,238	$ 90,352,325
Investments	29,618,110	34,609,112	—	64,227,222
Receivables:				
Sales tax	5,919,121	5,919,121	—	11,838,242
Leases receivables	4,485	43,426	—	47,911
PPP receivables	184,113	—	—	184,113
Other	252,484	217,756	—	470,240
Prepaid expenses	—	80,489	—	80,489
Total current assets	79,882,047	87,269,257	49,238	167,200,542
Noncurrent:				
Land held for resale	24,111,115	36,051,721	—	60,162,836
Capital and lease assets:				
Nondepreciable	71,518,747	17,867,416	—	89,386,163
Depreciable (net)	2,137,246	1,880,644	—	4,017,890
Restricted assets:				
Cash and cash equivalents	41,376,261	2,447,340	—	43,823,601
Investments	—	1,800,000	—	1,800,000
Total noncurrent assets	139,143,369	60,047,121	—	199,190,490
Total assets	219,025,416	147,316,378	49,238	366,391,032
DEFERRED OUTFLOWS OF RESOURCES				
Pension items	—	637,845	—	637,845
OPEB items	—	28,473	—	28,473
Deferred charge on bond refunding	18,697	17,652	—	36,349
Total deferred outflows of resources	18,697	683,970	—	702,667
LIABILITIES				
Current:				
Accounts payable	1,949,944	2,212,990	1,940	4,164,874
Accrued liabilities	2,569	53,379	—	55,948
Compensated absences	10,255	134,653	—	144,908
Accrued interest payable	194,531	107,048	—	301,579
Deposits payable	—	25,000	—	25,000
Leases payable	—	8,285	—	8,285
Bonds and notes payable	3,340,000	2,770,000	—	6,110,000
Total current liabilities:	5,497,299	5,311,355	1,940	10,810,594
Noncurrent:				
Compensated absences	19,591	174,015	—	193,606
Pensions	—	1,140,397	—	1,140,397
OPEB	—	83,187	—	83,187
Pollution remediation obligations	34,721,342	—	—	34,721,342
Leases payable	—	10,013	—	10,013
Bonds and notes payable	40,750,827	25,415,000	—	66,165,827
Total noncurrent liabilities	75,491,760	26,822,612	—	102,314,372
Total liabilities	80,989,059	32,133,967	1,940	113,124,966
DEFERRED INFLOWS OF RESOURCES				
Pension items	—	31,149	—	31,149
OPEB items	—	72,050	—	72,050
Lease related	3,636	42,358	—	45,994
PPP related	178,487	—	—	178,487
Total deferred inflows of resources	182,123	145,557	—	327,680
NET POSITION				
Net investment in capital assets	32,011,984	—	—	32,011,984
Restricted for community development	105,860,947	—	47,298	105,908,245
Restricted for economic development	—	115,720,824	—	115,720,824
Total net position	$ 137,872,931	$ 115,720,824	$ 47,298	$ 253,641,053

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

City of Frisco

Combining Statement of Activities
Component Units
For the Year Ended September 30, 2024

		Program Revenues		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Component units:				
Community Development Corporation	$ 32,211,861	$ 969,971	$ —	$ —
Economic Development Corporation	19,784,598	46,209	78,744	—
Charitable Foundation	1,350	—	1,500	—
Total component units	51,997,809	1,016,180	80,244	—

General revenues:
Sales taxes
Intergovernmental
Investment income

Total general revenues

Change in net position

Net position, beginning
Net position, ending

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

Net (Expense) Revenue and Changes in Net Position			
Component Units			
Community Development Corporation	Economic Development Corporation	Charitable Foundation	Totals
$ (31,241,890)	$ —	$ —	$ (31,241,890)
—	(19,659,645)	—	(19,659,645)
—	—	150	150
(31,241,890)	(19,659,645)	150	(50,901,385)
34,929,072	34,929,072	—	69,858,144
5,196,573	—	—	5,196,573
5,976,185	4,242,495	2,491	10,221,171
46,101,830	39,171,567	2,491	85,275,888
14,859,940	19,511,922	2,641	34,374,503
123,012,991	96,208,902	44,657	219,266,550
$ 137,872,931	$ 115,720,824	$ 47,298	$ 253,641,053

Note 1. Summary of Significant Accounting Policies

The City of Frisco, Texas (City) was originally incorporated in 1908 and chartered on April 4, 1987, and is a municipal corporation incorporated under provisions of H.B. 901 of the Texas Legislature. The City operates under a Council-Manager form of government and provides such services as authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its residents.

The financial statements of the City have been prepared to conform with accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

A. Financial Statement Presentation

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

In addition to the government-wide financial statements, the City has prepared fund financial statements. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. The proprietary and fiduciary fund types financial statements are prepared using the accrual basis of accounting. Statement No. 34 requires supplementary information in Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities. Also, a budgetary comparison statement is presented that compares the adopted and revised budgets for the General Fund and its major special revenue fund (TIRZ #1) with actual results.

B. Reporting Entity

The City is governed by an elected mayor and a six-member council. As required by GAAP, these financial statements present the City (the primary government) and the entities for which the City is considered to be financially accountable (component units). Blended component units, although legally separate entities, are, in substance, part of the City's operations and data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the basic financial statements in order to emphasize that they are legally separate from the City.

The City established Tax Increment Reinvestment Zone #1 (TIRZ #1) for the purpose of dedicating the incremental tax revenue generated from the zone to finance public facilities and infrastructure development such as public roads, signalization, hike/bike trails, water and sewer system improvements, and community enhancements in and around the revenue generating portion of TIRZ #1. TIRZ #1 is 3,572 acres and includes major development areas such as Stonebriar Mall, The Star's multi-use event center, and the PGA Frisco golf courses. The City and City's management maintain significant influence and management responsibility in the approval of programs, expenditures, and obligations of TIRZ #1. The TIRZ board of directors is a 9 member board; 7 members of the board of directors are members of the City Council with the remaining appointed by the remaining participating entities of TIRZ #1, Frisco Independent School District, and Collin County Community College District. TIRZ #1 does not issue separate financial statements, as it is included as a major fund of the City. TIRZ #1 is presented as a blended component unit.

Reinvestment Zone #5 (TIRZ #5) was established for the purpose of dedicating the incremental tax revenue generated from the zone for use on public facilities and infrastructure development completed within the zone. TIRZ #5 is 66 acres and consists of The Star's retail/commercial development. The City and City's management maintain significant influence and management responsibility in the approval of programs, expenditures, and obligations of TIRZ #5. TIRZ #5's board of directors are members of the City Council and it does not issue separate financial statements as it is included as a non-major fund of the City. TIRZ #5 is presented as a blended component unit.

Reinvestment Zone #6 (TIRZ #6) was established for the purpose of dedicating the incremental tax revenue generated from the zone for use on public facilities and infrastructure development completed within the zone. TIRZ #6 is 175 acres and consists of area commonly known as Hall Park. The City and City's management maintain significant influence and management responsibility in the approval of programs, expenditures, and obligations of TIRZ #6. TIRZ #6's board of directors are members of the City Council and it does not issue separate financial statements as it is included as a non-major fund of the City. TIRZ #6 is presented as a blended component unit.

Reinvestment Zone #7 (TIRZ #7) was established for the purpose of dedicating the incremental tax revenue generated from the zone for use on public facilities and infrastructure development completed within the zone. TIRZ #7 is 890 acres and consists of area commonly known as The Fields development. The City and City's management maintain significant influence and management responsibility in the approval of programs, expenditures, and obligations of TIRZ #7. TIRZ #7's board of directors are members of the City Council and it does not issue separate financial statements as it is included as a non-major fund of the City. TIRZ #7 is presented as a blended component unit.

Panther Creek Public Improvement District #1 was established by the City for the purpose of enhancing the amenities and expediting the timing of their installation for the Panther Creek neighborhood. Enhanced landscape, additional open space, lakes, fountains, improved city parks, shade structures, distinctive entries and various recreational and pedestrian improvements were financed through City bonds and lots within the district were assessed $2,497 per lot to be repaid by the homeowners. The City and City's management maintain significant influence and management responsibility in the approval of programs, expenditures, and obligations of PID #1. PID #1's board of directors are members of the City Council and it does not issue separate financial statements as it is included as a non-major fund of the City and reported in the same Special Revenue Fund as PID #2. PID #1 is presented as a blended component unit.

Panther Creek Public Improvement District #2 was established by the City for the purpose of enhancing the amenities and expediting the timing of their installation for the Panther Creek neighborhood. Enhanced landscape, additional open space, lakes, fountains, improved city parks, shade structures, distinctive entries and various recreational and pedestrian improvements were financed through City bonds and lots within the district were assessed $3,014 per lot to be repaid by the homeowners. The City and City's management maintain significant influence and management responsibility in the approval of programs, expenditures, and obligations of PID #2. PID #2's board of directors are members of the City Council and it does not issue separate financial statements as it is included as a non-major fund of the City and reported in the same Special Revenue Fund as PID #1. PID #2 is presented as a blended component unit.

The Frisco Economic Development Corporation (FEDC) serves all citizens of the City. Although legally separate from the City, the City Council appoints all members of its governing board. The FEDC provides marketing and economic development services to the City, and the City provides for custody and investment of FEDC assets, various administrative/personnel/legal services, and the majority of funding for the FEDC budget. The FEDC is presented as a discretely presented component unit.

The Frisco Community Development Corporation (FCDC) serves all citizens of the City. Although legally separate from the City, the City Council appoints all members of its governing board. The primary government can impose its will with the potential for financial benefit to the FCDC. The FCDC benefits the City and its citizens by developing resources to address recreational, cultural arts, senior citizen, and other related community development needs and the City provides for custody and investment of FCDC assets, various administrative services, and the majority of funding for the FCDC budget. The FCDC is presented as a discretely presented component unit.

The City of Frisco Charitable Foundation (CFCF) serves all citizens of the City. Although legally separate from the City, the City Council appoints all members of its governing board. The primary government can impose its will and the potential for financial benefit to the CFCF. The CFCF benefits the City and its citizens by developing resources to address recreational, cultural arts, senior citizen, and other related community development needs. The Foundation was established during fiscal year 2006 and is presented as a discretely presented component unit.

The FEDC, FCDC, and CFCF do not prepare separate financial statements. The financial statements of the City are formatted to allow the user to clearly distinguish between the primary government and its discretely presented component units.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component units. For the most part, the effect of any interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. 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 government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category (General Government, Public Safety, Public Works, and Culture/Recreation) are 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, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function) is normally covered by general revenue (property taxes, sales taxes, franchise taxes, intergovernmental revenues, and interest income).

Separate fund-based financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of applicable fund category and for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a separate column in the applicable fund financial statements.

The City's fiduciary funds are presented only in the fund financial statements. Since by definition these assets are being held for the benefit of a third-party (other local governments, individuals, pension participants, developer projects, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City's fiduciary funds consist a custodial funds related to the Tourism Public Improvement District.

D. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues, other than taxes, are considered to be available when they are collectible within one year of the current period. Taxes are generally considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to pension, other postemployment benefits, compensated absences, lease liabilities and claims and judgments are recorded only when the obligation has matured and is due and payable shortly after year end.

GASB Interpretation 6 clarifies the application of modified accrual recognition of certain liabilities and expenditures in the governmental fund financial statements. Specifically, GASB Interpretation 6 indicates that liabilities for debt, compensated absences, lease liabilities, claims and judgments, and special termination benefits are normally expected to be liquidated with expendable available financial resources and should be recognized as governmental fund liabilities and expenditures only to the extent that they mature each period.

Ad valorem, franchise, sales tax revenues and fines and forfeitures recorded in the General Fund, ad valorem tax revenues recorded in the Debt Service Fund and Tax Increment Reinvestment Zone #1, rents in the TIRZ #1 fund, and charges for services in the Capital Projects fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable and available until cash is received. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met and amounts are received within one year of year end. Funds received in advance for which all eligibility requirements have not been met are considered unearned revenue. Receivables for which amounts are not considered available are considered deferred inflows of resources.

Proprietary fund statements of revenues, expenses, and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer, Environmental Services and Stormwater funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City of Frisco does not utilize internal service funds, which traditionally provide services primarily to other funds of the government.

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

The following are the funds used by the City:

1. Governmental Funds:
   The focus of Governmental Fund measurement (in the Fund Financial Statements) is upon determination of fund balances and changes in fund balances (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:
   a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Culture & Recreation, General Government) and is the primary operating fund unit of the City.
   b. Tax Increment Reinvestment Zone #1 Fund accounts for revenue sources that are legally held for special purposes within the zone. The revenue sources consist of property tax collections within the zone and lease payments for facilities.
   c. Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.
   d. Debt Service Fund accounts for the accumulation of resources and payment of general obligation and certificate of obligation bond principal and interest from governmental resources.
   e. Other Governmental Funds is a summarization of the nonmajor governmental funds.

2. Proprietary Funds:
   The focus of Proprietary Fund measurement is upon determination of operating income, changes in net position, and cash flows, which is similar to private-sector businesses. The following is a description of the Proprietary Funds of the City:
   a. Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the Fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for contractual obligation bonds when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the Fund.
   b. Other Proprietary Funds is a summarization of the nonmajor proprietary funds including the stormwater drainage program and the environmental services fund.

