OFFICIAL STATEMENT

Dated September 9, 2025

Rating:
S&P: "AAA"
(see "OTHER INFORMATION - Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, subject to the matters described herein. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

THE CERTIFICATES **HAVE BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$7,130,000
CITY OF HIGHLAND VILLAGE, TEXAS
(Denton County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: September 15, 2025 **Due: February 15, as shown on page 2**
Interest accrues from the Delivery Date (defined herein)

PAYMENT TERMS. . . Interest on the $7,130,000 City of Highland Village, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the date of initial delivery to the Initial Purchaser (defined herein) of the Certificates (the "Delivery Date", anticipated to be on or about September 25, 2025), will be payable February 15 and August 15 of each year commencing February 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (defined below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Highland Village, Texas (the "City"), payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $2,500) of the Net Revenues from the operation of the City's combined Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance of the Certificates").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, including drainage, landscaping, lighting, retaining walls, curbs, gutters, sidewalks, signage, traffic signalization and street noise abatement incidental thereto and the acquisition of land and rights-of-way therefor and (ii) professional services rendered in connection with the sale of the Certificates (see "PLAN OF FINANCING – Purpose").

CUSIP PREFIX: 430840
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

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

DELIVERY. . . It is expected that the Certificates will be available for delivery through the facilities of DTC on September 25, 2025.

MATURITY SCHEDULE

CUSIP Prefix: 430840[1]

Amount	Maturity 15-Feb	Initial Rate	Initial Yield	CUSIP Suffix[1]
$ 40,000	2027	5.000%	2.250%	F45
40,000	2028	5.000%	2.350%	F52
95,000	2029	5.000%	2.350%	F60
100,000	2030	5.000%	2.450%	F78
100,000	2031	5.000%	2.600%	F86
105,000	2032	5.000%	2.700%	F94
115,000	2033	5.000%	2.850%	G28
120,000	2034	5.000%	3.000%	G36
125,000	2035	5.000%	3.150%	G44
****	****	****	****	****
****	****	****	****	****
****	****	****	****	****
****	****	****	****	****
****	****	****	****	****
****	****	****	****	****
****	****	****	****	****
1,275,000	2042	4.000%	3.850% (2)	H35
1,330,000	2043	4.000%	4.000%	H43
1,380,000	2044	4.000%	4.050%	H50
1,440,000	2045	4.000%	4.100%	H68

$265,000 4.000% Term Certificates due February 15, 2037 at a Price of 104.785 to Yield 3.400% (2) CUSIP Suffix (1) G69
$285,000 4.000% Term Certificates due February 15, 2039 at a Price of 103.159 to Yield 3.600% (2) CUSIP Suffix (1) G85
$315,000 4.000% Term Certificates due February 15, 2041 at a Price of 101.960 to Yield 3.750% (2) CUSIP Suffix (1) H27

(Interest to accrue from the Delivery Date.)

___

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

(2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 15, 2035, the first optional call date for such Certificates, at a redemption price of par, plus accrued interest to the redemption date.

OPTIONAL REDEMPTION OF THE CERTIFICATES . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2037, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption of the Certificates").

MANDATORY SINKING FUND REDEMPTION . . .The Certificates maturing on February 15 in each of the years 2037, 2039 and 2041 (the "Term Certificates") are subject to mandatory sinking fund redemption as described herein (see "THE CERTIFICATES - Mandatory Sinking Fund Redemption").

No dealer, broker, salesman or other person has been authorized by the City or the Initial Purchaser to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Initial Purchaser. This Official Statement does not constitute an offer to sell Certificates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

NONE OF THE CITY, THE INITIAL PURCHASER, OR THE MUNICIPAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

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

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

TABLE OF CONTENTS

APPENDICES

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

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates (defined below) 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 CITY .... The City of Highland Village, Texas (the "City") is a political subdivision of the State of Texas (the "State"), and is a home rule municipal corporation located in Denton County, Texas. The City covers approximately 5.5 square miles (see "INTRODUCTION - Description of the City").

THE CERTIFICATES .... The Certificates are issued as $7,130,000 Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"). The Certificates are issued, in part, as serial Certificates maturing February 15 in the years 2027 through 2035 and 2042 through 2045, and in part, as Term Certificates maturing on February 15 in the years 2037, 2039 and 2041 unless redeemed in accordance with the provisions of the Ordinance (see "THE CERTIFICATES - Description of the Certificates" and "THE CERTIFICATES – Mandatory Sinking Fund Redemption").

PAYMENT OF INTEREST ON THE CERTIFICATES................. Interest on the Certificates accrues from the date of initial delivery (the "Delivery Date", anticipated to be September 25, 2025), and is payable February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

AUTHORITY FOR ISSUANCE FOR THE CERTIFICATES .... The Certificates are issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council on September 9, 2025 (the "Ordinance"). (see "THE CERTIFICATES - Authority for Issuance of the Certificates").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge (not to exceed $2,500) of the Net Revenues from the operation of the City's combined Waterworks and Sewer System, as provided in the Ordinance (see "THE CERTIFICATES - Security and Source of Payment of the Certificates").

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

OPTIONAL REDEMPTION OF THE CERTIFICATES .... The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2037, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption of the Certificates").

MANDATORY SINKING FUND REDEMPTION .... The Certificates maturing on February 15 in the years 2037, 2039 and 2041 are also subject to mandatory sinking fund redemption as described herein (see "THE CERTIFICATES – Mandatory Sinking Fund Redemption").

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

USE OF PROCEEDS FOR THE CERTIFICATES .... Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, including drainage, landscaping, lighting, retaining walls, curbs, gutters, sidewalks, signage, traffic signalization and street noise abatement incidental thereto and the acquisition of land and rights-of-way therefor and (ii) professional services rendered in connection with the sale of the Certificates (see "PLAN OF FINANCING – Purpose").

RATING FOR THE CERTIFICATES .... The Certificates are rated "AAA" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") without regard to credit enhancement. (see "Other Information – Rating").

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

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

PAYING AGENT/REGISTRAR........ The initial Paying Agent/Registrar of the Certificates is BOKF, NA, Dallas, Texas.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2022	16,670	$ 2,136,172,650	$ 128,145	$ 25,675,000	1.20%	$ 1,540
2023	16,700	2,255,395,328	135,054	24,410,000	1.08%	1,462
2024	16,697	3,055,513,547	182,998	25,805,000	0.84%	1,545
2025	16,875	3,376,559,075	200,092	31,169,000 [(4)]	0.92% [(4)]	1,847 [(4)]
2026	16,960	3,518,411,665	207,454	29,451,000 [(5)]	0.84% [(5)]	1,736 [(5)]

(1) Source: The City's Annual Comprehensive Financial Reports and City Staff.
(2) As reported by the Denton County Appraisal District to the State Property Tax Board. Subject to change during the ensuing year.
(3) Does not include self-supporting debt.
(4) Includes the Certificates.
(5) Projected, subject to change. Includes the Certificates.

For additional information regarding the City, please contact:

Heather Miller, CPA Finance Director hmiller@highlandvillage.org City of Highland Village 1000 Highland Village Road Highland Village, Texas 75077 (972) 899-5089	Jim S. Sabonis Managing Director jim.sabonis@hilltopsecurities.com Hilltop Securities Inc. 717 N. Harwood Street, Suite 3400 Dallas, Texas 75201 (214) 953-4195	Andre Ayala Managing Director andre.ayala@hilltopsecurities.com Hilltop Securities Inc. 717 N Harwood Street, Suite 3400 Dallas, Texas 75201 (214) 953-4184

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Charlotte Wilcox Mayor - Place 1	14 Years	May-26	Realtor
Jon Kixmiller Councilmember, Place 2	7 Years	May-26	Retired
Kevin Cox Councilmember, Place 3	2 Years	May-27	Project Manager
Shawn Nelson Councilmember, Place 4	3 Years	May-26	Consultant
Rhonda Hurst Councilmember, Place 5	2 Years	May-27	Project Manager
Robert Fiester Deputy Mayor Pro Tem, Place 6	7 Years	May-26	Procurement Manager
Brian Fiorenza Mayor Pro Tem, Place 7	9 Years	May-27	Self Employed

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City	Total Governmental Service
Paul Stevens	City Manager	5 Years	35 Years
Heather Miller, CPA	Finance Director	18 Years	18 Years
Angela Miller	City Secretary	10 Years	29 Years

CONSULTANTS AND ADVISORS

Auditors .... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

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

Municipal Advisor .... Hilltop Securities Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$7,130,000
CITY OF HIGHLAND VILLAGE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $7,130,000 City of Highland Village, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") being offered herein. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Certificates which authorized the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Highland Village, Texas (the "City") 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 City's Municipal Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Dallas, Texas.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home-Rule charter. The City was incorporated in 1963, first adopted its Home-Rule Charter in 1986 and last amended said charter by an election in 2017. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members elected for staggered two year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 15,899, while the estimated 2025 population is 16,875. The City covers approximately 5.5 square miles.

PLAN OF FINANCING

PURPOSE. . . Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, including drainage, landscaping, lighting, retaining walls, curbs, gutters, sidewalks, signage, traffic signalization and street noise abatement incidental thereto and the acquisition of land and rights-of-way therefor and (ii) professional services rendered in connection with the sale of the Certificates.

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

SOURCES OF FUNDS	
Par Amount of the Certificates	$ 7,130,000.00
Net Premium(1)	116,046.95
TOTAL SOURCES	$ 7,246,046.95
USES OF FUNDS	
Project Fund	$ 7,075,000.00
Initial Purchaser's Discount	81,585.03
Cost of Issuance	89,461.92
TOTAL USES	$ 7,246,046.95

(1) Includes Initial Purchaser's Discount which is not part of the proceeds received by the City.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES. . . The Certificates are dated September 15, 2025, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery (the "Delivery Date", anticipated to be September 25, 2025), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year commencing February 15, 2026, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES. . . The Certificates are being issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES. . . The Certificates are payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and from a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's combined Waterworks and Sewer System (the "System"), such pledge is limited to an amount of $2,500 and is subject to the prior lien on and pledge of the Net Revenues of the System to the payment and security of Prior Lien Obligations (as defined and identified in the Ordinance).