3. Other Fund Types
   a. Fiduciary funds are used to account for the accumulation of resources to be used for the Tourism Public Improvement District

E. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Cash in all funds, excluding the City's payroll account, lockbox operations, police seizure accounts and Charitable Foundation account, is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash.

All investments are recorded at fair value based on market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Investments in TexPool and TexStar are considered cash equivalents as the amounts are available on demand. Investments, other than investments in pools as previously referenced, are recorded at fair value based upon verifiable market prices.

The following table summarizes the restricted cash and investments:

Governmental Activities	Amount
Tax Increment Reinvestment Zones	$ 19,158,956
Debt Service Fund	10,088,867
Hotel/Motel Fund	14,807,267
Panther Creek PID	41,962
Traffic control enforcement	19,225
Court Fees	164,928
PEG Cable Fund	1,627,351
Road Impact Fees	38,786,236
Park Development Fees	39,069,128
Total	123,763,920

Business-Type Activities	Amount
Utility Capital Projects	67,195,074
Utility Impact Fees	29,886,973
Total	97,082,047
Total Primary Government Restricted Cash and Investments	$ 220,845,967

Component Units	Amount
Pollution Remediation	$ 38,948,140
Capital Projects	6,675,461
Total	$ 45,623,601

F. Inventories and Prepaid Items

Inventories of supplies are maintained at the City. These inventories are valued at cost using the first in/first out (FIFO) inventory method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased. 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. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased. Inventories and prepaid items are recognized as nonspendable in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Interfund Transactions and Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the changes in fund balance/net position of both governmental and proprietary funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and right-to-use lease and subscription assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in proprietary fund financial statements.

All purchased capital assets are valued at cost where historical records are available or at an estimated cost where no historical records exist. In the case of the initial capitalization of infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical costs of these assets through back trending (i.e., estimating the current replacement costs of the infrastructure to be capitalized and using an appropriate price-level index to deflate the costs to the acquisition year or estimated acquisition year). Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The City considers the asset as received when all requirements have been met by the developer including providing the City with affidavits of value. Public domain (infrastructure) assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been recorded at estimated historical cost. The City defines capital assets as assets with an initial individual cost of $5,000 or more and an estimated useful life greater than one year. Outlays for capital assets and improvements are capitalized as the projects are constructed. Lease and subscription assets are measured at the total minimum fixed payments throughout the term of the agreement discounted to net present value.

Capital assets of the primary government, as well as the component units, are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings	20-25 years
Right-to-use leased buildings	2-5 years
Improvements other than buildings	15-30 years
Vehicles	3-15 years
Machinery & equipment	3-20 years
Right-to-use leased equipment	1-5 years
Subscription-based IT arrangement (SBITA)	1-5 years

The costs of normal maintenance and repairs that do not materially add to the value of the asset or significantly extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

I. Compensated Absences

The City allows employees to accumulate earned but unused vacation benefits to a maximum of 240 hours for the first 10 years of employment, 288 hours for over ten years of employment, and 320 hours for employees with over 15 years of employment. Certified police officers and firefighters working 8-hour days have a maximum of 480 hours, while firefighters who work a 24-hour shift have a maximum of 720 hours. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights. Upon termination, the City pays to employees with over one year of service, up to their tenure's maximum for vacation, and up to 720 hours of sick leave. Fire Department personnel are paid up to their corresponding maximum hours for vacation and either 720 or 1080 hours for sick leave. A maximum of 720 hours of sick is paid out to fire shift personnel working 96-hour/14-day and 8-hour/7-day work cycles and 1080 hours for those working 24-hour/28-day work cycles. Vacation and sick leave in excess of the employee's hour maximum is not paid upon termination. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured and typically, in prior years the General Fund has liquidated the liability.

J. Federal and State Grants

Grants and shared revenues are generally accounted for within the Grants Fund or Community Development Block Grants Fund if funding is for a governmental fund type. Federal grants include several police, fire and transportation related grants which are accounted for within the Grants Fund. Community Development Block Grants are accounted for within that fund. Various state grants are also included in the Grants Fund. Proprietary fund grants are accounted for within the applicable fund.

K. Long-term Debt

General Obligation Bonds and Certificate of Obligation Bonds issued for general government capital projects that are to be repaid from tax revenues of the City are recorded in the government-wide statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method in the proprietary fund and the government-wide financial statements. Bond issuance costs are expensed. Bonds payable are reported net of the applicable bond premium or discount. In the governmental fund financial statements, issuance costs, as well as bond premiums and discounts, are recognized when incurred.

Certificate of Obligation Bonds have been issued to fund capital projects of the Proprietary Funds. Such bonds are to be repaid from the net revenues of the applicable Proprietary Fund. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed.

L. Deferred Inflows and Deferred Outflows of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to a future period. Deferred inflows have a negative effect on net position, similar to liabilities. The City of Frisco reports deferred inflows of resources as the offset account to assets earned, but not yet available. Deferred outflows of resources represents a consumption of net assets that applies to future periods. Deferred outflows of resources increase net position, similar to assets. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt that results in a refunding loss, is reported as a deferred outflow of resources. The deferred outflows of resources are recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. For pensions and OPEB, pension items are recognized in accordance with GASB 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* (GASB 68) and OPEB items are recognized in accordance with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). For deferred amounts related to leases and public-private partnerships, items are recognized in accordance with GASB 87, *Leases* and GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The City of Frisco deferred outflows of resources and deferred inflows of resources changes for the year are detailed below:

	Balance 10/1/23	Additions	Deletions	Balance 9/30/24
Deferred outflows				
Governmental activities	$ 44,242,070	$ 28,984,041	$ 38,538,973	$ 34,687,138
Business-type activities	5,995,596	3,826,263	5,034,606	4,787,253
Component units	919,567	666,320	883,220	702,667
Total	$ 51,157,233	$ 33,476,624	$ 44,456,799	$ 40,177,058
Deferred inflows				
Governmental activities	$ (44,141,937)	$ (87,371,614)	$ 10,536,020	$ (120,977,531)
Business-type activities	(714,443)	(567,595)	714,438	(567,600)
Component units	(461,457)	(103,199)	236,976	(327,680)
Total	$ (45,317,837)	$ (88,042,408)	$ 11,487,434	$ (121,872,811)

M. Retirement Plans

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB 68.

N. OPEB

For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, City specific information about its total OPEB liability in the TMRS Supplemental Death Benefits Fund (SDBF) and Retiree health insurance and additions to/deductions from the City's total OPEB liability have been determined on the same basis as they are reported by TMRS and Lockton Companies. For this purpose, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Information regarding the City's SDBF Total OPEB Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company. Information regarding the City's Retiree Health Insurance Total OPEB Liability is obtained through a report prepared for the City by Lockton Companies consulting actuaries. Both reports are prepared in compliance with GASB 75.

O. Fund Equity

In order to comply with the GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, the fund balance section of the balance sheets of the governmental funds include the following items:

- Nonspendable fund balance include the:
    - Portion of net resources that cannot be spent because of their form,
    - Portion of net resources that cannot be spent because they must be maintained intact.
- Restricted fund balance (externally enforceable limitations on use) include amounts subject to:
    - Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments
    - Limitations imposed by law through constitutional provision or enabling legislation.
- Committed fund balance (self-imposed limitations set in place prior to the end of the period):
    - Limitation imposed at the highest level of decision making (an approved resolution) that requires formal action at the same level to remove. For the City, the City Council is the highest level of decision making and approves any commitments by resolution of the Council, which is considered the most binding constraint for fund balance classification purposes.
- Assigned fund balance consists of amounts where the:
    - Intended use is established by the body designated for that purpose (City Council),
    - Intended use is established by official designated for that purpose. The City Manager, Deputy City Manager and Chief Financial Officer are the designated officials set by ordinance.
- Unassigned fund balance is the total fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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 City's total investment in capital assets, net of depreciation, reduced by the outstanding balances 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.

For the classification of governmental fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available. For example, when an expenditure is incurred, the flow assumption in determining the applicable order of using fund balance resources available is first by Committed (such as for encumbrances), then by Assigned (for the established, official intended uses), and finally by Unassigned fund balance. Net position restricted for impact fee collections in the Water and Sewer fund is a reserve required by the fee ordinance.

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources, deferred inflows of resources and contingent assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. Restricted Resources

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

R. Encumbrances

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 fund types. Encumbrances outstanding at year-end are reported as an adjustment-budgetary basis on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual. The commitments will be honored during the subsequent year.

S. Leases

Lessee
The City has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the City 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.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City 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 City is reasonably certain to exercise.

Lessor
The City is a lessor for leases of special purpose facilities, office and commercial space, and land. The City recognizes lease receivable and deferred inflows of resources in the financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

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

The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

T. Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements

PPP is an arrangement in which the City (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (PPP asset), for a period of time in an exchange or exchange-like transaction.

As transferor, the City recognizes a PPP receivable. The PPP receivable is measured using the net present value of future PPP payments to be received for the PPP term and deferred inflows of resources at the beginning of the PPP term. Periodic amortization of the discount on the receivable are reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the arrangement. This recognition does not apply to short-term arrangements, contracts that transfer ownership, lease of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of PPP receivables occur when there are modifications, including but not limited to changes in the contract price, PPP term, and adding or removing an underlying asset to the PPP arrangements. In the case of a partial or full PPP termination, the carrying value of the PPP receivable and the related deferred inflow of resources will be reduced and will include a gain or loss for the difference.

U. Subscription-Based Information Technology Arrangements (SBITA)

GASB Statement No. 96, *Subscription-Based Technology Arrangements,* provides guidance on the accounting and financial reporting of contractual arrangements. It required the recognition of certain right-to-use subscription assets and corresponding liabilities.

The City has contracts with SBITA vendors for the right-to-use information technology software, alone or in combination with tangible capital assets. The City recognizes subscription liabilities, reported with long-term debt, and right-to-use subscription assets, reported with the other capital assets, in the government-wide and proprietary funds financial statements.

The City initially measures subscription liabilities at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liabilities are reduced by the principal portion of SBITA payments made. The right-to-use subscription assets are initially measured as the initial amount of the subscription liabilities, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

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

- (1) The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- (2) The subscription term includes the noncancellable period of the SBITA.
- (3) Subscription payments included in the measurement of the subscription liabilities are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liabilities.

V. New Accounting Pronouncements

In the current year the City implemented the following GASB pronouncements:

GASB Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62*,* is effective for the City's fiscal year ending September 30, 2024. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Adoption of GASB 100 had no effect on beginning net position/fund balance.

The GASB has issued the following statements which will be effective in future years as described below. The impact on the City's financial statements of implementation has not yet been determined for the following:

GASB Statement No. 101, *Compensated Absences*, is effective for the City's fiscal year ending September 30, 2025. The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

GASB Statement No. 102, *Certain Risk Disclosures*, is effective for the City's fiscal year ending September 30, 2025. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for the City's fiscal year ending September 30, 2026. The objective of this statement is to improve key components of the financial reporting model to enhance it's effectiveness in providing information that is essential to decision making and assessing a government's accountability. The statement focuses on improvements to Management's Discussion and Analysis, proprietary fund statement of revenues, expenses and changes in net position, major component units, and other areas.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, is effective for the City's fiscal year ending September 30, 2026. This statement requires state and local governments to provide detailed information about certain types of assets including lease assets, right-to-use assets, subscription assets, and assets held for sale.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains the "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $1,104,753,121 difference are as follows:

Bonds and certificates of obligation payable	$ 947,520,000
Bond discount (to be amortized as interest expense)	(1,219,995)
Bond premiums (to be amortized over the life of the bonds)	41,301,281
Accrued interest payable	5,020,210
Leases & SBITA payable	4,296,969
Rebates payable	8,243,186
Developer payable	17,329,682
Compensated absences	29,035,928
Net pension liability	49,607,290
Total OPEB liability	3,618,570
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	$1,104,753,121

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the $139,484,410 difference are as follows:

Capital outlay	$ 191,894,003
Developers' contributions	63,853,580
Developer payable (refund)	(17,329,682)
Component unit capital contribution	14,593
Book value of capital assets disposed/retired	(2,147)
Depreciation and lease amortization expense	(98,945,937)
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net position of governmental activities	$ 139,484,410

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $78,300,742 difference are as follows:

Debt issued or incurred:	
Premium amortization	$ 8,829,331
Discount amortization	(146,116)
Amortization on loss of refunding of debt	(789,946)
Refunding bond write off deferred loss/premium	(215,273)
SBITA and lease financing	(4,582,225)
Bonds issued	(139,040,000)
Bond premium issued	(12,747,013)
Bond discount issued	249,778
Principal repayments:	
Payment to refunding agent	12,435,273
Bonds, leases, & SBITAs	57,705,449
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ (78,300,742)

Another element of that reconciliation states, “Some expenses and revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balances and as actuarially determined in the government-wide statement of activities.” The details of this $(9,197,495) difference are as follows:

Increase in accrued interest on bonds	$ (492,856)
Increase in rebates payable	(6,166,522)
Increase in compensated absences	(1,920,355)
Increase in pension expense	(885,777)
Decrease in OPEB expense	268,015
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ (9,197,495)

Note 3. Legal Compliance – Budgets

Budgetary Information

Annual appropriated budgets are legally adopted for the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue Funds. The legal level of authority is at the fund level. The annual budget is adopted using the budgetary basis of accounting. The budgetary basis of accounting differs from accounting principles generally accepted in the United States in that encumbrances are recorded as expenditures in the period encumbered and not when incurred. All annual appropriations lapse at fiscal year-end. Project length financial plans are adopted for certain Capital Projects Funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through the passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary review is employed as a management control device during the year for the General Fund, Debt Service Fund, and Capital Projects Funds. Supplemental appropriations were made during the fiscal year, during the revised budget process.
6. The budget approved for the discretely presented component units follow similar approval procedures.
7. The budget approved for the Water & Sewer Fund follows similar approval procedures but departs from generally accepted accounting principles by not including depreciation or compensated absence expenses in the approved budget.