In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations without limitation as to principal amount but subject to any applicable terms, conditions or restrictions under law or otherwise as well as the right to issue additional obligations payable from the same sources as are the Certificates and, together with the Certificates and Previously Issued Certificates, equally and ratably secured by a parity lien on and pledge of the surplus Net Revenues of the System.

OPTIONAL REDEMPTION OF THE CERTIFICATES . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2037, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Certificates having a Stated Maturity of February 15 in each of the years 2037, 2039 and 2041 (collectively, the "Term Certificates") are subject to mandatory redemption in part prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

Term Certificates Due February 15, 2037

Redemption Date	Principal Amount
February 15, 2036	$130,000
February 15, 2037 (maturity)	$135,000

Term Certificates Due February 15, 2039

Redemption Date	Principal Amount
February 15, 2038	$140,000
February 15, 2039 (maturity)	$145,000

Term Certificates Due February 15, 2041

Redemption Date	Principal Amount
February 15, 2040	$155,000
February 15, 2041 (maturity)	$160,000

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the Stated Maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Certificate Fund (as defined in the Ordinance). Any Term Certificate not selected for prior redemption shall be paid on the date of its Stated Maturity.

The principal amount of the Term Certificates for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Certificates which, at least fifty (50) days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term

Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

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

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

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Certificates, will send any notice of redemption, or any other notice, relating to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemptions of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption (see “THE CERTIFICATES – Book-Entry-Only System” herein).

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

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

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

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

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

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

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

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

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

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

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

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

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City 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 City, 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 City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

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

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

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

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

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

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

Principal of the Certificates will be payable to the registered owner at maturity or prior redemption upon presentation and surrender at the principal office of the Paying Agent/Registrar. Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (see "THE CERTIFICATES – Record Date for Interest Payment" herein), and such interest shall be paid (i) by check sent by United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday or day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day when banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due; provided, however, that so long as Cede & Co. is the registered owner of the Certificates, payments of principal and interest on the Certificates will be made as described in "THE CERTIFICATES - Book-Entry-Only System" herein.

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

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

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

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

REMEDIES . . . The Ordinance does not establish specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on any of the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, conditions or obligations. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the obligations and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but it may not be arbitrarily refused. There is no acceleration of maturity of any of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W. 3d 325 (2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors, including holders of the Certificates, of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

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

AMENDMENTS … The City may amend or supplement the Ordinance, without the consent of any registered owner, in order to (i) cure any ambiguity, defect or omission in the Ordinance that does not materially adversely affect the interests of the respective registered owners, (ii) grant additional rights or security for the benefit of the respective registered owners, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance and that shall not materially adversely affect the interests of the respective registered owners, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Ordinance as will not be inconsistent with the provisions of the Ordinance and that will not, in the opinion of the City's Bond Counsel, materially adversely affect the interests of the respective registered owners. Additionally, the registered owners of of Certificates aggregating in principal amount a majority of the then outstanding Certificates have the right to approve any amendment that may be deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the registered owners of the Certificates, no amendment shall: (1) make any change in the maturity of any of the outstanding Certificates; (2) reduce the rate of interest borne by any of the outstanding Certificates; (3) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (4) modify the terms of payment of principal or of interest on outstanding Certificates or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of Certificates necessary for consent to such amendment.

TAX INFORMATION

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

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

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the State Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2025 tax year, the Maximum Property Value was increased to $5,160,000.

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "TAX INFORMATION – Issuer and Taxpayer Remedies."

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to state mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS. . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. Cities, counties and school districts that adopted an optional homestead exemption described in (1), above, for the 2022 tax year are prohibited from repealing or reducing the exemption through December 31, 2027. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to local option homestead exemptions.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED. . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

PERSONAL PROPERTY. . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the State legislature and signed by the Governor during the 89th Regular Session (as defined herein) would provide a person with an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit).

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

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

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

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

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

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "TAX INFORMATION – City Application of Tax Code" for descriptions of the TIRZ created in the City.

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

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – City Application of Tax Code".

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

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

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

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

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

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

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

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

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

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

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

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 divided by the current total value.

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

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

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

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

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

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

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

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

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

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

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

TAX RATE LIMITATIONS. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of taxable assessed valuation to fund operations and to pay debt service. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per each $100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS

The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The regular session of the Texas Legislature (the "89th Regular Session") convened on January 14, 2025, and adjourned on June 2, 2025. The Governor called a first special session that began on July 21, 2025, and adjourned on August 15, 2025. The agenda for the first special session included, among other items, "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." The Governor called a second special session which began on August 15, 2025, and adjourned on September 4, 2025. The agenda for the second special session included the same items as the agenda for the first special session with the addition of legislation to address youth camp safety. Additional special sessions may be called by the Governor.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures. The City is still in the process of reviewing legislation passed during the 89th Regular Session and the second special session. At this time, the City cannot make any representations as to the full impact of such legislation. Further, the City can make no representations or predictions regarding any additional legislation that may be considered during any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

CITY APPLICATION OF TAX CODE . . . The Denton County Tax Office collects taxes for the City. The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $75,000; the disabled are also granted an exemption of $75,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

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

Ad valorem taxes are levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property.

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

The City does not tax freeport property.

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

The City has adopted an economic development policy.

[The remainder of this page left blank intentionally]

TABLE 1 - ASSESSED VALUATION AND EXEMPTION

2025/26 Market Valuation Established by Denton County Appraisal District		
(excluding totally exempt property)		$ 3,779,783,537
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead/Over 65 Exemptions	132,762,000	
Disabled Persons	2,700,000	
Disabled Veterans	47,546,019	
Cap Adjustment	75,287,788	
Agricultural Use Reductions	3,076,065	261,371,872
2025/26 Taxable Assessed Valuation		$ 3,518,411,665
General Obligation Debt Payable from Ad Valorem Taxes (as of 9/1/2025)		$ 34,529,000
The Certificates		7,130,000
Total General Obligation Debt Payable from Ad Valorem Taxes		$ 41,659,000
Less: Self Supporting Debt (as of 9/1/2025)		
Waterworks & Sewer System General Obligation Debt		6,435,000
Highland Village Community Development Corporation		4,055,000
Total Self-Supported (as of 9/1/2025)		$ 10,490,000
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 31,169,000
General Obligation Interest and Sinking Fund (as of 8/1/2025)		$ 475,786
Ratio of Total Funded Debt to Taxable Assessed Valuation		1.18%
Ratio of Net Funded Debt to Taxable Assessed Valuation		0.89%

2025 Estimated Population - 16,875
Per Capita Taxable Assessed Valuation - $208,498
Per Capita Total Funded Debt $2,469
Per Capita Net Funded Debt - $1,847

[The remainder of this page left blank intentionally]

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	2026		2025		2024	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 3,300,581,829	87.32%	$ 3,250,086,800	87.41%	$ 2,755,674,558	86.50%
Real, Residential, Multi-Family	36,163,881	0.96%	39,057,590	1.05%	29,372,693	0.92%
Real, Vacant Lots/Tracts	10,878,243	0.29%	10,207,788	0.27%	16,732,573	0.53%
Real, Acreage (Land Only)	3,089,178	0.08%	1,279,226	0.03%	1,660,392	0.05%
Real, Farm and Ranch Improvements	2,112,522	0.06%	3,889,162	0.10%	1,851,843	0.06%
Real, Commercial	348,958,755	9.23%	341,441,168	9.18%	299,980,473	9.42%
Real and Intangible Personal, Utilities	27,846,759	0.74%	25,818,177	0.69%	24,122,441	0.76%
Tangible Personal, Business	50,152,370	1.33%	46,516,670	1.25%	48,559,796	1.52%
Real Property, Inventory	-	0.00%	-	0.00%	7,906,855	0.25%
Total Appraised Value Before Exemptions	$ 3,779,783,537	100.00%	$ 3,718,296,581	100.00%	$ 3,185,861,624	100.00%
Less: Total Exemptions/Reductions	261,371,872		341,737,506		130,348,077	
Taxable Assessed Value	$ 3,518,411,665		$ 3,376,559,075		$ 3,055,513,547	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,999,103,545	84.02%	$ 1,900,066,935	83.91%
Real, Redidential, Multi-Family	21,318,452	0.90%	-	0.00%
Real, Vacant Lots/Tracts	14,092,802	0.59%	14,593,487	0.64%
Real, Acreage (Land Only)	1,558,032	0.07%	1,720,427	0.08%
Real, Farm and Ranch Improvements	1,734,502	0.07%	2,779,837	0.12%
Real, Commercial	283,064,598	11.90%	277,900,237	12.27%
Real and Intangible Personal, Utilities	18,114,276	0.76%	17,012,796	0.75%
Tangible Personal, Business	39,782,849	1.67%	47,496,565	2.10%
Real Property, Inventory	490,553	0.02%	2,938,898	0.13%
Total Appraised Value Before Exemptions	$ 2,379,259,609	100.00%	$ 2,264,509,182	100.00%
Less: Total Exemptions/Reductions	123,864,281		128,336,532	
Taxable Assessed Value	$ 2,255,395,328		$ 2,136,172,650	

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

[The remainder of this page left blank intentionally]

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2022	16,670	$ 2,136,172,650	$ 128,145	$ 25,675,000	1.20%	$ 1,540
2023	16,700	2,255,395,328	135,054	24,410,000	1.08%	1,462
2024	16,697	3,055,513,547	182,998	25,805,000	0.84%	1,545
2025	16,875	3,376,559,075	200,092	31,169,000 (4)	0.92% (4)	1,847 (4)
2026	16,960	3,518,411,665	207,454	29,451,000 (5)	0.84% (5)	1,736 (5)

____

(1) Source: The City's Annual Comprehensive Financial Reports and City Staff.
(2) As reported by the Denton County Appraisal District to the State Property Tax Board. Subject to change during the ensuing year.
(3) Does not include self-supporting debt.
(4) Includes the Certificates.
(5) Projected, subject to change. Includes the Certificates

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	$ 0.56302	$ 0.47813	$ 0.08489	$ 13,513,137	99.61%	99.93%
2022	0.56302	0.48264	0.08039	14,061,893	99.68%	99.70%
2023	0.54683	0.47179	0.07503	15,391,491	99.57%	99.76%
2024	0.50139	0.43368	0.06771	15,895,453	99.43%	99.43%
2025	0.50027	0.42473	0.07554	16,892,013	99.27% (1)	99.27% (1)

____

(1) Collections as of July 31, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
MP Shops at Highland Village Development	Shopping Center	$ 80,500,000	2.29%
Core Power Highland Village LLC	Shopping Center	42,191,341	1.20%
VP Highland TX Owner LLC	Shopping Center	40,000,000	1.14%
PS LPT Properties Investors	Real Estate	23,450,000	0.67%
Bowery Park Kobalt LLC & DE	Commercial Building	20,651,929	0.59%
ADV Highland Village Property Owner, LLC	Real Estate	14,567,145	0.41%
Wal-Mart Stores Texas LP (ID# 607715)	Retail	14,100,000	0.40%
Brixmor Holdings 12 SPE LLC	Residential Homes	12,331,043	0.35%
Atmost Energy Mid-Tex Distribution	Distribution	10,387,080	0.30%
Barnett Healthcare Prop LLC	Healthcare	9,500,000	0.27%
		$ 267,678,538	7.61%

____

Source: Denton Central Appraisal District.