Note 4. Deposits and Investments

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a fair value of not less than the principal amount of the deposits. The City's deposits were insured up to $250,000 or collateralized as required by State statutes at September 30, 2024. At year-end, the carrying amount of the City's demand deposits was a balance of $6,639,751, bank balance, $8,026,455 The carrying amount of the component unit's pooled cash was $(2,103,065), bank balance, $299. The cash on hand carrying amount totaled $22,144. The bank balance for the primary government and the component unit's deposits was covered by collateral with a fair value of $26,371,200. The collateral is held in the City's name by the Bank of New York Mellon and JP Morgan National Collateral Management Group, agents of the City's financial institutions.

Investments – State statutes, city policies, and city resolutions authorize the City's investments. The Chief Financial Officer and the Director of Financial Services are authorized by the City Council to invest all available funds consistent with the investment policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies, counties, cities, and other political subdivisions of any State having an investment rating of not less than "A" or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools organized and operating in compliance with the Inter-local Cooperation Act.

As of September 30, 2024, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity Days
Primary Government		
General Fund		
Federal Agency Notes	$ 121,038,280	197
TexPool	42,755,697	26
TexStar	37,810,864	26
CIP Funds		
Federal Agency Notes	178,291,902	142
TexPool	14,596,130	26
TexStar	354,489,900	26
Other Funds		
Federal Agency Notes	99,401,097	141
TexPool	172,859,476	26
TexStar	6,737,476	26
Total Primary Government	1,027,980,822	77
Component Units		
Community Development		
Federal Agency Notes	29,618,110	203
TexPool	84,405,586	26
TexStar	3,036,134	26
Economic Development		
Federal Agency Notes	36,409,112	161
TexPool	45,382,543	26
TexStar	3,405,690	26
Charitable Foundation		
TexPool	49,038	26
Total Component Units	202,306,213	76
Total Government	$ 1,230,287,035	77

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs-other than quoted prices included within Level 1-that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The City has recurring fair value measurements as presented in the table below. Investment balances of such investments are as follows:

		Fair Value Measurements Using		
Primary Government	September 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Bank deposits	$ 6,639,751	$ —	$ —	$ —
Total cash and cash equivalents	6,639,751	—	—	—
Investments measured at amortized costs:				
Investment pools:				
TexPool	230,211,303	—	—	—
Investments measured at net asset value (NAV), fair value:				
Investment pools:				
TexStar	399,038,240	—	—	—
Investments by fair value level:				
U.S. government agency securities:				
Federal Home Loan Bank	52,105,662	—	52,105,662	—
Federal Farm Credit Bank	123,104,368	—	123,104,368	—
Federal Home Loan Mortgage Company	6,857,578	—	6,857,578	—
US Treasury Notes	216,663,671	—	216,663,671	—
Total investments	1,027,980,822	—	398,731,279	—
Total cash and investments	$1,034,620,573	$ —	$398,731,279	$ —

The chart above excludes the fiduciary cash balance of $243,724 held in the Tourism PID custodial fund.

The component unit investment balances of such investments are as follows:

		Fair Value Measurements Using		
Component Units	September 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Bank deposits	$ (2,103,065)	$ —	$ —	$ —
Total cash and cash equivalents	(2,103,065)	—	—	—
Investments measured at amortized costs:				
Investment pools:				
TexPool	129,837,167	—	—	—
Investments measured at net asset value (NAV), fair value:				
Investment pools:				
TexStar	6,441,824	—	—	—
Investments by fair value level:				
U.S. government agency securities:				
Federal Farm Credit Bank	12,025,682	—	12,025,682	—
Federal Home Loan Bank	4,001,064	—	4,001,064	—
US Treasury Notes	50,000,476	—	50,000,476	—
Total investments	202,306,213	—	66,027,222	—
Total cash and investments	$ 200,203,148	$ —	$ 66,027,222	$ —

Investment Pools are measured at amortized cost or net asset value (NAV) and are exempt from fair value reporting.

U.S. Government Agency Securities and U.S. Treasury Bonds and Notes classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The TexPool investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool The investment pool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonable foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The TexStar investment pool is an external investment pool measured at NAV. The strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to the pools. TexStar has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

TexPool is not registered with the Securities and Exchange Commission. The Texas Local Government Investment Pools (the "TexPool Portfolios") have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Comptroller of Public Accounts maintains oversight.

TexStar is not registered with the Securities and Exchange Commission. TexStar operates in compliance with Public Funds Investment Act of the Texas Government Code. The oversight body for TexStar is the TexStar Governing Board.

Interest Rate Risk – In order to minimize risk of loss due to interest rate fluctuations, the City's Investment Policy states investment maturities will not exceed the anticipated cash flow requirement of the funds as follows:

- Operating Funds – The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security and the maximum allowable maturity shall be two years.
- Bond Proceeds – The maximum maturity for all bond proceeds shall be three years.
- Bond Reserve Funds – Maturity limitation shall generally not exceed the call provision of the Bond Ordinance and shall not exceed the final maturity of the bond issue.
- Other Funds – Maximum maturity shall not exceed five years and each fund's weighted average life shall not exceed three years.

Credit Risk – In compliance with the City's Investment Policy, and in conjunction with state law, as of September 30, 2024, the City minimized credit risk losses by limiting investment to the safest types of securities, pre-qualifying investments through our asset management company, and diversifying the investment portfolio so that potential losses on individual securities were minimized. The City also invested in certificates of deposits at local banks as applicable. The City's investments in U.S. Agency securities (FHLB, FFCB and FNMA) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Services. The City's investments in local government investment pools (TexPool and TexStar) are in compliance with the Public Funds Investment Act and rated AAAm by Standard & Poor's. More than five percent of the City's and Component Unit's investments, excluding investment pools, are in U.S. Treasury Notes, Federal Farm Credit Bank (FFCB) and Federal Home Loan Bank (FHLB). These investments are 57.38%, 29.08% and 12.07% respectively, of the total investments.

Concentration of Credit Risk – The City's formal investment policy does not address limitations to one particular issuer.

Note 5. Receivables

Receivables at September 30, 2024, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are all considered to be collectible within one year and consist of the following:

Receivables
September 30, 2024

Governmental Activities	General	TIRZ #1	Capital Projects	Debt Service	Nonmajor Funds	Total
Property tax	$ 1,541,498	$ —	$ —	$ 813,298	$ —	$ 2,354,796
Sales tax	11,838,242	—	—	—	—	11,838,242
Franchise tax	7,110,633	—	—	—	40,293	7,150,926
Occupancy tax	—	—	—	—	1,286,761	1,286,761
Mixed beverage	152,028	—	—	—	—	152,028
Leases	2,735,372	1,220,069	—	—	262,691	4,218,132
PPP's	—	113,274,629	—	—	—	113,274,629
Accrued interest	826,056	132,783	1,402,905	—	196,488	2,558,232
Grants	—	—	7,247,416	—	301,488	7,548,904
Other	2,518,990	530,046	7,913	—	6,017	3,062,966
Gross receivables	26,722,819	115,157,527	8,658,234	813,298	2,093,738	153,445,616
Less: allowance	(1,652,236)	—	—	(40,665)	—	(1,692,901)
Net receivables	$ 25,070,583	$115,157,527	$ 8,658,234	$ 772,633	$ 2,093,738	$151,752,715

Business-type Activities	Water and Sewer	Nonmajor Funds	Total
Utility bills	$ 27,100,653	$ —	$ 27,100,653
Accrued interest	891,696	—	891,696
Grants	389,780	16,376	406,156
Other	285,240	134,325	419,565
Gross receivables	28,667,369	150,701	28,818,070
Less: allowance	(3,344,731)	—	(3,344,731)
Net receivables	$ 25,322,638	$ 150,701	$ 25,473,339

Component Units	Community Development Corporation	Economic Development Corporation	Total
Sales tax	$ 5,919,121	$ 5,919,121	$ 11,838,242
Leases	4,485	43,426	47,911
PPP's	184,113	—	184,113
Accrued interest	236,653	217,746	454,399
Other	15,831	10	15,841
Net receivables	$ 6,360,203	$ 6,180,303	$ 12,540,506

The Proprietary Fund accounts receivable includes unbilled charges for services rendered at September 30, 2024.

Property taxes are levied on October 1, are payable until February 1 of the following year without penalty and are levied for the period in which they are levied. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty and interest are calculated after February 1 up to the date collected by the City at the rate of 6% for the first month and increased by 1% per month up to a total of 12%. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of 20 years. Taxes applicable to personal property may be deemed uncollectible by the City. The City's current policy is to write off uncollectible personal property taxes after four years.

Leases and PPPs receivable – The City, FCDC and FEDC have entered into multiple lease and PPP agreements for facilities, land and cell towers as lessor. The City initially measured the Lease and PPP receivables at the present value of payments expected to be received during the agreement term. The lease and PPP rate, term, and ending lease receivables are as follows:

Leases Receivable	Interest Rates	Lease Terms in Years	Balance 10/1/23	Additions	Deductions	Ending Balance
General Fund:						
Land	.31-1.59%	1-11	$ 344,373	$ 2,448	$ (36,903)	$ 309,918
Building and Improvements	.24-1.16%	1-6	3,090	6,179	(6,177)	3,092
Cell Towers	.23-.3.63%	1-5	2,399,648	1,454,250	(1,431,536)	2,422,362
						$ 2,735,372
TIRZ 1:						
Building and Improvements	.66-2.56%	1-21	$ 112,942	$ 1,262,000	$ (154,873)	$ 1,220,069
Nonmajor Funds:						
Building and Improvements	2.40%	46	$ 266,295	$ —	$ (3,604)	$ 262,691
Component units:						
Land	2.63%	3	$ 99,550	$ —	$ (51,639)	$ 47,911
PPP Receivable						
TIRZ 1:						
Land	3.43-3.86%	10-25	$ 17,562,153	$ —	$ (1,152,594)	$ 16,409,559
Building and Improvements	3.43-3.78%	10-35	$ 18,557,880	$79,708,642	$ (1,401,452)	96,865,070
						$ 113,274,629
Component units:						
Building and Improvements	3.48%	5	$ 236,701	$ —	$ (52,588)	$ 184,113

In addition, the FCDC has entered into two leases that include variable payments based on the lessees performance. In FY24 the FCDC recognized $63,896 in variable leases revenue.

Notes Receivable City

The City periodically issues bonds on behalf of the Frisco Community Development Corporation and Frisco Economic Development Corporation to fund various projects of these entities. Each component unit has an agreement with the City to fund the principal and interest payments of the bonds; therefore, a note receivable is reported in the government wide financial statements of the City from each component unit equal to the face amount of the bonds outstanding. During fiscal year 2024, the bond associated with the Frisco Community Development Corporation's note to the City was satisfied.

The City has note receivables with clients in the targeted down payment assistance program totaling $32,000. Additionally, the City has one developer agreement in the CIP Fund for $373,000 which is classified as a note receivable. This $405,000 total note receivable is recorded at the fund level in the financial statements.