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

TABLE 6 –-TAX ADEQUACY [(1)]

Net Principal and Interest Requirements, 2025	$ 2,548,709
$0.0732 Tax Rate at 99% Collection Produces	$ 2,549,026
Average Net Principal and Interest Requirements, 2025-2045 [(2)]	$ 2,046,880
$0.0588 Tax Rate at 99% Collection Produces	$ 2,047,093
Maximum Net Principal and Interest Requirements, 2028 [(2)]	$ 2,874,971
$0.0825 Tax Rate at 99% Collection Produces	$ 2,875,056

(1) Does not include self-supporting debt.
(2) Includes the Certificates.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2024/2025 Taxable Assessed Value [(1)]	2024/2025 Tax Rate [(1)]	Total Tax Supported Debt as of 8/1/2025 [(1)]	Estimated % Applicable [(1)]	City's Overlapping Tax Supported Debt as of 8/1/2025
City of Highland Village	$ 3,376,559,075	$ 0.5003	$ 41,659,000 [(2)]	100.00%	$ 41,659,000 [(2)]
Denton County	192,688,469,909	0.1879	734,040,000	1.67%	12,258,468
Lewisville ISD	60,963,227,388	1.1178	1,695,380,000	4.97%	84,260,386
Total Direct and Overlapping Tax Supported Debt					$ 138,177,854
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					4.09%
Per Capita Direct and Overlapping Tax Supported Debt					$ 8,224.87

(1) Source: Municipal Advisory Council of Texas.
(2) Includes self-supporting debt. Includes the Certificates.

[The remainder of this page left blank intentionally]

DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	All Outstanding General Obligation Debt Service Principal	Interest	Total	The Certificates Principal	Interest	Total	Less: Self-Supported Debt Service[1]	Net Total Requirements	% of Principal Retired
2025	$ 2,876,000	$ 1,196,162	$ 4,072,162	$ -	$ -	$ -	$ 1,523,453	$ 2,548,709	
2026	2,863,000	1,090,718	3,953,718	-	260,978	260,978	1,514,148	2,700,547	
2027	3,010,000	971,582	3,981,582	40,000	292,600	332,600	1,522,916	2,791,266	
2028	3,217,000	846,946	4,063,946	40,000	290,600	330,600	1,519,575	2,874,971	
2029	2,904,000	727,274	3,631,274	95,000	287,225	382,225	1,406,314	2,607,184	33.78%
2030	2,690,000	616,480	3,306,480	100,000	282,350	382,350	1,086,731	2,602,099	
2031	2,685,000	506,709	3,191,709	100,000	277,350	377,350	1,098,456	2,470,603	
2032	2,500,000	409,631	2,909,631	105,000	272,225	377,225	1,096,231	2,190,625	
2033	2,370,000	332,106	2,702,106	115,000	266,725	381,725	1,091,006	1,992,825	
2034	2,440,000	259,956	2,699,956	120,000	260,850	380,850	1,089,956	1,990,850	63.48%
2035	1,595,000	204,306	1,799,306	125,000	254,725	379,725	211,356	1,967,675	
2036	1,630,000	165,781	1,795,781	130,000	249,000	379,000	210,581	1,964,200	
2037	1,670,000	126,206	1,796,206	135,000	243,700	378,700	209,531	1,965,375	
2038	1,715,000	85,453	1,800,453	140,000	238,200	378,200	208,203	1,970,450	
2039	1,060,000	54,200	1,114,200	145,000	232,500	377,500	-	1,491,700	82.22%
2040	1,080,000	32,800	1,112,800	155,000	226,500	381,500	-	1,494,300	
2041	1,100,000	11,000	1,111,000	160,000	220,200	380,200	-	1,491,200	
2042	-	-	-	1,275,000	191,500	1,466,500	-	1,466,500	
2043	-	-	-	1,330,000	139,400	1,469,400	-	1,469,400	
2044	-	-	-	1,380,000	85,200	1,465,200	-	1,465,200	96.77%
2045	-	-	-	1,440,000	28,800	1,468,800	-	1,468,800	100.00%
	$ 37,405,000	$ 7,637,311	$ 45,042,311	$ 7,130,000	$ 4,600,628	$ 11,730,628	$ 13,788,460	$ 42,984,479	

(1) Subject to annual appropriation by the City Council from various net resources. It is the City's current policy to pay such self-supporting debt from such revenues; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to collect an ad valorem tax to pay such debt service.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending September 30, 2025		$ 2,548,709
Interest and Sinking Fund, Fiscal Year Ended September 30, 2024	115,293	
Budgeted Fiscal Year 2025 Interest and Sinking Fund Tax Levy	2,561,978	
Budgeted Interest Income	27,780	2,705,051
Estimated Balance, Fiscal Year Ending September 30, 2025		$ 156,342

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Issued as of 8/1/2025	Unissued Balance
Street Improvements	November 7, 2017	$ 2,860,000	$ 2,800,000	$ 60,000
Park and Recreation	November 7, 2017	4,290,000	4,200,000	90,000

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The City anticipates issuing approximately $10.5 million certificates of obligation within the next twelve months.

[The remainder of this page left blank intentionally]

TABLE 11 - COMPUTATION OF SELF-SUPPORTING DEBT

Waterworks and Sewer System General Obligation Debt

	FY 2025 Outstanding Principal[(1)]	FY 2025 Debt Service (P+I)
General Obligation Refunding Bonds, Series 2017	$ 1,930,000	$ 429,471
Combination Tax and Revenue Certificates of Obligation, Series 2018	2,395,000	210,356
General Obligation Refunding Bonds, Series 2021	2,865,000	347,600
TOTAL	$ 7,190,000	$ 987,428

Waterworks and Sewer System Revenue Available for Debt Service, FY 2024	$ 2,211,966
Less: Water and Sewer System Revenue Bonds Debt Service	-
Net Revenue Available for Waterworks and Sewer GO Bonds[(2)]	$ 2,211,966

Highland Village Community Development Corporation General Obligation Debt

	FY 2025 Oustanding Principal[(1)]	FY 2025 Debt Service (P+I)
General Obligation Refunding Bonds, Series 2021	$ 4,410,000	$ 536,025
TOTAL	$ 4,410,000	$ 536,025

Highland Village Community Development Corporation Sales Tax Revenue, FY 2024[(3)]	$ 1,212,854

(1) Principal outstanding at the beginning of the Fiscal Year.
(2) The City considers the general obligation debt listed above to be self-supporting; however, the System revenues described above are not (except to the extent of certain limited pledges of certain of such revenues in amounts of up to $2,500 in connection with prior certificates of obligation issues, which may or may not have been fully satisfied) pledged to the payment of such general obligation debt. The transfers of such revenues to make debt service payments on such general obligation debt is discretionary and may be discontinued by the City, in whole or in part, at any time. In the event the City chooses to discontinue such transfer of System revenues or such System revenues are not otherwise available to pay debt service on such general obligation debt, the City will be required to levy ad valorem taxes or to appropriate other lawfully available funds of the City in amounts sufficient to pay the debt service on such general obligation debt.
(3) The City considers the general obligation debt listed above to be self-supporting and has historically used sales tax revenue transferred from the Highland Village Community Development Corporation to the City to pay debt service on such general obligation debt. However, the sales tax is not pledged to the payment of such general obligation debt and if the Highland Village Community Development Corporation ceases to transfer such sales tax revenue to the City, then the City will be required to collect ad valorem taxes or to appropriate other lawfully available funds of the City in amounts sufficient to pay the debt service on such general obligation debt.

TABLE 12 - OTHER OBLIGATIONS

Lease Payable

The City has entered into multiple 48-month and 60-month leases as lessee both for the right to the use of vehicles through Enterprise. The City is required to make fixed monthly payments ranging between $685 and $1,450.

In addition, the City has entered into a 60-month lease for the right to the use of cameras through Axon. The City is required to make annual payments ranging between $95,799 and $99,225.