Note 6. Capital, Lease, and Subscription Assets

The following is a summary of changes in the capital, lease, and subscription assets during the fiscal year:

Capital, Lease, and Subscription Assets Activity
For the Year Ended September 30, 2024

Governmental Activities	Balance 10/1/2023	Additions	Transfers	Retirements/ Other Deductions	Balance 9/30/2024
Capital assets, not being depreciated:					
Land	$ 398,995,062	$ 4,804,407	$ —	$ —	$ 403,799,469
Intangible assets	92,227	—	—	—	92,227
Construction-in-progress	158,313,140	173,199,752	(184,903,053)	—	146,609,839
Total capital asset, not being depreciated	557,400,429	178,004,159	(184,903,053)	—	550,501,535
Capital, lease, and subscription assets, being depreciated/amortized:					
Machinery and equipment	127,658,763	12,931,960	14,593	(1,351,200)	139,254,116
Right-to-use leased equipment	662,701	90,630	—	—	753,331
Buildings and improvements	835,449,937	70,669	66,476,577	—	901,997,183
Right-to-use leased buildings	653,456	—	—	—	653,456
Improvements other than buildings	1,648,099,495	60,150,571	118,426,476	—	1,826,676,542
Right-to-use SBITA	1,635,238	4,499,594	—	—	6,134,832
Total capital, lease, and subscription assets being depreciated/amortized	2,614,159,590	77,743,424	184,917,646	(1,351,200)	2,875,469,460
Less accumulated depreciation/amortization:					
Machinery and equipment	(81,877,937)	(10,810,022)	—	1,349,053	(91,338,906)
Right-to-use leased equipment	(242,883)	(113,515)	—	—	(356,398)
Buildings and improvements	(313,184,165)	(30,388,442)	—	—	(343,572,607)
Right-to-use leased buildings	(384,115)	(101,245)	—	—	(485,360)
Improvements other than buildings	(661,112,747)	(55,779,149)	—	—	(716,891,896)
Right-to-use SBITA	(488,331)	(1,753,564)			(2,241,895)
Total accumulated depreciation/amortization	(1,057,290,178)	(98,945,937)	—	1,349,053	(1,154,887,062)
Total capital, lease, and subscription assets, being depreciated/amortized, net	1,556,869,412	(21,202,513)	184,917,646	(2,147)	1,720,582,398
Governmental activities capital, lease, and subscription assets, net	$2,114,269,841	$ 156,801,646	$ 14,593	$ (2,147)	$2,271,083,933

Business-type Activities	Balance 10/1/2023	Additions	Transfers	Retirements/ Other Deductions	Balance 9/30/2024
Capital assets, not being depreciated:					
Land	$ 11,379,818	$ 490,000	$ —	$ —	$ 11,869,818
Construction-in-progress	59,804,379	58,602,975	(35,332,117)	—	83,075,237
Total capital asset, not being depreciated	71,184,197	59,092,975	(35,332,117)	—	94,945,055
Capital, lease, and subscription assets being depreciated/amortized					
Machinery and equipment	14,387,630	2,635,513	—	(765,941)	16,257,202
Right-to-use leased equipment	96,504	—	—	—	96,504
Buildings and improvements	10,178,723	—	9,361,164	—	19,539,887
Improvements other than buildings	705,581,770	42,001,550	25,970,953	—	773,554,273
Right-to-use SBITA	182,435	25,981	—	—	208,416
Total capital, lease, and subscription assets being depreciated/amortized	730,427,062	44,663,044	35,332,117	(765,941)	809,656,282
Less accumulated depreciation/amortization:					
Machinery and equipment	(10,300,122)	(1,323,489)	—	754,685	(10,868,926)
Right-to-use leased equipment	(43,700)	(21,850)	—	—	(65,550)
Buildings and improvements	(8,780,907)	(441,567)	—	—	(9,222,474)
Improvements other than buildings	(262,822,619)	(21,533,199)	—	—	(284,355,818)
Right-to-use SBITA	(91,218)	(117,199)	—	—	(208,417)
Total accumulated depreciation/amortization	(282,038,566)	(23,437,304)	—	754,685	(304,721,185)
Total capital, lease, and subscription assets, being depreciated/amortized, net	448,388,496	21,225,740	35,332,117	(11,256)	504,935,097
Business-type activities capital, lease, and subscription assets, net	$ 519,572,693	$ 80,318,715	$ —	$ (11,256)	$ 599,880,152

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	$ 22,875,559
Public safety	8,468,067
Public works	56,083,040
Culture and recreation	11,519,271
Total depreciation/amortization expense governmental activities	$ 98,945,937
Business-type activities	
Water & sewer	$ 23,200,317
Stormwater drainage	168,430
Environmental services	68,557
Total depreciation/amortization expense business-type activities	$ 23,437,304

Frisco Community Development Corporation	Balance 10/1/2023	Additions	Transfers	Retirements/ Other Deductions	Balance 9/30/2024
Capital assets, not being depreciated:					
Land	$ 71,518,747	$ —	$ —	$ —	$ 71,518,747
Total capital assets not being depreciated	71,518,747	—	—	—	71,518,747
Capital assets, being depreciated:					
Machinery and equipment	118,213	14,593	(14,593)	—	118,213
Buildings and improvements	4,276,396	—	—	—	4,276,396
Improvements other than buildings	18,920,290	485,400	—	—	19,405,690
Total capital assets being depreciated	23,314,899	499,993	(14,593)	—	23,800,299
Less: accumulated depreciation	(21,470,364)	(192,689)	—	—	(21,663,053)
Total capital assets, being depreciated, net	1,844,535	307,304	(14,593)	—	2,137,246
FCDC capital assets, net	$ 73,363,282	$ 307,304	$ (14,593)	$ —	$ 73,655,993

Frisco Economic Development Corporation	Balance 10/1/2023	Additions	Transfers	Retirements/ Other Deductions	Balance 9/30/2024
Capital assets, not being depreciated:					
Land	$ 16,582,801	$ 181,250	$ —	$ —	$ 16,764,051
Construction in progress	—	1,103,365	—	—	1,103,365
Total capital assets not being depreciated	16,582,801	1,284,615	—	—	17,867,416
Capital and lease assets, being depreciated/ amortized:					
Machinery and equipment	140,542	371,903	—	—	512,445
Right-to-use leased equipment	32,892	—	—	—	32,892
Buildings and improvements	556,839	992,874	—	—	1,549,713
Right-to-use leased building	379,196	—	—	—	379,196
Total capital and lease assets being depreciated/amortized	1,109,469	1,364,777	—	—	2,474,246
Less: accumulated depreciation/ amortization	(563,256)	(30,346)	—	—	(593,602)
Total capital and lease assets, being depreciated/amortized, net	546,213	1,334,431	—	—	1,880,644
FEDC capital and lease assets, net	$ 17,129,014	$ 2,619,046	$ —	$ —	$ 19,748,060

In addition to construction in progress, the City had commitments or binding contracts as of September 30, 2024. The construction commitments or binding contracts totaled $194,785,982 for the governmental capital projects fund; and $32,632,829 for the business-type activities capital projects fund. Other funds also had outstanding encumbrances totaling $8,180,139.

Governmental activities		
General fund	$	6,942,249
Capital projects fund		194,785,982
Nonmajor funds		395,094
Total outstanding commitments	$	202,123,325
Business-type activities		
Water & Sewer fund	$	654,433
Water & Sewer fund construction		32,632,829
Nonmajor funds		188,363
Total outstanding commitments	$	33,475,625

Note 7. Notes Payable

The following is a summary of the changes in notes payable during the fiscal year:

Frisco Community Development Corporation	Balance 10/1/2023	Additions	Deletions	Balance 9/30/2024	Amounts Due within one year
Note payable to City	$ 110,000	$ —	$ 110,000	$ —	$ —
Premium	2,057	—	2,057	—	—
Total	$ 112,057	$ —	$ 112,057	$ —	$ —

The City periodically issues bonds on behalf of the Community Development Corporation and Economic Development Corporation to fund various projects of these entities. These entities are component units of the City. Each component unit has an agreement with the City to fund the principal and interest payments of the bonds; therefore, a note payable is reported in the government-wide financial statements of the component units to the City equal to the face amount of the bonds outstanding plus any bond premiums, discounts, and deferred loss from advance refunding of debt. The City is in compliance with related bond covenants.

At September 30, 2024, the balance of the note payable to the City from the Community Development Corporation was satisfied leaving a $0 balance.

Note 8. Long-term Debt

Long-term debt at September 30, 2024 includes the following issues:

Governmental Activities

General Obligation Bonds

Issue	Closing Date	Maturity Date	Interest Rates	Original Issue Amount	Outstanding Amount
2011 Refunding and Improvement Bonds	08/16/2011	02/15/2031	3.125% - 5.000%	$ 109,545,000	$ 1,725,000
2015 A Refunding and Improvement Bonds	08/18/2015	02/15/2035	3.500% - 5.000%	81,335,000	44,330,000
2015 B Refunding Bonds	05/19/2015	02/15/2035	2.500% - 4.100%	6,040,000	3,770,000
2016 Refunding and Improvement Bonds	07/27/2016	02/15/2036	3.500% - 5.000%	115,575,000	58,705,000
2017 Improvement Bonds	07/18/2017	02/15/2037	3.000% - 5.000%	45,510,000	34,005,000
2018 Improvement Bonds	07/17/2018	02/15/2038	3.125% - 5.000%	53,635,000	42,195,000
2019 Improvement Bonds	07/31/2019	02/15/2039	3.000% - 5.000%	63,790,000	52,540,000
2020 Improvement Bonds	09/29/2020	02/15/2040	2.000% - 5.000%	26,790,000	22,995,000
2021 Refunding and Improvement Bonds	01/05/2021	02/15/2040	2.000% - 5.000%	89,950,000	70,605,000
2022 Refunding and Improvement Bonds	01/11/2022	02/15/2042	2.000% - 5.000%	86,520,000	75,755,000
2022 Improvement Bonds	01/11/2022	02/15/2042	1.300% - 2.650%	12,000,000	10,990,000
2023 G.O. Bonds Taxable	08/15/2023	02/15/2043	4.630% - 6.000%	20,490,000	19,905,000
2023 G.O. Refunding & Improvement	08/01/2023	02/15/2043	4.000% - 6.000%	142,195,000	130,055,000
2024 G.O. Bonds Taxable	08/07/2024	02/15/2044	4.750% - 7.000%	8,970,000	8,970,000
2024 G.O. Refunding & Improvement	08/07/2024	02/15/2044	4.000% - 5.000%	93,025,000	93,025,000
			Total	$ 955,370,000	$ 669,570,000

Certificates Of Obligation

Issue	Closing Date	Maturity Date	Interest Rates	Original Issue Amount	Outstanding Amount
2001 B Combination Tax and Revenue	10/01/2001	02/15/2025	6.625%	$ 19,915,000	$ 1,320,000
2008 B Combination Tax and Revenue	02/15/2008	02/15/2033	6.050% - 6.375%	20,520,000	14,760,000
2009 Combination Tax and Limited Surplus Revenue	11/15/2009	02/15/2030	4.000% - 4.750%	3,105,000	1,020,000
2014 A Combination Tax and Limited Surplus Revenue	08/26/2014	02/15/2038	2.650% - 4.150%	90,000,000	65,500,000
2015 A Combination Tax and Limited Surplus Revenue	10/20/2015	02/15/2037	2.000% - 4.000%	9,015,000	6,485,000
2015 B Combination Tax and Limited Surplus Revenue	10/20/2015	02/15/2037	2.580% - 4.300%	20,740,000	15,015,000
2016 B Combination Tax and Limited Surplus Revenue	07/27/2016	02/15/2041	1.916% - 3.600%	20,500,000	16,350,000
2019 Combination Tax and Revenue	02/26/2019	02/15/2039	3.000% - 4.000%	35,000,000	28,570,000
2019 B Combination Tax and Surplus Revenue	07/31/2019	02/15/2039	2.350% - 3.050%	16,535,000	13,235,000
2022 B Combination Tax and Surplus Revenue	01/11/2022	02/15/2042	0.850% - 2.650%	39,510,000	35,875,000
2023 B Combination Tax and Surplus Revenue	08/15/2023	02/15/2043	4.600% - 5.250%	42,775,000	42,775,000
2024 A Combination Tax and Surplus Revenue	08/07/2024	02/15/2044	4.000% - 5.000%	37,045,000	37,045,000
			Total	$ 354,660,000	$ 277,950,000

Business-type Activities

General Obligation Bonds

Issue	Closing Date	Maturity Date	Interest Rates	Original Issue Amount	Outstanding Amount
2015 A Refunding and Improvement Bonds	08/18/2015	02/15/2027	3.500% - 5.000%	26,375,000	9,050,000
2023 Refunding and Improvement Bonds	08/01/2023	02/15/2043	4.000% - 6.000%	19,315,000	16,040,000
2024 Refunding and Improvement Bonds	08/07/2024	02/15/2044	4.000% - 5.000%	7,725,000	7,725,000
			Total	$ 53,415,000	$ 32,815,000

Certificates Of Obligation

Issue	Closing Date	Maturity Date	Interest Rates	Original Issue Amount	Outstanding Amount
2015 Combination Tax and Surplus Revenue	08/18/2015	02/15/2035	3.000% - 4.000%	14,965,000	9,395,000
2016 A Combination Tax and Limited Surplus Revenue	07/27/2016	02/15/2036	4.000%	17,065,000	11,800,000
2017 Combination Tax and Surplus Revenue	07/18/2017	02/15/2037	3.000% - 4.000%	14,455,000	10,590,000
2018 Combination Tax and Surplus Revenue	07/17/2018	02/15/2038	3.000% - 5.000%	14,705,000	11,430,000
2019 A Combination Tax and Surplus Revenue	07/31/2019	02/15/2039	2.500% - 4.000%	9,595,000	7,745,000
2020 Combination Tax and Surplus Revenue	09/29/2020	02/15/2040	2.000% - 5.000%	13,635,000	11,670,000
2021 Combination Tax and Surplus Revenue	01/05/2021	02/15/2040	2.000% - 5.000%	20,315,000	18,090,000
2022 A Combination Tax and Surplus Revenue	01/11/2022	02/15/2042	2.000% - 4.000%	13,855,000	12,845,000
2023 A Combination Tax and Surplus Revenue	08/15/2023	02/15/2043	4.000% - 5.000%	18,535,000	17,980,000
2024 A Combination Tax and Surplus Revenue	08/07/2024	02/15/2044	4.000% - 5.000%	18,520,000	18,520,000
			Total	$ 179,840,000	$ 130,065,000

Component Units

Issue	Closing Date	Maturity Date	Interest Rates	Original Issue Amount	Outstanding Amount
2014 Sales Tax Revenue Bonds	08/26/2014	02/15/2034	2.900% - 4.200%	$ 25,000,000	$ 14,705,000
2015 Sales Tax Revenue Bonds	05/19/2015	02/15/2035	2.650% - 4.250%	6,000,000	3,765,000
2016 A Sales Tax Revenue Bonds	02/11/2016	02/15/2037	3.000% - 5.000%	21,690,000	16,215,000
2016 B Sales Tax Revenue Bonds	02/11/2016	02/15/2037	2.540% - 4.450%	15,180,000	10,995,000
Series 2022 C Sales Tax Revenue Refunding Bonds	03/01/2022	02/15/2032	0.650% - 2.250%	16,515,000	13,480,000
Series 2022 D Sales Tax Revenue Refunding Bonds	03/01/2022	02/15/2032	0.650% - 2.250%	15,535,000	12,680,000
			Total	$ 99,920,000	$ 71,840,000

General obligation bonds and certificates of obligation mature annually in varying amounts through 2044. The interest for the bonds is payable semi-annually with interest rates ranging from 0.850% - 7.000%. The City is in compliance with related bond covenants.