A summary of the City's long-term lease payable as of September 30, 2024, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/2024
Governmental Activities					
Multifuncational printers	0.29%	2022	$ 9,236	$ 7	$ 515
Fire Department Medical Equipment	0.74%	2021	249,768	1,238	125,935
Camera	3.45%	2024	711,660	-	615,861
Animal Shelter Building	2.51%	2022	365,356	8,664	338,590
Vehicles	2.23-8.37%	2023	1,756,703	55,023	1,452,567
Totals				$ 64,932	$ 2,533,468
Business-type Activities					
Vehicles	2.27-8.28%	2023	$ 352,467	$ 12,164	$ 303,549
Totals				$ 12,164	$ 303,549

Annual lease payments to maturity are as follows:

Year Ending September 30	Governmental Activities Principal	Interest	Total Requirements
2025	$ 475,082	$ 104,319	$ 579,401
2026	495,726	82,025	577,751
2027	586,241	57,031	643,272
2028	332,666	31,816	364,482
2029	171,144	19,111	190,255
2030-2034	264,436	40,827	305,263
2035-2039	78,563	21,407	99,970
2040-2044	89,070	10,900	99,970
2045-2048	40,540	1,113	41,653
Totals	$ 2,533,468	$ 368,549	$ 2,902,017

Year Ending September 30	Business-Type Activities Principal	Interest	Total Requirements
2025	$ 72,482	$ 19,606	$ 92,088
2026	77,858	14,231	92,089
2027	89,367	8,429	97,796
2028	37,980	3,354	41,334
2029	25,862	894	26,756
Totals	$ 303,549	$ 46,514	$ 350,063

<u>SBITA Payable</u>

The City has entered into multiple subscriptions for the use of various software. As of September 30, 2024, the value of the subscription liability is $911,356. The City is required to make fixed annual payments ranging between $1,464 and $58,082 with interest rates ranging from 2.310% to 3.461%.

A summary of the City's long-term SBITA payable as of September 30, 2024, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/2024
Governmental Activities					
Right to Use:					
Various software	2.31%	2023	$ 497,392	$ 10,678	$ 238,076
Totals				$ 10,678	$ 238,076
Business-type Activities					
Right to Use:					
Meter reading software	3.46%	2023	$ 846,310	$ 25,134	$ 673,280
Totals				$ 25,134	$ 673,280

Annual SBITA payments to maturity are as follows:

	Governmental Activities		
Year Ending September 30	Principal	Interest	Total Requirements
2025	$ 90,351	$ 7,254	$ 97,605
2026	61,204	4,558	65,762
2027	63,090	2,672	65,762
2028	11,536	728	12,264
2029	11,895	370	12,265
Totals	$ 238,076	$ 15,582	$ 253,658

	Business-Type Activities		
Year Ending September 30	Principal	Interest	Total Requirements
2025	$ 86,135	$ 22,410	$ 108,545
2026	88,948	19,596	108,544
2027	91,854	16,691	108,545
2028	94,854	13,690	108,544
2029	97,953	10,591	108,544
2030-2034	213,536	18,790	232,326
Totals	$ 673,280	$ 101,768	$ 775,048

RETIREMENT PLAN. . . The City participates as one of more than 940 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the Annual Comprehensive Financial Report".

NET PENSION LIABILITY . . . The City's Net Pension Liability was measured as of December 31, 2023, and the Total Pension Liability 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 expenses, including inflation

Salary increases are assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service - based scale.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2022	$ 59,277,724	$ 51,198,566	$ 8,079,158
Changes for the year:			
Service cost	2,071,317	-	2,071,317
Interest	4,014,081	-	4,014,081
Difference between expected and actual experience	(121,461)	-	(121,461)
Changes in assumptions	(395,987)	-	(395,987)
Contributions - employer	-	1,600,000	(1,600,000)
Contributions - employee	-	814,546	(814,546)
Net investment income	-	5,937,130	(5,937,130)
Benefit payments, including refunds of employee contributions	(1,691,031)	(1,691,031)	-
Admistrative expenses	-	(37,698)	37,698
Other changes	-	(263)	263
Net changes	3,876,919	6,622,684	(2,745,765)
Balance at 12/31/2023	$ 63,154,643	$ 57,821,250	$ 5,333,393

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 14,709,104	$ 5,333,393	$ (2,307,440)

PENSION PLAN FIDUCIARY NET POSITION . . . Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmrs.com.

PENSION EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO PENSIONS . . . For the year ended September 30, 2024, the City recognized pension expense of $1,430,770. As of September 30, 2024, the City reported deferred outflows and inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 19,952	$ 126,371
Changes in actuarial assumptions	-	287,498
Difference between projected and actual investment earnings	1,350,866	-
Contributions subsequent to the measurement date	1,196,472	-
Totals	$ 2,567,290	$ 413,869

$1,196,472 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2025	$ 219,243
2026	284,677
2027	949,275
2028	(496,246)

DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN – TMRS SUPPLEMENTAL DEATH BENEFITS FUND. . . The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, there are no assets accumulated in an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

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

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

For more detailed information concerning the defined other post-employment benefit plans and the City's total OPEB liability, see Appendix B, "Excerpts from the Annual Comprehensive Financial Report" - Note 2.J.

[The remainder of this page left blank intentionally]

FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Taxes	$ 19,050,626	$ 18,711,187	$ 17,304,942	$ 16,266,155	$ 15,641,867
Licenses, Permits and Fees	726,531	775,436	707,602	686,001	626,970
Fines and Forfeitures	147,984	126,346	96,291	76,646	88,543
Intergovernmental	4,933	30,277	5,880	9,579	931,515
Charges for Services	682,379	860,254	565,353	510,796	523,347
Investment Earnings	887,948	585,642	120,052	30,683	143,580
Miscellaneous	107,560	236,647	85,064	82,090	303,001
Total Revenues	$ 21,607,961	$ 21,325,789	$ 18,885,184	$ 17,661,950	$ 18,258,823
Expenditures:					
General Government	$ 6,004,816	$ 6,488,874	$ 6,047,650	$ 5,482,839	$ 5,162,274
Police Department	5,767,173	5,158,304	5,056,489	4,884,450	4,858,083
Fire Department	3,675,989	3,153,534	3,587,639	3,104,538	3,034,387
Community Services	409,500	421,399	415,221	469,944	494,206
Streets and Drainage	1,403,733	1,360,150	1,248,522	1,168,016	1,125,274
Parks and Recreation	2,784,271	2,697,901	2,638,068	2,339,931	2,326,531
Debt Service	653,356	250,689	117,595	-	-
Capital Outlay	2,139,594	1,361,567	826,716	458,025	564,289
Total Expenditures	$ 22,838,432	$ 20,892,418	$ 19,937,900	$ 17,907,743	$ 17,565,044
Excess (Deficiency) of Revenues Over Expenditures	$ (1,230,471)	$ 433,371	$ (1,052,716)	$ (245,793)	$ 693,779
Transfers In	532,758	532,307	532,257	598,180	659,352
Proceeds From Capital Leases	1,733,396	734,968	480,023	-	-
Proceeds from SBITA's	25,500	471,892	-	-	-
Proceeds From Sale of Capital Assets	179,220	37,385	16,165	-	80,124
Transfers Out	(16,000)	(16,000)	(16,000)	(36,000)	(136,000)
Total Other Financing Sources and Uses	$ 2,454,874	$ 1,760,552	$ 1,012,445	$ 562,180	$ 603,476
Net Increase/Decrease	$ 1,224,403	$ 2,193,923	$ (40,271)	$ 316,387	$ 1,297,255
Beginning Fund Balance	10,422,639	8,228,716	8,268,987	7,952,600	6,655,345
Ending Fund Balance	$ 11,647,042	$ 10,422,639	$ 8,228,716	$ 8,268,987	$ 7,952,600

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City imposes and levies a one percent (1%) local sales and use tax within the City pursuant to the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	1.5% Total Collected(1)(2)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	4,523,309	33.47%	0.1863	271.38
2022	5,111,329	36.35%	0.2393	306.62
2023	5,335,617	34.67%	0.2366	319.50
2024	5,504,517	34.63%	0.1802	329.67
2025 (3)	4,525,712	26.79%	0.1340	269.39

(1) Includes the Highland Village Community Development Corporation 0.5% sales tax, which is not available for the City's general use.
(2) As reported by the Texas Comptroller of Public Accounts.
(3) As of July 2025.

FINANCIAL POLICIES

Basis of Accounting . . . The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred. Interest on long term debt is recorded when due.

Ad valorem and sales tax revenues are recognized under the susceptible to accrual concept. Licenses and permits, franchise taxes, charges for services, fines and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned because they are measurable and available.

The accrual basis of accounting is utilized by proprietary funds.

Budgetary Procedures . . . The Council follows these procedures in establishing budgetary data reflected in the financial statements:

(1) Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

(2) Public Hearings are conducted to obtain taxpayer comments.

(3) Prior to September 30, the budget is legally enacted through passage of an ordinance.

(4) The City Manager is authorized to transfer budgeted amounts within a category in a department. Transfers between categories or between departments require Council approval.

(5) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Fund and Debt Service Fund. Budgetary control is maintained at the function level.

(6) Budgets for the General, Special Revenue, and Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

(7) Budgetary data for the Capital Projects Funds are not presented in combined financial statements of the City as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Funds in not employed and comparison of actual results of operations to budgetary data for such fund is not presented.

Fund Investments . . . The City's investment policy parallels the State laws which govern the investment of public funds. The City generally restricts investments to direct obligations of the United States Government, governmental agencies, and to insured or collateralized bank certificates of deposit.

INVESTMENTS

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

LEGAL INVESTMENTS… Under State law, the City is authorized to invest in obligations meeting the requirements of the Texas Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above or clause (12) below, which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with SEC Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the SEC that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City 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 City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City 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 pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear 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 State law, the City 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 City funds, maximum allowable stated maturity of any individual investment, maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City 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.

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

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

ADDITIONAL PROVISIONS. . . Under State law, the City 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 City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority) and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (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 City'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 City.

TABLE 15 - CURRENT INVESTMENTS

As of August 1, 2025, the City's investable funds were invested in the following categories:

Type of Investment	% of Investments	Market Value	Book Value
Investment Pools/MMA/NOW	51.32%	$ 20,377,660	$ 20,377,660
Securities/CDs	48.68%	19,331,595	19,331,595
	100.000%	$ 39,709,255	$ 39,709,255

TAX MATTERS

OPINION . . . On the date of initial delivery of the Certificates, Norton Rose Fulbright US LLP, Bond Counsel to the City, 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 Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See "Appendix C - Form of Bond Counsel's Opinion".

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

The Internal Revenue Code of 1986 (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates 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 Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

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 Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, 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 City 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 Certificates may be less than the principal amount thereof (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates 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 Certificate 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 Certificate 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 Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate 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 Certificates 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 Certificate 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 Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates 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 Certificates 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 Certificates 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 Certificates.

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

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

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 Certificates. This discussion is based on Existing Law, which is 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 CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, 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 Certificates, 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 certificates" to the extent such gain does not exceed the accrued market discount of such Certificates; although for this purpose, a de minimis amount of market discount is ignored. A "market discount certificate" 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 Certificate 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.

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

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates 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 Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, 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 Certificates under Federal or state law and could affect the market price or marketability of the Certificates. 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 Certificates should consult their own tax advisors regarding the foregoing matters.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("EMMA") at http://emma.msrb.org/.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in Appendix B, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2025 and, if not submitted as part of such annual financial information, the City will provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2025, if available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by Securities and Exchange Commission Rule 15c2-12 (the "Rule").

NOTICE OF CERTAIN EVENTS…The City will also provide notice of any of the following events with respect to the Certificates, in a timely manner not in excess of ten (10) business days after the occurrence of the event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed of final determinations of taxability, Notices of Proposed Issue (IRS Form 5702-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material, (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information or operating data described above under "Annual Reports" and any notices of events in accordance with this section.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described events (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a 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. The City intends the words used in events (15) and (16) and the definition of financial obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further guidance provided by the SEC and its staff with respect to amendment to the Rule effected by the 2018 Release.

AVAILABILITY OF INFORMATION. . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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

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

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

OTHER INFORMATION

RATING

The Certificates have been rated "AAA" with a stable outlook by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the views of such organization and the City 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 S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

LEGAL OPINIONS

The City will furnish the Initial Purchaser a transcript of certain proceedings incident to the authorization and issuance of the Certificates. Such transcript will include a copy of the approving opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the City. The City will also furnish the approving legal opinion of Bond Counsel to the effect that (i), based upon an examination of such transcript, the Certificates are valid and legally binding obligations of the City under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Certificates may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City and (ii) the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX C – Form of Bond Counsel's Opinion." 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 or the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on or attached to the Certificates in the event of discontinuance of the Book-Entry-Only System. Additionally, certain legal matters will be passed upon for the City by Norton Rose Fulbright US LLP, Dallas, Texas, Disclosure Counsel to the City. The legal fees to be paid Disclosure Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

MUNICIPAL ADVISOR

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

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

INITIAL CERTIFICATE PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of Raymond James & Associates Inc. (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of $34,461.92. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City'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 City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. 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.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by a proper officer, acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates 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 City 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 City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City 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 City since the date of the last audited financial statements of the City.

The Ordinance authorizing the issuance of the Certificates approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Initial Purchaser.

/s/ CHARLOTTE WILCOX
Mayor
City of Highland Village, Texas

ATTEST:

/s/ ANGELA MILLER
City Secretary
City of Highland Village, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THIS PAGE LEFT BLANK INTENTIONALLY

THE CITY

The City of Highland Village (the "City"), incorporated in 1963, is located in the southeastern portion of Denton County on Highway 407, west of Lewisville, 20 miles north of Dallas, 34 miles northeast of Fort Worth, 15 miles southeast of Denton and 8 miles north of Dallas-Fort Worth International Airport.

The City is experiencing a stable sustained growth as part of the Dallas-Fort Worth Metroplex. The close proximity of the Dallas-Fort Worth International Airport and both the cities of Dallas and Fort Worth cause increasing residential development. The City's 2020 population was 15,899 according to the U.S. Census Bureau. The City estimates its 2025 population to be 16,875.

ECONOMY

The City, located in Denton County, one of the fastest growing counties in Texas, has committed to the development of a quality community with a top-ranked educational system, upper-income family-oriented environment, and the planned preservation of open space throughout a lakefront community.

The rapidly expanding population of the City and surrounding cities, the key location minutes north of the Dallas/Fort Worth Metroplex and the appealing demographic base make the City a prime location for retail development.

The leaders of the City are very aggressive in the recruitment of quality retail that meets the needs of the community. In addition to business recruitment, the City works with existing businesses to ensure sustained economic growth.

EMPLOYMENT/LABOR FORCE (1)

Employment figures for Denton County are as follows:

	Average Annual				
	2025 (1)	2024	2023	2022	2021
Civilian Labor Force	601,258	594,996	581,563	556,405	526,040
Total Employed	579,542	572,903	560,655	538,019	502,502
Total Unemployed	21,716	22,093	20,908	18,386	23,538
Unemployment Rate	3.6%	3.7%	3.6%	3.3%	4.5%

Source: Texas Employment Commission.
(1) As of June 2025.

TRANSPORTATION

The City is served by State Highway 121, Farm-to-Market Road 407 and Interstate Highway 35-E, a six lane, limited access expressway. The Texas Department of Transportation has approved construction of a freeway along State Highway 121 that will stretch from McKinney (Collin County) through Lewisville (Denton County) to the Dallas-Fort Worth International Airport (Tarrant County). The freeway will be four to six lanes wide and will cover approximately 27.4 miles.

Commercial bus service is provided for the City's residents and visitors in Lewisville by Greyhound/Trailways Bus Lines and Oklahoma Transit.

The City is geographically located near the hub of a ten-county metropolitan area which is served by the Dallas-Fort Worth International Airport. This facility began operations in January, 1974. It represents an investment in excess of $2,000,000,000, and is the second busiest airport in the United States.

EDUCATION

The City is located in the Lewisville Independent School District (the "District"). The District presently has twenty-one elementary schools, seven middle schools and three high schools. Enrollment of the District's schools is increasing rapidly.

RECREATION

The City has a variety of special use, regional, community, neighborhood, and mini parks for recreational use. Copperas Branch Park is a 75-acre regional park including amenities such as a boat ramp, boat dock, soccer and baseball/softball practice fields, a swimming area, and picnic areas. Pilot Knoll Park is a 123-acre regional park including amenities such as a boat ramp, boat dock, RV campsites, picnic areas, pavilions and a playground. Unity Park is the City's community park, a 38-acre park including amenities such as soccer and baseball/softball lighted game fields, fishing pier, pavilion, picnic areas, fishing ponds, tennis courts, dog park and a playground. This park also includes the award winning Kids Kastle, a community playground built by over 4500 volunteers. Doubletree Ranch

Park was recently opened – a 38 acre park in a pristine setting that includes a natural wildlife habitat, splash pad, trails, soccer fields (with lighting), pavilion, barn with concessions, and a grand lawn.

In the surrounding area, the primary recreational facility available to the residents of Highland Village is Lewisville Lake Park on Garza-Little Elm Reservoir (Lewisville Lake). This 570-acre park contains boat storage, boat rental and supplies, boat launching ramp, fishing barge with 24-hour service including a cafe, fishing bait and supplies, snack bar, drinking water, sanitary facilities, picnic facilities, camping area, trailer area and a 3,000 square foot covered pavilion. Maintained at the park by the City of Lewisville are several baseball and softball diamonds, soccer fields, football fields and a public 18-hole golf course.

Lake Grapevine, located twelve miles southwest of the City is open to the public for its recreational use.

DEMOGRAPHICS

The City's estimated population for 2025 is 16,875, and the City is located halfway between the cities of Denton and Dallas. The City's Blue Ribbon schools and the topography of rolling hills, extensive trees and open space make it a desirable place to raise a family. Almost half of the households (44.8%) have children under the age of 18.

Statistics:

- Average age – 41 yrs.
- 71.0% over 18 yrs. of age
- 12.3% 65 yrs. or older
- 58.6% between 20-64 yrs. of age
- Average family size - 3.07

The City is bordered on the north by Lake Lewisville, with many lakefront homes and homes with lake views. The average value of a home in the Highland Village market is $362,323. The majority of the homes in Highland Village are new and custom built; even the earliest homes are custom resort or lakefront.

Highland Village residents can easily walk anywhere within the City on the Inland Trail System. The Inland Trail main spine is a 9.83-mile multi-use trail network connecting virtually all areas of the City. The trail is designed for walking, jogging, bicycling and meanders throughout the City connecting neighborhoods to parks, schools, neighborhoods, retail centers and City offices.

The City's population is educated and informed. Over 85% of the population has some college level education and over 59% hold a post-secondary degree or higher. Technology is a priority in the City. Nearly 95% of the homes in the City connect to the Internet, with over 90% of the population on-line several times a week. The City utilizes the interest in technology to communicate quickly with residents through Aixle E-Watch, an on-line version of Neighborhood Watch, and Notify Me, an e-mail service for residents to receive city information on topics of interest to them. Highland Village also connects with residents through social media using Facebook, Twitter, Nextdoor and YouTube.

Commercial development at the FM 407 and FM 2499 intersection make the City a regional shopping destination. Located at the northwest corner is The Shops at Highland Village, a lifestyle center with over 385,000 square feet of upscale retail and restaurants. Included in the development is an AMC IMAX Theater, Barnes and Noble, Whole Foods Market, as well as LOFT and White House | Black Market to name a few. The northeast corner has a compatible development, The Marketplace at Highland Village, featuring a Walmart Supercenter designed specifically for the City as the anchor tenant. The retail center includes tenants such as LA Fitness, TJ Maxx, and Home Goods, with approximately 280,000 square feet of retail, restaurants, and office/professional space.