In August 2024, the City of Frisco issued General Obligation Refunding and Improvement Bonds, Series 2024 in the amount of $100,750,000 with a net premium of $9,636,329. Proceeds of the sale of the Bonds are to be used for (i) financing permanent improvements for Police and Fire, Streets, Parks, and Downtown Parking Garage; (ii) to refund $20,665,000 of General Obligation Refunding and Improvement Bonds, Series 2014, and Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014 for debt service savings and (iii) to pay the costs associated with the issuance of the Bonds. The current refunding resulted in the reacquisition price exceeding the net carrying amount of the old debt by $132,189. As a result of the transaction the City reduced total debt service payments by $941,890 and resulted in an economic gain of $811,856.

In August 2024, the City of Frisco issued General Obligation Bonds, Taxable Series 2024 in the amount of $8,970,000 with a net premium of $240,146. Proceeds of the sale of the Bonds are to be used for financing the construction of a parking garage downtown.

In August 2024, the City of Frisco issued Combination Tax and Surplus Revenue Certificates of Obligation, Series 2024 A in the amount of $55,565,000 with a net premium of $5,012,597. Proceeds from the sale of the Certificates will be used for (i) constructing improvements and extensions to the City's combined waterworks and sewer system and water re-use system consisting of transmission lines, pump stations and ground storage; (ii) construction of Northwest Community Park and (iii) to pay the costs associated with the issuance of the Certificates.

During the year, the following changes occurred in the long-term liabilities:

Governmental Activities	Balance 10/1/2023	Increases	Decreases	Balance 9/30/2024	Amounts due within one year
Compensated absences	$ 27,115,573	$ 15,019,310	$ 13,098,955	$ 29,035,928	$ 10,558,751
Leases	720,321	90,630	216,257	594,694	193,616
SBITAs	929,873	4,491,595	1,719,193	3,702,275	1,591,152
Pensions	57,159,671	—	7,552,381	49,607,290	—
OPEB	3,052,068	566,502	—	3,618,570	—
Arbitrage rebates	2,076,664	6,166,522	—	8,243,186	—
Developer payable	—	17,329,682	—	17,329,682	—
General obligation bonds	624,255,000	101,995,000	56,680,000	669,570,000	46,550,000
Certificates of obligation	252,325,000	37,045,000	11,420,000	277,950,000	12,875,000
Premiums	37,383,599	12,747,013	8,829,331	41,301,281	—
Discounts	(1,116,333)	(249,778)	(146,116)	(1,219,995)	—
Total governmental activities	$ 1,003,901,436	$ 195,201,476	$ 99,370,001	$ 1,099,732,911	$ 71,768,519

Business-type Activities	Balance 10/1/2023	Increases	Decreases	Balance 9/30/2024	Amounts due within one year
Compensated absences	$ 2,871,368	$ 1,651,246	$ 1,361,471	$ 3,161,143	$ 1,367,452
Leases	55,519	—	22,710	32,809	23,081
SBITAs	90,768	25,981	116,749	—	—
Pensions	7,227,085	—	954,899	6,272,186	—
OPEB	385,892	71,628	—	457,520	—
Arbitrage rebates	343,545	1,525,385	—	1,868,930	—
General obligation bonds	32,200,000	7,725,000	7,110,000	32,815,000	7,065,000
Certificates of obligation	126,075,000	18,520,000	14,530,000	130,065,000	6,185,000
Premiums	8,732,815	2,439,625	1,909,358	9,263,082	—
Discounts	(292,182)	(47,788)	(28,082)	(311,888)	—
Total business-type activities	177,689,810	31,911,077	25,977,105	183,623,782	14,640,533
Total primary government	$ 1,181,591,246	$ 227,112,553	$ 125,347,106	$ 1,283,356,693	$ 86,409,052

Component Units	Balance 10/1/2023	Increases	Decreases	Balance 9/30/2024	Amounts due within one year
Compensated absences	$ 265,611	$ 169,530	$ 96,627	$ 338,514	$ 144,908
Leases	26,317	—	8,019	18,298	8,285
Pensions	1,314,015	—	173,618	1,140,397	—
OPEB	70,162	13,025	—	83,187	—
Pollution Remediation Obligation	39,641,361	—	4,920,019	34,721,342	—
Sales tax revenue bonds	77,785,000	—	5,945,000	71,840,000	6,110,000
Notes payable – City	110,000	—	110,000	—	—
Premiums	630,979	—	154,158	476,821	—
Discounts	(46,537)	—	(5,543)	(40,994)	—
Total component units	$ 119,796,908	$ 182,555	$ 11,401,898	$ 108,577,565	$ 6,263,193

Debt service requirements of the general obligation bonds and certificates of obligation for the governmental activities for the years subsequent to September 30, 2024, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 59,425,000	$ 37,432,912	$ 96,857,912
2026	54,620,000	34,678,357	89,298,357
2027	52,990,000	32,213,634	85,203,634
2028	52,380,000	29,778,588	82,158,588
2029	52,990,000	27,372,555	80,362,555
2030-2034	292,200,000	100,584,328	392,784,328
2035-2039	258,120,000	46,056,350	304,176,350
2040-2044	124,795,000	10,262,088	135,057,088
Total	947,520,000	318,378,812	1,265,898,812
Plus: Unamortized bond premium	41,301,281	—	41,301,281
Less: Unamortized bond discount	(1,219,995)	—	(1,219,995)
Net debt service requirements	$ 987,601,286	$ 318,378,812	$ 1,305,980,098

Debt service requirements of the general obligation bonds and certificates of obligation for the business-type activities for the years subsequent to September 30, 2024, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 13,250,000	$ 6,242,151	$ 19,492,151
2026	12,835,000	5,600,813	18,435,813
2027	11,765,000	5,029,913	16,794,913
2028	9,050,000	4,555,841	13,605,841
2029	9,475,000	4,137,206	13,612,206
2030-2034	51,990,000	14,259,744	66,249,744
2035-2039	38,000,000	5,854,878	43,854,878
2040-2044	16,515,000	1,202,375	17,717,375
Total	162,880,000	46,882,921	209,762,921
Plus: Unamortized bond premium	9,263,082	—	9,263,082
Less: Unamortized bond discount	(311,888)	—	(311,888)
Net debt service requirements	$ 171,831,194	$ 46,882,921	$ 218,714,115

Debt service requirements of the revenue bonds and notes payable for the Community Development Corporation component unit for the years subsequent to September 30, 2024, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 3,340,000	$ 1,474,471	$ 4,814,471
2026	3,445,000	1,374,185	4,819,185
2027	3,555,000	1,264,182	4,819,182
2028	3,690,000	1,145,066	4,835,066
2029	3,835,000	1,017,847	4,852,847
2030-2034	17,765,000	3,091,166	20,856,166
2035-2037	8,025,000	495,338	8,520,338
Total	43,655,000	9,862,255	53,517,255
Plus: Unamortized bond premium	476,821	—	476,821
Less: Unamortized bond discount	(40,994)	—	(40,994)
Net debt service requirements	$ 44,090,827	$ 9,862,255	$ 53,953,082

The following is a summary of pledged revenues for the Community Development Corporation for the year ended September 30, 2024:

Revenue Pledged	Total Revenue Pledged	Current Year Debt Service Requirements	Percentage Portion of Pledged Revenue Stream	Remaining Principal and Interest	Period Revenue will not be Available for Other Purposes
.5% Sales and use tax	$34,929,072	$4,810,902	13.8%	$53,517,255	Until 2037

Debt service requirements of the revenue bonds and notes payable for the Economic Development Corporation component unit for the years subsequent to September 30, 2024, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 2,770,000	$ 804,731	$ 3,574,731
2026	2,840,000	737,991	3,577,991
2027	2,920,000	664,604	3,584,604
2028	3,015,000	584,880	3,599,880
2029	3,120,000	498,628	3,618,628
2030-2034	13,520,000	1,063,319	14,583,319
Total	28,185,000	4,354,153	32,539,153
Debt service requirements	$ 28,185,000	$ 4,354,153	$ 32,539,153

The following is a summary of pledged revenues for the Economic Development Corporation for the year ended September 30, 2024:

Revenue Pledged	Total Revenue Pledged	Current Year Debt Service Requirements	Percentage Portion of Pledged Revenue Stream	Remaining Principal and Interest	Period Revenue will not be Available for Other Purposes
.5% Sales and use tax	$34,929,072	$3,563,700	10.2%	$32,539,153	Until 2034

In 2021, the City entered into a development agreement for the construction of major roadways within the boundaries of TIRZ #7. The developer is required to construct the roadway improvements to the City's minimum design and construction standards. Should the developer constructs improvements in excess of these standards, these enhancement costs are eligible to be paid to the developer only after the City debt service associated with these improvements are satisfied. Upon the satisfaction of these obligations, the developer would then be eligible to receive reimbursement on interest costs incurred by the developer. The interest is capped at 4%. To date, the amount the developer has exceeded construction standards plus eligible interest reimbursements is approximately $17.3 million. This liability is listed as a developer payable on the City's government-wide statements.

The City has entered into multiple lease agreements as lessee. The leases allow the right-to-use of buildings and equipment over the term of the lease. The City is required to make periodic payments at its incremental borrowing rate or the interest rate stated or implied within the leases. As of 9/30/24, the City and FEDC have 18 active leases with interest rates that range from 0.45% to 3.59% and terms between 2 and 18 years. The City has also entered into multiple Subscription-Based Information Technology Arrangements (SBITAs). These agreements allow the right-to-use of subscription assets. The interest rate, term and ending lease and SBITA liability are as follows:

	Balance 10/1/23	Increases	Decreases	Ending Balance
Governmental Activities:				
Buildings	$ 284,424	$ —	$ 102,046	$ 182,378
Equipment	435,897	90,630	114,211	412,316
SBITAs	929,873	4,491,595	1,719,193	3,702,275
Total governmental activities				$ 4,296,969
Business-type activities:				
Equipment	$ 55,519	$ —	$ 22,710	32,809
SBITAs	90,768	25,981	116,749	—
Total business-type activities				$ 32,809
Component units:				
Equipment	26,317	—	8,019	18,298
Total component units				$ 18,298

Annual requirements to amortize leases payable for the governmental activities for the years subsequent to September 30, 2024, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 193,616	$ 9,730	$ 203,346
2026	144,292	6,538	150,830
2027	71,394	4,549	75,943
2028	26,761	3,577	30,338
2029	11,827	3,173	15,000
2030-2034	62,781	12,219	75,000
2035-2039	69,316	5,979	75,295
2040	14,707	294	15,001
Total	$ 594,694	$ 46,059	$ 640,753

Annual requirements to amortize leases payable for the business-type activities for the years subsequent to September 30, 2024, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 23,081	$ 361	$ 23,442
2026	9,728	40	9,768
Total	$ 32,809	$ 401	$ 33,210

Annual requirements to amortize leases payable for the Economic Development Corporation component unit for the years subsequent to September 30, 2024, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 8,285	$ 475	$ 8,760
2026	8,560	200	8,760
2027	1,453	6	1,459
Total	$ 18,298	$ 681	$ 18,979

Annual requirements to amortize SBITAs payable for the governmental activities for the years subsequent to September 30, 2024, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 1,591,152	$ 118,429	$ 1,709,581
2026	1,410,170	69,963	1,480,133
2027	400,433	22,003	422,436
2028	300,520	9,590	310,110
Total	$ 3,702,275	$ 219,985	$ 3,922,260

Note 9. Tax Abatements

The City enters into economic development agreements designed to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of Frisco. This program rebates property and sales & use taxes and is authorized under Chapter 380 of the Texas Local Government Code.