APPENDIX B

EXCERPTS FROM THE

CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2024

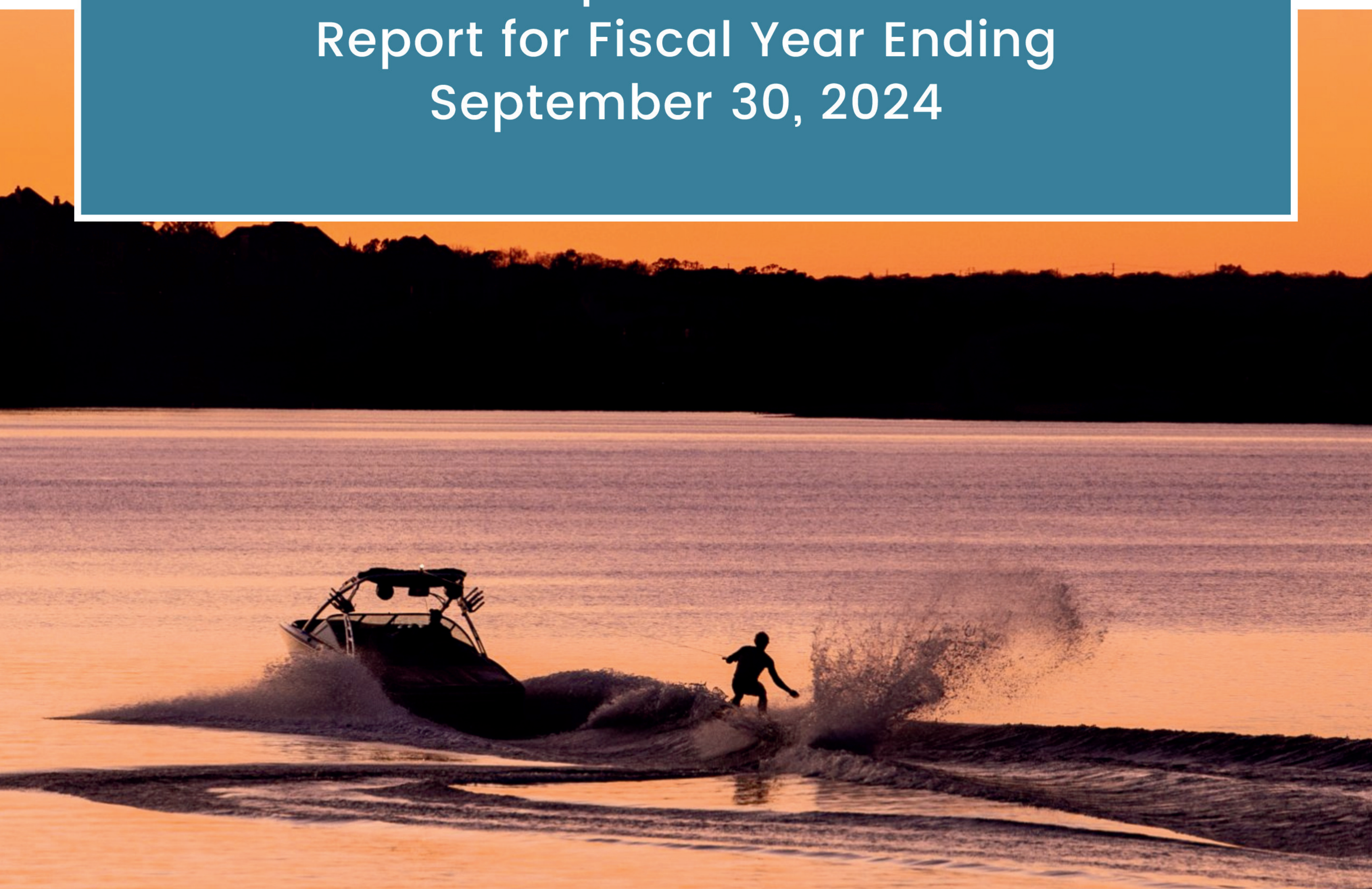
The information contained in this Appendix consists of excerpts from the City of Highland Village, Texas, Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete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

THIS PAGE LEFT BLANK INTENTIONALLY

City of Highland Village

CITY OF HIGHLAND VILLAGE, TEXAS

Annual Comprehensive Financial Report for Fiscal Year Ending September 30, 2024



CITY OF
HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024

Prepared by:

The Finance Department

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

TABLE OF CONTENTS

STATISTICAL SECTION (Unaudited)

THIS PAGE LEFT BLANK INTENTIONALLY

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCE
1000 Highland Village Road
Highland Village, TX 75077
972-899-5089 F 972-899-5100
www.highlandvillage.org

March 25, 2025

City of Highland Village
Highland Village, Texas 75077

To the Honorable Mayor Wilcox, Members of the City Council and Citizens of the City of Highland Village:

The Finance Department of the City of Highland Village is pleased to submit the Annual Comprehensive Financial Report of the City of Highland Village, Texas, for the fiscal year ended September 30, 2024.

The report is published to provide the City Council, management staff, our citizens and other interested parties with detailed information concerning the financial condition and performance of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Highland Village. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The financial statements included in this report were prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA). To demonstrate further public accountability, the independent accounting firm of Certified Public Accountants, Pattillo, Brown & Hill, L.L.P. whose report is included herein, has audited the City's financial statements.

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Highland Village's financial statements for the year ended September 30, 2024. The independent auditor's report is located at the front of the financial section of this report.

In addition, a Management's Discussion and Analysis (MD&A) section, immediately following the independent auditor's report includes a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Highland Village, incorporated in 1963, is located in the southeastern portion of Denton County on Highway 407, west of Lewisville, 20 miles north of Dallas, 34 miles northeast of Fort Worth, 15 miles southeast of Denton and 8 miles north of Dallas-Fort Worth International Airport. The City is primarily residential.

The City's estimated 2024 population is 16,697, just a 5% increase over the past 10 years. Years of sustained growth in population in previous years has brought the City closer to build-out, evidenced by the reduced number of single-family residential permits now being issued. The City is currently approximately 96% built out, with approximately 200 single-family residential homes remaining to be built in platted and unplatted parcels. The estimated build out date is 2030. Over the previous five years, the City has averaged 45 single-family residential permits annually, dropping to only three this past year. The average assessed value for existing single-family dwellings on the 2023 Tax Roll was $522,673.

The City of Highland Village operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council), consisting of a mayor and six other members, all elected at large. The Council appoints the City Manager, who in turn appoints the heads of the various departments. All council members are elected for two-year terms.

This report includes all funds and account groups of the City. The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and infrastructure; recreational facilities and cultural events. In addition to general government administrative services, the City provides water, sewer and sanitation services. The City is also financially accountable for a legally separate component unit – the Highland Village Community Development Corporation, which is reported as a blended component unit within the City of Highland Village's financial statements (see Note 1A for additional information).

The Council is required to adopt a final budget by no later than September 30th – the close of the fiscal year. This annual budget serves as the foundation for the City of Highland Village's financial planning and control. The budget is prepared by fund, category (personnel, services/supplies, capital) and department (e.g., police, fire, human resources). Departments may reallocate resources within a category, but reallocation between categories or departments requires council approval.

Local Economy

With supply chain issues resolving, and the housing market remaining strong – however cooling somewhat resulting from increased mortgage rates, the North Texas economy has displayed resiliency. Retail sales remain strong, however reflecting more modest increases than in FY 2023. Demand for homes still exceeds the supply, thus home values have held their value. Job creation, especially in Texas, is strong, however somewhat hampered by continuing worker shortages. A number of corporate relocations to this area in recent years will also contribute to the housing market remaining strong, although potentially constrained by the limited housing inventory. The close proximity of the Dallas-Fort Worth International Airport and both cities of Dallas and Fort Worth enhance increasing residential development. There were only 3 single-family permits issued during fiscal year 2023/2024, compared to the previous five-year annual average of 45. In addition, there were 5,745 water connections, with 5,377 being the total residential. Since the City's residential tax base is a significant portion of its annual budget, these increases have the most significant impact on the City's ability to raise revenues to provide the services and conditions for future growth.

Commercial development has remained steady for the past five years, however at reduced levels, reflective of the City approaching buildout. The retail component the City enjoys has certainly enhanced the business and economic outlook for the City. Over the past twenty years, the City has realized gradual economic development, beginning with the completion in 1995 of the 80,000 square foot Highland Village Town Center shopping complex. Phase II of this development was completed in October 1997. Kroger's grocery chain served as the anchor commercial development in the Town Center complex, however closing in FY 2016. The space has now been occupied by Painted Tree. Valley Ridge Center, a professional office complex on FM 407 was also added in 1997. A new bank, United Community Bank, opened for business in 1998 with a temporary building - a permanent bank building was completed in 1999. A merger with Independent Bank in 2012 further solidified the bank for the future.

In January 1999, the City Council initiated implementation of an overlay ordinance for nonresidential development. This change was enacted to create a unique look for Highland Village by requiring a residential look to nonresidential uses. This effort was seen as an economic development issue to ensure quality future development. The completion of Village Parkway in 1998 in the western part of the City provides additional economic stimulus for the City - particularly now that TXDOT has constructed a segment that extends this roadway to Denton as an extension of FM 2499, providing an alternate route to DFW Airport. And this, in turn, greatly enhances the commercial value of the developments at the FM 407 and FM 2499 intersection with the resulting increase in traffic.

Village Creek Center, started in the mid 1980's, added three new buildings in 1999 to complete their site plan. This center includes restaurant facilities and professional office space. In 2000, a two-building professional office development was completed and fully leased, with plans to expand by another building. Also in 2000, Tartan Village Retail Center opened with 6,000 square feet of retail space and Barnett Center constructed a childcare facility. The Barnett Center added an animal hospital in 2002 and a 56,000 square foot assisted living facility was added in 2003, with a 35,000 square foot extensive care addition completed the following year.

Celebrations, a 12,000 square foot banquet hall, was completed in 2003, updated in 2015 with new owners with addition of a chapel – transforming the facility to a wedding / reception facility and renamed as Hidden Pines Chapel. A 17,000 square foot retail center, Tartan Square, was added in 2004. Highland Village Business Park was completed, with two office / professional buildings totaling 16,000 square feet, in early 2005.

With limited remaining undeveloped commercial property in Highland Village – primarily located along FM 407 and FM 2499, the City focused on the remaining undeveloped property to ensure compatible, high-quality development. An additional overlay district was developed for this area to apply standards that will assure the highest and best use, with the potential for increased sales tax revenues while continuing to maintain the high quality of life in Highland Village.