The various agreements are detailed below that rebate a percentage of various taxes including property, sales & use taxes, mix beverage taxes, and hotel occupancy taxes. Agreements for rebate of property taxes generally call for rebates of 50% of taxes on incremental values for usually up to 10 years. The agreements for sales & use taxes provide for a rebate of .50% to .85% of the City 1% taxes on incremental values for usually up to 10 years, with the maximum being 25 years. For fiscal year 2024, the City rebated property taxes of $1,992,511, sales and use taxes of $6,665,932, and mixed-beverage and hotel occupancy taxes of $4,072,081.

Office Development Agreements
To promote economic development and diversity, increase employment, reduce unemployment and underemployment, expand commerce, and stimulate business and commercial activity in the State of Texas, Collin County, Denton County and the City of Frisco, Texas, the City agreed to pay ad valorem tax grants to certain developers. These grants require the construction of minimum square feet of office space and obtaining certificates of occupancy within a specified time period, all of which have been met during the 2024 fiscal year.

An agreement was executed in November 2016 for an office building and parking garage. The City pays fifty percent (50%) of the ad valorem taxes actually collected by the City that are directly associated with the increase in value in excess of the base year value up to a maximum of $11,000,000 or 23 years. $259,877 was earned during the current year of this grant.

Retail Development Agreements
To promote economic development and diversity, increase employment, reduce unemployment and underemployment, expand commerce, and stimulate business and commercial activity in the State of Texas, Collin County, Denton County and the City of Frisco, Texas, the City agreed to pay sales tax grants to certain developers. These grants require the construction of minimum square feet of retail space and obtaining certificates of occupancy for certain major retailers within a specified time period, all of which have been met during the 2024 fiscal year.

An agreement was executed in January 2011 for approximately 140,000 square feet of retail space which opened in October 2011. The City pays the lesser of fifty percent (50%) or $70,000 of ad valorem taxes actually collected by the City for 10 years following the initial sales tax grant which ended in November of 2020. The City paid $70,000 during the current year of this grant

An agreement was executed in May 2013 for a retail sales center. The City pays eighty-five percent of one percent (.85%) of all retail sales generated for a period of twenty-five years. The City paid $1,823,103 during the current year of this grant.

An agreement was executed with the owner of an entertainment venue in April 2013. This agreement includes a 50% rebate of property taxes for 10 years and one-half of one percent of sales and use taxes (0.50%) for five years. The City paid $8,051 during the current year of the grant.

An agreement was executed in June 2014 with a residential builder for a ten-year period. Payments will be calculated based on eighty percent (.80%) of the City’s one percent of use tax levied on housing materials purchased. The City paid $17,851 during the current year of this grant.

An agreement was executed in August 2015 with a residential builder for a ten-year period. Payments will be calculated based on eighty percent (.80%) of the City’s one percent of use tax levied on housing materials purchased. The City paid $50,542 during the current year of this grant.

An agreement was executed in November 2015 for an entertainment and retail center. The City pays fifty percent (50%) of the ad valorem taxes actually collected by the City that are directly associated with the increase in value in excess of the base year value up to a maximum of $60,000,000 or 24 years and one-half of one percent of sales and use taxes (0.50%) for five years. $1,243,678 was earned during the current year of this grant.

An agreement was executed in October 2016 for a retail sales center. The City pays one half percent (0.5%) of retail sales generated for a period of ten years. The City paid $175,601 during the current year of this grant.

An agreement was executed in August 2017 for a retail sales center. The City pays seventy-five percent of one percent (.75%) of all retail sales over a certain dollar amount generated for a period of twenty-five years. The City paid $2,988,282 for the current year of this grant.

An agreement was executed in December 2018 for a mixed-use development with a hotel facility. The City pays one-hundred percent (1%) of sales tax for 10 years then fifty percent (.50%) for five years, one-hundred percent (100%) of hotel occupancy and mixed beverage tax for ten years then seventy percent (70%) of hotel occupancy tax for five years, and seventy-five percent (75%) of ad valorem for ten years then fifty percent (50%) for ten years. $5,768,213 was earned during the current year of this grant.

An agreement was executed in February 2019 for a retail sales center. The City pays one half (0.5%) of one percent of sales tax for a period of ten years and fifty percent (50%) of ad valorem taxes actually collected by the City. The City paid $131,985 for the current year of this grant.

An agreement was executed in May 2019 for a retail sales center. The City pays one half (0.5%) of one percent of sales tax for a period of ten years. The City paid $193,340 for the current year of this grant.

Note 10. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan is administered by Mission Square Retirement and is classified as a pension plan under the provisions of GASB 97. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, and the City does have limited fiduciary responsibilities over the plan offerings and design; this plan is not reported in the financial statements of the City.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not make contributions to the plan.

Note 11. Defined Benefit Pension Plan

Plan Description

The City of Frisco, including the Frisco Economic Development Corporation (FEDC) a discretely presented component unit, participates as one of over 900 plans in the defined benefit cash balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide, public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the TMRS 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 City and FEDC 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 City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. A summary of plan provisions for the City are as follows:

Employee deposit rate: 7%
Matching ratio (City to employee): 2 to 1
Years required for vesting: 5
Service retirement eligibility: 60/5, 0/20
Updated Service Credit: 100%
Annuity Increase to retirees: 70% of CPI Repeating

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

Inactive employees or beneficiaries currently receiving benefits	341
Inactive employees entitled to but not yet receiving benefits	726
Active employees	1,361
Total	2,428

Contributions
The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarial 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 City of Frisco and FEDC were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.12% and 14.54% in calendar years 2023 and 2024, respectively. The City's and FEDC's contributions to TMRS for the year ended September 30, 2024 were $19,239,425 and were equal to the required contributions.

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.7%
Core Fixed Income	6.00%	4.7%
Non-Core Fixed Income	20.00%	8.0%
Other Public and Private Markets	12.00%	8.0%
Real Estate	12.00%	7.6%
Hedge Funds	5.00%	6.4%
Private Equity	10.00%	11.6%
	100%	

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 contributions 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 payment to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances, beginning of year	$ 415,026,078	$ 349,325,307	$ 65,700,771
Changes for the year:			
Service cost	23,028,837	—	23,028,837
Interest	28,463,269	—	28,463,269
Difference between expected and actual experience	6,078,660	—	6,078,660
Changes in assumptions	448,256	—	448,256
Contributions-employer	—	17,613,608	(17,613,608)
Contributions-employee	—	8,734,633	(8,734,633)
Net investment income	—	40,610,685	(40,610,685)
Benefit payments, including refunds of employee contributions	(9,724,861)	(9,724,861)	—
Administrative expense	—	(257,209)	257,209
Other changes	—	(1,797)	1,797
Net changes	48,294,161	56,975,059	(8,680,898)
Balances, end of year	$ 463,320,239	$ 406,300,366	$ 57,019,873

Changes in the Net Pension Liability of the City & FEDC

	City	FEDC	Totals
Balances, beginning of year	$ 64,386,756	$ 1,314,015	$ 65,700,771
Changes for the year:			
Service cost	22,568,259	460,578	23,028,837
Interest	27,894,004	569,265	28,463,269
Difference between expected and actual experience	5,957,087	121,573	6,078,660
Changes in assumptions	439,291	8,965	448,256
Contributions-employer	(17,261,336)	(352,272)	(17,613,608)
Contributions-employee	(8,559,940)	(174,693)	(8,734,633)
Net investment income	(39,798,471)	(812,214)	(40,610,685)
Administrative expense	252,065	5,144	257,209
Other changes	1,761	36	1,797
Net changes	(8,507,280)	(173,618)	(8,680,898)
Balances, end of year	$ 55,879,476	$ 1,140,397	$ 57,019,873

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate
The following presents the net pension liability/(asset) of the City and FEDC, calculated using the discount rate of 6.75%, as well as what the City's and FEDC's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
City's Net Pension Liability/(Asset)	$ 131,140,955	$ 55,879,476	$ (5,165,342)
FEDC Net Pension Liability/(Asset)	2,676,346	1,140,397	(105,415)

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. The report may be obtained online at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended September 30, 2024, the City and FEDC recognized pension expense of $20,003,672; $19,603,599 for the City and $400,073 for the FEDC.

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

Deferred Outflows and Inflows - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,682,755	$ 1,526,287
Changes of assumptions	573,654	—
Net difference between projected and actual earnings on pension plan investments	8,419,797	—
Contributions subsequent to the measurement date	14,578,229	—
Total	$ 31,254,435	$ 1,526,287

Deferred Outflows and Inflows - FEDC

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 156,790	$ 31,149
Changes of assumptions	11,707	—
Net difference between projected and actual earnings on pension plan investments	171,833	—
Contributions subsequent to the measurement date	297,515	—
Total	$ 637,845	$ 31,149

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $14,578,229 for the City and $297,515 contributed for the FEDC, will be recognized as a reduction of the net pension liability for measurement year ending December 31, 2024 (i.e. recognized in the City's and FEDC's financial statements September 30, 2025). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	City	FEDC	Total
2025	$ 3,926,818	$ 80,138	$ 4,006,956
2026	4,117,063	84,022	4,201,085
2027	7,649,301	156,108	7,805,409
2028	(1,922,919)	(39,243)	(1,962,162)
2029	1,193,358	24,354	1,217,712
Thereafter	186,298	3,802	190,100
Total	$ 15,149,919	$ 309,181	$ 15,459,100

Allocation of Pension Items

Pension items are allocated between the City's governmental activities, City's business-type activities, and the FEDC on the basis of employee payroll funding. For the City's governmental activities, the net pension liability is liquidated by the General Fund and Hotel/Motel Tax Fund. For the City's business-type activities, the net pension liability is liquidated by the Water & Sewer Fund, Stormwater Drainage Fund, and Environmental Services Fund.

Note 12. Other Postemployment Benefits

Plans Descriptions

The City and FEDC provide a single-employer postemployment health insurance plan that retirees can purchase through age 65, but they are responsible for 100% of the premium costs and this plan is not part of the City's active employee plan. The City incurs no cost for providing these benefits, as retirees are included in a separate risk pool, however, there is an implicit rate subsidy and the City and FEDC have a measurable OPEB liability, which is accounted for in the OPEB liability.

The City and FEDC also participate in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The City has elected, by ordinance, to participate in this program and provide group-term life insurance coverage for their active members and retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be a single-employer unfunded OPEB plan under paragraph 4, item (b) of GASB Statement No. 75. The City's OPEB plan does not issue separate financial statements.

Benefits

The City offers its retired employees and their spouses under age 65 health insurance coverage under the separate plan from the active employees. Employees can retire and receive benefits upon reaching age 60 with five years of service or with 20 years of service. Only pre-Medicare benefits are provided. Spouses receive benefits based on their Medicare eligibility age.

TMRS provides death benefits for active employees providing a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12–month period preceding the month of death). The death benefit for retirees is considered other postemployment benefit (OPEB) and is a fixed amount of $7,500.

Employees Covered by Benefit Terms
For retiree health insurance at the September 30, 2024 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Active employees	1,339
Total	1,354

For TMRS supplemental death at the December 31, 2023 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	260
Inactive employees entitled to but not yet receiving benefits	179
Active employees	1,361
Total	1,800

Benefit Payments
For retiree health insurance, retirees and their spouses currently receiving benefits are required to pay specified amounts monthly toward the cost of health insurance premiums.

Monthly retiree premium rates are as follows:

Retiree Premiums	Retiree	Retiree + Spouse
EPO High Deductible	$ 1,040	$ 2,010
EPO Low Deductible	$ 1,183	$ 2,262

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

Benefit payments are made monthly based on the covered payroll of the city. The contractually required benefit payment rate is determined annually for the City and FEDC. The rate is based on mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City and FEDC. There is a one-year delay between the actuarial valuation that serves as the basis for the employer benefit payment rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The retiree portion of the benefit payment rates to the SDBF for the City and FEDC were 0.03% and 0.03% in calendar years 2023 and 2024, respectively. The

City's and FEDC's benefit payments to the SDBF for the year ended September 30, 2024 were $12,215 and were equal to the required benefit payments.

Total OPEB Liability

The retiree health insurance total OPEB liability was measured as of September 30, 2024 and was determined by an actuarial valuation as of October 1, 2023.

The TMRS supplemental death total OPEB liability was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The retiree health insurance total OPEB liability in the October 1, 2023 actuarial valuation was determined using the following actuarial assumptions:

Discount rate	4.06% (4.87% in prior year)
Mortality table	Pub-2010 Safety and General Mortality Tables, weighted by headcount, projected with scale MP-2021
Salary scale	Graded scale based on age and participant group
Plan participation rates	0% for retirements prior to age 50
	5% for retirements between ages 50-59
	25% for retirements at ages 60 and later
Healthcare cost trend rate	
Current rate (medical/Rx)	5.50% / 9.50%
Ultimate rate (medical/Rx)	4.70% / 4.70%
Year ultimate is reached (medical/Rx)	2029 / 2032

The discount rate was selected by City of Frisco based on the Bond Buyer 20-Bond General Obligation Index to reflect yields on long-term municipal bonds as of the measurement date.