The remaining principal area for retail development, at the intersection of FM 407 and FM 2499, saw substantial activity beginning in 2006. At the northeast corner of this intersection - the Marketplace at Highland Village, a 66-acre retail mixed-use development anchored by a 205,000 square foot Wal-Mart Super center, also including approximately 280,000 square feet of retail, office, and restaurants, saw some of its businesses open in October 2006, with the Wal-Mart store opening in November 2007. The Wal-Mart store is truly one-of-a-kind, with preservation of a 125 year-old pecan tree incorporated into the front entrance of the store.

On the northwest corner of the intersection, The Shops at Highland Village, a 45-acre development opened in September 2007. Barnes & Noble and an AMC Theater anchor the 380,000 square foot center, with upscale retail stores including Banana Republic, Victoria's Secret, as well as a variety of restaurants. The Shops at Highland Village is a pedestrian friendly, lifestyle shopping experience featuring fountains, outside dining areas, and pedestrian walkways – also connecting to the City's Inland Trail system. And the addition of Whole Foods in September 2014, further cements the vitality of this development.

Just east of the Marketplace, The District of Highland Village, initially approved by Highland Village City Council in March 2007, was planned as a "Main Street" center with retail and residential townhomes. Construction of the first phase was completed, but additional construction stalled due to the economic downturn. A redesigned plan was presented to City Council in FY 2011, but denied – prompting a lawsuit by the property owner based on the City's denial of the rezoning request. During the ensuing year, the City and its legal counsel thoroughly defended against the claims made in the lawsuit. City officials and staff worked diligently with the property owners to settle their dispute, resulting in approval by City Council in November 2012 of a new development plan to provide open air plazas for a mixed-use development of residential lofts, retail, and office professional facilities, offering a unique and desirable high-end loft living lifestyle currently not available in Highland Village and adjacent cities. Construction initiated in 2014 and now entails nineteen buildings of residential and retail totaling over 320,000 square feet.

The City is primarily a residential community with a relatively small commercial base. New residential construction has slowed from previous years, with substantial residential build-out expected in the near future. Roughly 200 potential lots remain, most of these associated with several developments in the western portion of the city, providing very modest residential building activity.

As the City approaches build-out, there is intent of facilitating full potential of limited remaining undeveloped parcels. Accordingly, the City retained a planning firms to accomplish an update to the City's comprehensive plan. And this was accomplished in February 2023.

There are shopping areas with major retail department stores, variety stores and chain stores located in the general vicinity of Highland Village. Wholesale firms, distributing automobile parts and supplies, electronics, lumber, meats, plumbing fixtures, petroleum products and boat distributors are also located in the general vicinity. A plentiful supply of skilled labor is available to industry in the Highland Village area. Denton County reflected an unemployment rate of 3.7% as of September 2024.

Long Term Financial Planning

Economic Development, specifically retail development, has been a primary objective and continues to be desired, however with limited remaining real estate in the city. This will not only provide desired amenities for residents' immediate access, but also an avenue to diversify the City's revenue stream that is highly dependent on property tax. This is especially pertinent as the City nears substantial residential build-out, and accompanying declining growth in assessed valuation. A stated focus of Council has been to maintain the current tax rate. However, with State Legislation implementing revenue caps, it has forced reductions in the tax rate. Coupled with declining growth in new valuation added to the tax roll, this environment provides a challenge to maintain the high level of services provided for in this community. A continued primary focus over the next few years is to maintain current staffing levels through residential build-out and seek efficiencies where possible, without compromising the City's excellent level of service.

Future water supply, pumping facilities, and wastewater treatment will also continue to be a focal point of meeting growth demands through build-out. Highland Village has contracted with the Upper Trinity Regional Water District (UTRWD) to take three million gallons of water per day (MGD). This water supply supplements the City's four productive water wells. A utility rate structure was updated to provide a 70/30 mix of surface water and ground water respectively. Additionally, the utility rate structure was revamped to provide for a substantially higher amount collected at the base level rather than the previous method of relying on higher summer usage with tiered rates. This will provide a more consistent revenue stream that is less dependent on weather patterns and fairer method of distributing costs to residents.

To meet the City's wastewater needs, a long-term solution was finalized in June, 1995, with 1.8 million gallons per day treatment contract with the Upper Trinity Regional Water District's Lakeview Wastewater Reclamation Project, which provided for a participatory contract to meet the City's build out wastewater effluent needs. In the initial stage of this contract, developer contributions (Impact Fees) have paid the bulk of the annual commitments with the existing ratepayers paying a minimal portion of the contract cost. The City's current capacity is at 1.65 MGD, but the City may reinstate the 1.8 MGD capacity at a future date, if needed. The subscribed capacities for both water and sewer are generally expected to be sufficient through build-out.

A municipal drainage utility was formed at the end of FY 2006 to fund a storm water quality program and related drainage projects necessitated by Phase II MS 4 Storm Water Regulations – administered by the Texas Commission on Environmental Quality (TCEQ). A rate of $1.20 per 1,000 square feet of impervious cover was established to fund this program – unchanged until FY 2015 when adjusted to $1.40. The monthly average for most City residents is roughly $5.00. The utility has a staff of five positions and has procured needed equipment. The utility has achieved great success, already completing a number of needed drainage projects - also achieving substantial cost savings by averting contracting of these projects. In FY 2013, an aggressive mosquito abatement program was developed to address the significant increase in West Nile Virus, and is ongoing.

The City continues to address park programs to meet the changing needs of the community. The governing body adopted an ordinance in 1991 to establish Park Development Fees to be paid by the development community. These fees are dedicated to Park Development. This ordinance was revised in 1997 to collect fees for three components – community park, inland trail system, and neighborhood parks. Phase I of the development of Unity Park was completed and was utilized in full for athletic activity in early 1996. In September 1996, $1,850,000 in General Obligation Bonds was issued to complete Phase II of Community Park and provide improvements to other City parks. Phase II of the Park, completed in April 1997, includes lighting, restrooms and concessions. Additional parking and restroom enhancements were added in 2012 funded by a certificate of obligation. An inter-local agreement with the Lewisville Independent School District allows the City and Briarhill Middle School (adjacent to Unity Park) to share common facilities. Completion of Village Park in 2005 provided a neighborhood park in the western quadrant of the City.

An additional primary focus of the City has been the establishment of a comprehensive trail system throughout the City. The initial spine (9.83 miles) of the trail system was initiated with securing a $1 million TEA-21 grant. This was completed in 2006 with a cost of $1.7M. Voters approved a ½ cent 4B sales tax in November 2004 – specifically targeted for trail development and a soccer complex. Further development of the trail system has been primarily funded by the 4B sales tax. A $3M bond issue in 2008 provided funding for the next section – with another $3.8M bond issuance in FY 2009 to further expand the trail system in the City. A continuous trail segment now spans the length of the entire City. Ultimately, 28 miles of trails are envisioned in the Trail Master Plan.

The Doubletree Ranch property, 36 acres in the eastern portion of the City, was purchased in 2009 with funds from a certificate of obligation – with the associated annual debt service to be reimbursed to the City with 4B revenues. In FY 2014 a $6.7M Certificate of Obligation was issued to supplement remediation funds of $2.8M previously received from TxDOT associated with the loss of Copperas Branch Park resulting from the expansion of I-35 - to be redirected to Doubletree Ranch Park, to fund park construction. Accordingly, construction commenced in FY 2014. The Park opened in August 2016, providing open space, trails, and soccer fields, in a pristine setting. In addition, a splash pad, concession barn and pavilion are heavily utilized.

Lakeside Community Park was completed in 2015, also utilizing 4B revenues. This park – with water front access to Lake Lewisville, includes a quarter-mile loop trail, two pavilions, all with fantastic lake views. A number of recreation programs are offered in the City. In particular, baseball and soccer associations have experienced consistent participation, and have remained quite successful.

The City's commitment to parks was buttressed with a 2018 $7.1 M bond issuance following voter approval in 2017. This issuance targeted parks projects of $4.1M and street projects totaling $2.8M. A significant portion of the park initiatives were improvements to Unity Park, highlighted by a new softball field and rebuild of Kids Kastle playground. This playground was originally constructed in the 1990's as a community build project. Following a fire in the 2000's, it was rebuilt again as a community project. With the play area at the end of its useful life, it was replaced in FY 2020 and enhanced as an all-inclusive playground. This amenity is a tremendous source of pride for the community.

Expiring debt service, coupled with historically low interest rates provided an opportunity for debt issuance in 2022. Accordingly, a comprehensive assessment of park infrastructure, as well as identification of an ongoing revenue source of adding cabins in Pilot Knoll Park for rental, prompted a $6.4M bond issuance – this in conjunction with $8.85M for street improvements. In 2024, the City issued $2.805M in Tax Notes to accommodate the equipment replacement program through 2029.

Major Initiatives

The City's staff, following specific directives of the City Council and City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens are able to live and work in an enviable environment. The following are initiatives and programs relating to general governmental functions:

- Implement Skilled Trades Services policy to facilitate procurement process.
- Implement system to receive utility and court payments via phone
- Complete a data conversion of Municipal Court software to the current version.
- Reconfigure Accounts Payable work-flow process to accommodate necessary approval and documentation with implemented Tyler Content Manager software.
- Add Compliance Dismissals to the menu of online court forms available for public use.
- Accomplish Tax Note issuance to accommodate capital equipment purchases.
- Implement an on-boarding and off-boarding employee experience survey through Lattice to identify areas where we can improve processes.
- Roll out a new Personnel Policies and Procedures Manual.
- Provide targeted training on various policy and human resources topics which will include discussions on how to improve employee engagement.
- Audit all systems to ensure that information is up to date with no errors.