The TMRS supplemental death total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77% (4.05% in prior year)
Retirees' share of benefit-related costs	$0
Administrative expense	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity index's "20-Year Municipal GO AA Index" rate as of December, 31 2023.

Changes in Total OPEB Liability Retiree Health Insurance	City	FEDC	Totals
Balance, beginning of year	$ 1,547,557	$ 31,583	$ 1,579,140
Changes for the year:			
Service cost	113,584	2,318	115,902
Interest on the total OPEB liability	74,714	1,525	76,239
Difference between expected and actual experience	(88,238)	(1,801)	(90,039)
Changes in assumptions or other inputs	353,035	7,205	360,240
Benefit payments	(78,412)	(1,600)	(80,012)
Net changes	374,683	7,647	382,330
Balance, end of year	$ 1,922,240	$ 39,230	$ 1,961,470

Changes in Total OPEB Liability TMRS Supplemental Death	City	FEDC	Totals
Balance, beginning of year	$ 1,890,402	$ 38,580	$ 1,928,982
Changes for the year:			
Service cost	134,408	2,743	137,151
Interest on the total OPEB liability	78,541	1,603	80,144
Difference between expected and actual experience	(23,274)	(475)	(23,749)
Changes in assumptions or other inputs	110,430	2,254	112,684
Benefit payments **	(36,657)	(748)	(37,405)
Net changes	263,448	5,377	268,825
Balance, end of year	$ 2,153,850	$ 43,957	$ 2,197,807

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the Total OPEB Liability to changes in the discount rate.
The following presents the total OPEB liability of the City's and FEDC's retiree health insurance calculated using the discount rate of 4.06%, as well as what the City's and FEDC's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
City's OPEB	$ 2,116,225	$ 1,922,240	$ 1,745,808
FEDC's OPEB	43,188	39,230	35,629

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
City's OPEB	$ 2,663,145	$ 2,153,850	$ 1,765,673
FEDC's OPEB	54,350	43,957	36,034

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate.
The following presents the total OPEB liability of the City and FEDC retiree health insurance, as well as what the City's and FEDC's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate.

	1% Decrease	Current Healthcare Rate	1% Increase
City's OPEB	$ 1,672,121	$ 1,922,240	$ 2,219,955
FEDC's OPEB	$ 34,125	$ 39,230	$ 45,305

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended September 30, 2024, the City recognized OPEB expense of $162,654 for TMRS Supplemental Death and $(348,695) for Retiree Health Insurance, $(186,041) aggregated. The FEDC also recognized OPEB expense of $3,319 for TMRS Supplemental Death and $(7,116) for Retiree Health Insurance, $(3,797) aggregated. At September 30, 2024, the City and FEDC reported deferred outflows and inflows of resources related to OPEB from the following resources:

Retiree Health Insurance

Deferred Outflows and Inflows - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 172,780	$ 1,465,443
Changes of assumptions	569,364	928,492
Total	$ 742,144	$ 2,393,935

Deferred Outflows and Inflows - FEDC

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,526	$ 29,906
Changes of assumptions	11,620	18,949
Total	$ 15,146	$ 48,855

TMRS Supplemental Death

Deferred Outflows and Inflows - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 64,435	$ 166,734
Changes of assumptions	578,565	969,847
Benefit payments subsequent to the measurement date	10,026	—
Total	$ 653,026	$ 1,136,581

Deferred Outflows and Inflows - FEDC

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,315	$ 3,403
Changes of assumptions	11,807	19,792
Benefit payments subsequent to the measurement date	205	—
Total	$ 13,327	$ 23,195

Deferred outflows of resources related to OPEB resulting from benefit payments subsequent to the measurement date of $10,231 will be recognized as a reduction of the total OPEB liability in the City and FEDC's financial statements as of September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Retiree Health Insurance

Fiscal Year	City	FEDC	Total
2025	$ (530,604)	$ (10,827)	$ (541,431)
2026	(522,987)	(10,673)	(533,660)
2027	(486,455)	(9,928)	(496,383)
2028	(48,648)	(993)	(49,641)
2029	(70,739)	(1,444)	(72,183)
Thereafter	7,642	156	7,798
Total	$ (1,651,791)	$ (33,709)	$ (1,685,500)

TMRS Supplemental Death

Fiscal Year	City	FEDC	Total
2025	$ (50,296)	$ (1,027)	$ (51,323)
2026	(50,296)	(1,026)	(51,322)
2027	(64,972)	(1,326)	(66,298)
2028	(63,812)	(1,302)	(65,114)
2029	(85,554)	(1,746)	(87,300)
Thereafter	(178,651)	(3,646)	(182,297)
Total	$ (493,581)	$ (10,073)	$ (503,654)

Allocation of OPEB Items

OPEB items are allocated between the City's governmental activities, City's business-type activities, and the FEDC on the basis of employee payroll funding. For the City's governmental activities, the total OPEB liability is liquidated by the General Fund and Hotel/Motel Tax Fund. For the City's business-type activities, the total OPEB liability is liquidated by the Water & Sewer Fund, Stormwater Drainage Fund, and Environmental Services Fund.

Note 13. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to $1,000,000 per event, and $2,000,000 in aggregate. There were no significant reductions in insurance coverage from the previous year. Settled claims for risk have not exceeded insurance coverage for the past three years.

During FY24, the City participated in a modified self-insurance program for Employee Benefits. Group medical benefits were administered by a third-party insurance provider. The City offers two plans with payroll deductions set aside to cover the monthly claims. The annually negotiated stop loss provision for 2024 was $250,000 per occurrence and 125% cap of claims.

The liabilities for insurance claims reported are based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims. The estimated claims incurred but not reported as of September 30, 2024 totaled $3,550,000, which are recorded as a liability in the General Fund accounts payable. Changes in the liability for the past three years:

Claim Year	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability End of Year
2022 - Health Insurance	2,750,000	21,608,694	21,308,694	3,050,000
2023 - Health Insurance	3,050,000	21,873,352	21,643,352	3,280,000
2024 - Health Insurance	3,280,000	22,263,297	21,993,297	3,550,000

Note 14. Interfund Receivables and Payables

All interfund receivables and payables are considered short-term and, at September 30, 2024, consisted of the following:

	Due From	
Due to	Nonmajor Governmental	Total
Capital Projects	$ 78,417	$ 78,417
Total	$ 78,417	$ 78,417

All balances resulted from the time lag between the dates that transactions are recorded in the accounting system and that payments between funds are made.

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

	Transfers From					
Transfers to	General Fund	TIRZ #1	Capital Projects	Nonmajor Governmental	Major & Nonmajor Proprietary	Total
General Fund	$ —	$ —	$ 100,000	$ 334,000	$ 5,990,527	$ 6,424,527
TIRZ #1	—	—	—	535,036	—	535,036
Capital projects	56,609	—	—	15,476,978	916,062	16,449,649
Debt service	—	18,085,429	—	6,633,421	—	24,718,850
Nonmajor Governmental	380,618	—	2,249,196	—	—	2,629,814
Major & Nonmajor Proprietary	—	—	3,432,889	—	555,533	3,988,422
Total	$ 437,227	$ 18,085,429	$ 5,782,085	$ 22,979,435	$ 7,462,122	$ 54,746,298

Transfer from fund	Transfer to fund	Amount
General Fund:		
Grant matching funds	Grants	380,618
Capital outlay funding	Capital Projects	56,609
TIRZ #1 Fund:		
Debt service funding requirements	Debt Service	18,085,429
Capital Projects Fund:		
Capital outlay funding	General Fund	100,000
Capital outlay funding	TIRZ #7	2,249,196
Capital outlay funding	Water & Sewer Fund	3,432,889
Nonmajor Governmental Funds:		
G&A for Special revenue funds	General Fund	334,000
Debt service funding requirements	TIRZ #1	535,036
Debt service funding requirements	Debt Service	6,633,421
Capital outlay funding	Capital Projects	15,476,978
Proprietary Funds:		
G&A for Water & Sewer	General Fund	4,675,658
G&A for Environmental Services	General Fund	1,214,869
G&A for Stormwater Drainage	General Fund	100,000
G&A Stormwater Drainage	Water & Sewer Fund	88,285
G&A Environmental Services	Water & Sewer Fund	467,248
Capital outlay funding	Capital Projects	916,062
Total		$ 54,746,298

Note 15. Contingent Liabilities

The City has participated in state and federally assisted grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

In June 2006, the North Texas Municipal Water District issued $35,235,000 in revenue bonds, series 2006. This bond issue is for the purpose of constructing the Panther Creek Wastewater System benefiting the City of Frisco. In March 2009, an additional $20,210,000 in revenue bonds, series 2009 was issued for expansion of the system. In 2014, an additional bond issue refunded a portion of the 2006 revenue bonds. In 2017, an additional bond issue refunded a portion of the 2009 revenue bonds. In May 2020, $5,200,000 in revenue bonds, series 2020, was issued for the design of the next expansion. The outstanding principal of the revenue bonds at September 30, 2024 is $15,345,000.

In 2015, the North Texas Municipal Water District issued bonds for the purpose of constructing the Stewart Creek West Regional Wastewater System. The outstanding principal of these bonds at September 30, 2024 is $42,310,000.

The City’s contractual minimum payment is required to cover the full cost of service including the principal and interest payments incurred related to this debt. The City of Frisco is in full compliance with this agreement at September 30, 2024.

Monies Held in Escrow
The City collects and holds money from approved developer agreements and other private construction commitments assessed during the permitting process. The monies held in escrow are either refunded once the developer has completely fulfilled their commitment or applied to revenue to reimburse for the City’s cost in completing the obligation.

Note 16. Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

Note 17. Component Unit Pollution Remediation Obligations

In FY 2021, the FCDC purchased the former battery recycling plant site and took over full ownership and remediation. At that time, the FCDC had worked with Texas Commission on Environmental Quality (TCEQ), external consultants and City staff to define the original estimated cost of remediation at $25 million based on the level of pollution present. The City remeasured in FY 2022 and recorded a $39.6 million liability with estimates from the City's external consultants based on the expected capital outlay. In FY 2022, TCEQ deposited $25 million into a trust in the FCDC's name and dedicated to remediation. Future maintenance and operations will be funded by a $2 per cart, per month increase in garbage fees and a 2% increase in commercial fees. Any increases to remediation estimates will be funded by the FCDC. On January 3, 2024 TCEQ issued the FCDC a permit to begin the remediation. Work has begun and is expected to be completed over the next six fiscal years. The remaining estimated liability as of September 30, 2024 is approximately $34.7 million.

Note 18. Subsequent Events

In November 2024, The Frisco Community Development Corporation issued $197,125,000 of Sales Tax Revenue Refunding Bonds, Taxable Series 2024 for the purpose of (i) acquiring, installing and constructing improvements, upgrades, remodeling, and renovations to the City's Toyota soccer stadium consisting of the ticketing building, concessions and restrooms, seating, roof shade and canopy, and upgrade of electronic message boards, signage, sound system and other electronic equipment, and other purposes permitted by law, (ii) funding a Debt Service Reserve Fund, and (iii) pay the costs of professional services including the costs of issuance of the Bonds.

On January 27, 2025 Office of Management and Budget (OMB) issued M 25-13, pausing all activities related to obligation or disbursement of all federal financial assistance with certain exceptions. The memo has since been rescinded. However, it is unclear whether future assistance could be at risk. The potential impacts of the executive orders on the organization's future federal financial assistance have not yet been evaluated.

REQUIRED SUPPLEMENTARY INFORMATION

City of Frisco

Schedule of Changes in the City's Net Pension Liability and Related Ratios
Texas Municipal Retirement System
Last 10 Years

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018
Total pension liability:					
Service cost	$ 9,985,109	$ 12,146,969	$ 13,533,172	$ 14,945,284	$ 16,288,615
Interest	10,863,498	12,134,224	13,102,946	14,856,079	16,872,785
Difference between expected and actual experience	(1,557,705)	(320,688)	1,645,340	3,176,149	1,087,595
Change in assumptions	—	(1,452,583)	—	—	—
Benefit payments, including refunds of employee contributions	(2,274,946)	(2,162,276)	(2,696,424)	(3,333,927)	(4,210,187)
Net change in total pension liability	$ 17,015,956	$ 20,345,646	$ 25,585,034	$ 29,643,585	$ 30,038,808
Total pension liability - beginning	$151,337,748	$168,353,704	$188,699,350	$214,284,384	$243,927,969
Total pension liability - ending (a)	$168,353,704	$188,699,350	$214,284,384	$243,927,969	$273,966,777
Plan fiduciary net position:					
Contributions - employer	$ 7,982,625	$ 9,779,163	$ 10,375,914	$ 11,609,557	$ 12,628,932
Contributions - employee	4,173,145	4,790,759	5,187,963	5,739,055	6,272,474
Net investment income	6,923,943	203,262	10,161,230	24,019,515	(6,331,968)
Benefit payments, including refunds of employee contributions	(2,274,946)	(2,162,276)	(2,696,424)	(3,333,927)	(4,210,187)
Administrative expense	(72,257)	(123,767)	(114,632)	(124,330)	(122,154)
Other	(5,941)	(6,113)	(6,176)	(6,302)	(6,380)
Net change in plan fiduciary net position	$ 16,726,569	$ 12,481,028	$ 22,907,875	$ 37,903,568	$ 8,230,717
Plan fiduciary net position - beginning	$120,981,617	$137,708,186	$150,189,214	$173,097,089	$211,000,657
Plan fiduciary net position - ending (b)	$137,708,186	$150,189,214	$173,097,089	$211,000,657	$219,231,374
Net pension liability - ending (a) - (b)	$ 30,645,518	$ 38,510,136	$ 41,187,295	$ 32,927,312	$ 54,735,403
Plan fiduciary net position as a percentage of total pension liability	81.80 %	79.59 %	80.78 %	86.50 %	80.02 %
Covered payroll	$ 59,616,360	$ 68,433,626	$ 74,113,757	$ 81,936,863	$ 89,252,684
Net pension liability as a percentage of covered payroll	51.40 %	56.27 %	55.57 %	40.19 %	61.33 %

Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023
$ 17,366,021	$ 18,245,043	$ 19,030,928	$ 21,098,272	$ 23,028,837
18,927,503	21,202,716	23,277,359	25,653,262	28,463,269
1,034,411	(3,100,440)	(346,369)	3,099,398	6,078,660
713,574	—	—	—	448,256
(4,484,667)	(5,063,651)	(6,945,983)	(8,648,076)	(9,724,861)
33,556,842	31,283,668	35,015,935	41,202,856	48,294,161
273,966,777	307,523,619	338,807,287	373,823,222	415,026,078
$307,523,619	$338,807,287	$373,823,222	$415,026,078	$463,320,239
$ 13,588,719	$ 13,926,984	$ 14,953,351	$ 16,331,343	$ 17,613,608
6,693,951	6,942,714	7,289,969	8,035,744	8,734,633
33,979,152	20,459,865	39,869,679	(26,361,983)	40,610,685
(4,484,667)	(5,063,651)	(6,945,983)	(8,648,076)	(9,724,861)
(191,510)	(132,032)	(183,937)	(227,352)	(257,209)
(5,754)	(5,152)	1,260	271,299	(1,797)
49,579,891	36,128,728	54,984,339	(10,599,025)	56,975,059
219,231,374	268,811,265	304,939,993	359,924,332	349,325,307
$268,811,265	$304,939,993	$359,924,332	$349,325,307	$406,300,366
$ 38,712,354	$ 33,867,294	$ 13,898,890	$ 65,700,771	$ 57,019,873
87.41 %	90.00 %	96.28 %	84.17 %	87.69 %
$ 95,627,868	$ 98,728,589	$103,036,970	$114,415,791	$124,682,386
40.48 %	34.30 %	13.49 %	57.42 %	45.73 %

City of Frisco

Schedule of City Contributions

Texas Municipal Retirement System

Last 10 Fiscal Years

	2015	2016	2017	2018	2019
Actuarially determined contribution	$ 9,034,646	$ 10,290,995	$ 11,367,240	$ 12,458,770	$ 13,445,761
Contributions in relation to the actuarially determined contribution	9,034,646	10,290,995	11,367,240	12,458,770	13,445,761
Contribution deficiency/(excess)	—	—	—	—	—
Covered payroll	$ 63,590,086	$ 64,421,645	$ 79,650,345	$ 87,320,494	$ 93,902,520
Contributions as a percentage of covered payroll	14.21 %	15.97 %	14.27 %	14.27 %	14.32 %

Notes to Schedule of City Contributions

Valuation Date:

Notes	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	22 years
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. 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 Public Safety table used for males and the 100% 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.

2020	2021	2022	2023	2024
$ 13,956,038	$ 14,757,433	$ 16,528,742	$ 17,512,729	$ 19,239,425
13,956,038	14,757,433	16,528,742	17,512,729	19,239,425
—	—	—	—	—
$ 98,020,196	$102,134,782	$114,746,860	$122,151,806	$132,760,472
14.24 %	14.45 %	14.40 %	14.34 %	14.49 %

City of Frisco

Schedule of Changes in the City's Total OPEB Liability and Related Ratios
TMRS Supplemental Death
Last 7 Years

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023
Total OPEB liability:							
Service cost	$ 106,518	$ 133,879	$ 124,316	$ 177,711	$ 226,681	$ 263,156	$ 137,151
Interest	45,281	49,513	61,071	56,394	52,355	54,327	80,144
Differences between expected and actual experience	—	113,083	(179,892)	(72,166)	(43,921)	36,199	(23,749)
Change in assumptions	141,034	(132,188)	382,085	395,893	103,201	(1,234,240)	112,684
Benefit payments, including refunds of employee contributions	(8,194)	(8,925)	(9,563)	(9,873)	(20,607)	(22,883)	(37,405)
Net change in total OPEB liability	284,639	155,362	378,017	547,959	317,709	(903,441)	268,825
Total OPEB liability - beginning	1,148,737	1,433,376	1,588,738	1,966,755	2,514,714	2,832,423	1,928,982
Total OPEB liability - ending	$ 1,433,376	$ 1,588,738	$ 1,966,755	$ 2,514,714	$ 2,832,423	$ 1,928,982	$ 2,197,807
Covered-employee payroll	$ 81,936,863	$ 89,252,684	$ 95,627,868	$ 98,728,589	$103,036,970	$114,415,791	$124,682,386
Total OPEB liability as a percentage of covered-employee payroll	1.75 %	1.78 %	2.06 %	2.55 %	2.75 %	1.69 %	1.76 %

Valuation Date:	
Actuarial valuation date	December 31, 2023
Measurement date	December 31, 2023
Last experience study date	Period ending December 31, 2022
Methods and assumptions used to determine contribution rates:	
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate as of measurement date	3.77%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.
Changes in discount rate	The discount rate changed from 4.05% in the prior year to 3.77%
Other Information:	
Notes	There were no benefit changes during the year.

Notes to Schedule:
Historical data not available - GASB 75 implemented in FY 2018.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

City of Frisco

Schedule of Changes in the City’s Total OPEB Liability and Related Ratios
Retiree Health Insurance
Last 7 Years

	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022	Measurement Year 2023	Measurement Year 2024
Total OPEB liability:							
Service cost	$ 344,784	$ 336,696	$ 510,603	$ 187,028	$ 178,478	$ 116,171	$ 115,902
Interest	161,496	203,940	164,355	48,012	44,448	69,654	76,239
Differences between expected and actual experience	—	(835,941)	(2,475,354)	339,178	(170,346)	(285,656)	(90,039)
Change in assumptions	(156,560)	977,496	(1,446,062)	(58,906)	(581,187)	68,593	360,240
Benefit payments, including refunds of employee contributions	20,225	18,495	(125,394)	(107,418)	(23,546)	(38,260)	(80,012)
Net change in total OPEB liability	369,945	700,686	(3,371,852)	407,894	(552,153)	(69,498)	382,330
Total OPEB liability - beginning	4,094,118	4,464,063	5,164,749	1,792,897	2,200,791	1,648,638	1,579,140
Total OPEB liability - ending	$ 4,464,063	$ 5,164,749	$ 1,792,897	$ 2,200,791	$ 1,648,638	$ 1,579,140	$ 1,961,470
Covered-employee payroll	$ 89,564,242	$ 96,215,258	$ 99,251,317	$103,704,002	$116,674,082	$124,659,002	$135,369,751
Total OPEB liability as a percentage of covered-employee payroll	4.98 %	5.37 %	1.81 %	2.12 %	1.41 %	1.27 %	1.45 %

Valuation Date:	
Actuarial valuation date	October 1, 2023
Measurement date	September 30, 2024
Last experience study date	September 30, 2021
Methods and assumptions used to determine contribution rates:	
Discount rate as of measurement date	4.06%
Discount rate for OPEB expense	4.87%
Mortality table	Pub-2010 Safety and General headcount-weighted mortality tables, with generational projection according to Scale MP-2021
Salary scale	Graded scale based on age and participant group
Plan participation rates	0% for retirements prior to age 50, 5% for retirements between ages 50-59, 25% for retirements at ages 60 and later.
Changes in discount rate	The discount rate changed from 4.87% in the prior year to 4.06%
Healthcare trend rate:	
Current rate (medcial/Rx)	5.50% / 9.50%
Ultimate rate (medical/Rx)	4.70% / 4.70%
Year ultimate rate is reached (medical/Rx)	2029 / 2032
Other Information:	
Notes	There were no benefit changes during the year.

Notes to Schedule:
Historical data not available - GASB 75 implemented in FY 2018.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

PROGRESS IN MOTION

APPENDIX B

NORTH TEXAS MUNICIPAL WATER DISTRICT
PANTHER CREEK REGIONAL WASTEWATER SYSTEM

FINANCIAL DATA [1]
FOR THE PARTICIPANT
(CITY OF FRISCO)

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(1) The following condensed operating statements in this Appendix B have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, debt service payments and expenditures identified as capital.

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CITY OF FRISCO

WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS (1)

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues	$ 162,422,073	$ 147,333,062	$ 128,138,821	$ 109,152,648	$ 107,768,726
Expenses	115,179,233	104,388,893	88,053,388	84,197,855	80,909,585
Net Income	$ 47,242,840	$ 42,944,169	$ 40,085,433	$ 24,954,793	$ 26,859,141
Water Customers	68,006	66,854	64,681	64,104	61,515
Sewer Customers	64,009	63,114	60,486	60,392	58,354

(1) The above stated condensed statements have been compiled using principles customarily employed in the determination of net revenues available for payment of debt service, and in all instances exclude depreciation, transfers, debt service payments and expenditures identified as capital. The City has no outstanding Waterworks and Sewer System Revenue Bonds.

MONTHLY WATER RATES - (EFFECTIVE JANUARY 1, 2025)

Inside City Limits				Outside City Limits			
First	2,000	Gallons	$23.87 (Minimum)	First	2,000	Gallons	$35.81 (Minimum)
Next	2,001 - 15,000	Gallons	$ 5.28/M Gallons	Next	2,001 - 15,000	Gallons	$ 7.92/M Gallons
Next	15,000 - 25,000	Gallons	$ 6.14/M Gallons	Next	15,000 - 25,000	Gallons	$ 9.21/M Gallons
Next	25,001 - 40,000	Gallons	$ 6.58/M Gallons	Next	25,001 - 40,000	Gallons	$ 9.87/M Gallons
Next	40,000 - 80,000	Gallons	$ 7.60/M Gallons	Next	40,000 - 80,000	Gallons	$ 11.40/M Gallons
Over	80,001	Gallons	$ 9.14/M Gallons	Over	80,001	Gallons	$ 13.71/M Gallons

MONTHLY SEWER RATES - (EFFECTIVE JANUARY 1, 2025)

First	2,000	Gallons	$ 33.31 (Minimum)
Over	2,001	Gallons	$ 7.02/ M Gallons
No maximum			

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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May 22, 2025

NORTH TEXAS MUNICIPAL WATER DISTRICT
PANTHER CREEK REGIONAL WASTEWATER SYSTEM
CONTRACT REVENUE BONDS,
SERIES 2025,
DATED MAY 15, 2025
$________________

AS BOND COUNSEL for the North Texas Municipal Water District (the "Issuer"), in connection with the issuance of the Panther Creek Wastewater System Contract Revenue Bonds, Series 2025 (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Resolution of the Issuer authorizing the issuance and sale of the Bonds (the "Resolution").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization of the Bond to be initially delivered (the "Initial Bond") and the Bonds to be delivered in substitution therefor (the "Definitive Bonds") and the issuance and delivery of the Initial Bond, including the executed Initial Bond and a printed form for the Definitive Bonds initially made available by the Issuer for conversion of and exchange for the Initial Bond.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Initial Bond and Definitive Bonds have been duly authorized and the Initial Bond has been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to sovereign immunity and to bankruptcy, reorganization, and other similar matters affecting creditors' rights, (i) the covenants and agreements in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Initial Bond constitutes and Definitive Bonds will constitute valid and legally binding special obligations of the Issuer, which, are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, including the Gross Revenues of the Issuer's Panther Creek Regional Wastewater System, and including specifically certain payments to be received by the Issuer from the City of Frisco, Texas (the "Participant"), under the "Panther Creek Regional Wastewater System Contract", dated September 23, 2004 (the "Contract"), among the Participant and the Issuer, and any payments to be received by the Issuer under all similar contracts with any Additional Participants as defined and permitted in the Contract, and (ii) the Contract is authorized by law, has been duly executed, is valid, and is legally binding upon and enforceable by the parties thereto in accordance with their respective terms and provisions.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional parity revenue bonds which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues.

THE ISSUER also has reserved the right, subject to the restrictions stated in the Bond Resolution, to amend the Bond Resolution with the approval of the holders or owners of fifty-one percent in principal amount of all outstanding bonds which are secured by and payable from a first lien on and pledge of the aforesaid Pledged Revenues.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Bond Resolution.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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 (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exemption of the interest on the Bonds from federal income taxes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Participants, or the adequacy of the Pledged Revenues, and have not assumed any responsibility with respect thereto.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

Municipal Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company.