- Expand our wellness offerings to include on-site services and screenings.
- Work with Neogov to find ways to improve the recruitment process through their analytics platform.
- Ensure the seamless implementation of the new security system, execute the rollout of security policies, and conduct staff training.
- Provide growth opportunities and training to Human Resources staff who are all in new positions.
- Prepare for future turnover and succession in various departments.
- Increase familiarity of City staff and requestors on availability and use of the City's online system to process public information requests.
- Provide timely access to public documents, such as meeting minutes, monthly reports, and Code of Ordinances via the City's website.
- To enhance our database to include comprehensive reporting features relating to vacancies, appointments, terms and training of board and commission members.
- Recruit citizen volunteers to serve on City boards and commissions.
- Provide an annual Orientation and Training Workshop for newly appointed board and commission members.
- Process applications submitted by nonprofit organizations for Council's presentation of grants for services to residents of the City.
- Improve and encourage dialogue on City communication channels with the public and respond to inquiries in a timely manner.
- Develop style guide for consistent use of City logo, facility names, and landmarks.
- Using the findings of the HVBA resident survey, work to raise awareness and help promote customer connection to Highland Village restaurants and retailers through storytelling in video, graphics, and photography for social media and HVBA website.
- Engage with local businesses, retail center owners and property management companies to share the findings of the HVBA research and determine methods to improve resident perception and behavior.
- Work with all departments to develop and implement a resident satisfaction survey this fiscal year.
- Review social media, website, and digital newsletter analytics to determine future goals and changes needed to improve communication and engagement with residents.
- Implement new replacement phone system.
- Provide for hardened back-ups to enhance protection of data.
- Implement Phase 2 of utilizing Denco 911 facility for disaster recovery, moving the core storage and used core servers from City Hall location.
- Evaluate Microsoft Office upgrade for City.
- Add SSO (Single sign on) for work order system and GIS users.
- Complete addition of cameras for additional security at Doubletree Ranch and Copperas Branch parks.
- Implement full Multi-factor authentication protocol for desktop users following completion of testing currently in progress.
- Upgrade online portal for permits to provide to enhance functionality.
- Implement remote inspections protocol for inspections.
- Adoption of the 2021 International Building Codes.
- Add patio covers, arbors, pergolas, swimming pools and possibility new residential permits for the availability to initiate online.
- Study the possibilities of a rental inspection program
- Establish procedures for transition to the Fleet Management program through Enterprise
- Replace budgeted standby generator located at City Hall on the PD side
- Complete Facilities Security Upgrades Project
- Address various office and common areas painting throughout facilities as needed
- Accommodate Window replacements as needed
- Auction old equipment taken out of service
- Manage and modify the concrete panel replacement program.
- Manage the Street Sweeping Program and modify as needed.
- Update the Highland Village Training program to include courses that crosswalk for college credit in the field of pavement management.
- Update the sign registry and inventory condition index.
- Maintain pavement striping, school zone flashers, and signage.

- Continue to utilize and improve City Works and GIS, including the development of a pavement life cycle cost analysis.
- Update the pavement condition index of streets in Highland Village using the standard manual survey method.
- Continue to work with LISD to improve the Street Department Internship program focusing on the ADA sidewalk inventory, and updating the PCI.
- Construct the Streets Improvements Phase 1 Project.
- Design the Streets Improvements Phase 2 Project.
- Design and construct the 2024 Asphalt Overlay Project.
- Design and construct the Highland Shores Asphalt Overlay Project.
- Design the Highland Shores Reconstruction Section 2 Project.
- Construct the Highland Village Rd / Brazos Traffic Signal Project.
- Continue the storm water education campaign.
- Begin study of all drainage creeks within City Limits that are located within easements or on private property.
- Complete Design and construct the Lake Vista Well Upgrade Project.
- Design water line construction plans to serve the northwest portion of the City (Brooks Ct.)
- Design a new septic/aerobic system for Pilot Knoll Park
- Continue sanitary sewer line cleaning.
- Construct 18” Edgewood sanitary sewer main.
- Construct the remaining erosion repair project for the remaining 27” sewer trunk main along the lakeshore.
- Construct the water line replacement project in the Village Estates section II subdivision Project.
- Construct a drainage/erosion control project in the Clearwater subdivision.
- Design and construct Lift Station #2 & #7 force main replacements
- Paint Lake Vista and Oak Street Ground Storage Reservoirs.
- Police Trikke Program - The department will acquire two (2) Trikke personal patrol trikes. These are three wheeled, electric, all-wheel drive personal mobility devices which will assist in patrolling special events, parks, trails and schools. These will assist in education and enforcement of new micro-mobility ordinance. Our SRO’s will be the primary educators of the new ordinance and safety recommendations. Enforcement will be implemented with our traditional police bikes, E-bikes, and the newest addition of two trike Positron police vehicles.
- Body Armor Replacements with External Vest Carriers – The department will transition to uniforms with an external vest carrier which have rifle rated body armor. This new design provides ergonomic advantages by removing items from the duty belt (waist) and placing them on the vest carrier. Officer comfort is increased along with the ability to carry extra equipment efficiently.
- Handgun Replacements with Red Dot Sights – The department will replace its existing handguns with new ones outfitted with red dot sights. These sights allow for improved safety, quicker target acquisition, increased accuracy and better field of view.
- Opticom Signal Preemption Emitters – Each marked police vehicle will be equipped with traffic signal preemption emitters just like the Fire Department uses. These emitters will reduce response times in emergencies while increasing safety for the public and officers. The devices have shown to reduce intersection crashes up to 70% and improve emergency response times up to 25%.
- Recruitment and Retention Planning - Police recruitment continues to be a challenge both in Texas and across the country. Many agencies are experiencing losses and struggling to recruit and retain officers. This past fiscal year we hired three (3) Police Officers, one (1) Police Recruit and four (4) Communications Officers. We will continue to work closely with Human Resources to make recruitment and retention a high priority.
- Re-Negotiate Shops Contract – The Shops at Highland Village contract expires this year and our goal is to re-negotiate this and continue this mutually beneficial community partnership.
- Research and develop specification for a new brush truck
- Update Uniform Fire Code from current 2015 to 2024
- Review and update all department policies to comply with Texas Fire Chiefs Association Best Practices.
- Replace four Thermal Imaging Cameras
- Implement a new EMS Inventory System for all EMS supplies.

- Parks completed projects
- Unity
- Unity Park synthetic turf project that included the dog park, Kids Kastle entrance, baseball/softball bullpens and soft toss area.

Doubletree Ranch
- Completed Splash Pad resurfacing
- Completed perimeter fence around the Splash Pad
- Completed new chemical storage building for the Splash Pad
- Installed new synthetic turf playground surface at the Doubletree Ranch Park playground
- Chessboard shade replacement
- Installation of storefront doors at the Doubletree Ranch Park Barn
- Food truck parking pads were completed
- Safety barriers around drainage culverts

Pilot Knoll
- Completed and submitted TPWD grant applications for the cabins, day-use area improvements, and boat ramp.
- Completed major repairs to two of the three septic systems
- Added flex base to shoulders of campground road
- Updated electrical at Big Oak pavilion
- Added emergency vehicle sensors to allow quick access for Fire and Police

Copperas Branch
- Installed two new exhaust fans in the restrooms
- Capped sewer line connected to the gatehouse
- Added emergency vehicle sensors to allow quick access for Fire and Police

Highland Village Tennis Courts
- Replaced fencing and windscreens

Sellmeyer Tennis Courts
- Replaced fencing and windscreens

Village Park
- Installed diffusers for better aeration at the Village Park pond.

Marauder Park
- Installed fountain lights and diffusers for better aeration at the Marauder Park pond.

Other
- Implemented new pond maintenance program. Added aeration system, Talapia, pond dye, and helpful bacteria all in an effort to reduce unwanted vegetation
- Started amenity station beautification project – completed Murray Park
- Installed new lightning detection system at Doubletree Ranch Park, Unity Park, and Brazos Park
- Installed 2 memorial benches and 1 memorial tree

Community Volunteer Help for Projects and Events
- Arbor Day tree planting at Doubletree with the Friends of Highland Village Parks Foundation
- Events
    - Easter Egg Hunt
    - Celebrate Highland Village
    - TXFallenPD/Concert in the Park
    - Tri-Town Amazing Race
    - Christmas at The Ranch

Completed Events
- Father Daughter Dance
- Easter Egg Hunt
- Two paper shredding events

- Movie in the Park
- Celebrate Highland Village
- Two Concerts in The Park
- TXFallenPD/Concert in the Park **(expanded)**
- Tri-Town Amazing Race
- Wine Down With The Grinch
- Christmas at The Ranch

Senior All-Star Programming

- MOVE classes every Wednesday **(new)**
- Highland Village Book Club on first Wednesdays **(new)**
- Music with Mark on second Wednesdays **(new)**
- Cooking classes once a month **(new)**
- Zumba Gold every Tuesday **(new)**
- Bridge group every Thursday **(new)**
- Mahjong group every Wednesday **(new)**
- Pickleball every Monday, Tuesday, Thursday and Friday **(expanded)**
- Meals on Wheels on first and third Thursdays
- Tai Chi classes every Monday and Thursday
- All-Star Stichers Club every Wednesday
- Lunch & Learns twice a month
- Trips at least twice a month

Other Programming

- Shotakan Karate **(new)**
- Hatha Yoga **(new)**
- Situational Awareness **(new)**
- Fit for Mom
- Camp Gladiator
- Children's Cooking Camps
- Red Cross CPR/Babysitting Camps
- Geocaching
- Kidventure Summer Camp

Relevant financial policies

The City's financial policies address accounting and fiscal operations of the City with emphasis on asset management, operating reserves and fund balances. The City has established policies to maintain a fund balance equivalent to at least 20% of General Fund expenditures. Accordingly, fund balance levels have remained above this level. Ending fund balance was 45% in FY 2020, 46% in FY 2021, 41% in FY 2022, 49% in FY 2023, and 51% in FY 2024. Financial policies provide for one-time or non-recurring revenues not being used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes. Fund balance levels are currently higher than anticipated to be necessary on an on-going basis. Financial policies call for the City to maintain a fund balance within a range of 20% -25%. A gradual plan is intended to reduce fund balance levels to this range – specifically by funding capital items with excess reserves. A continuing priority is to ensure sufficient revenues are available for the level of operating expenditures.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Village for its annual comprehensive financial report for the fiscal year ended September 30, 2023. This was the 31st consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for fiscal year 2024 – the City's nineteenth consecutive receipt of this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

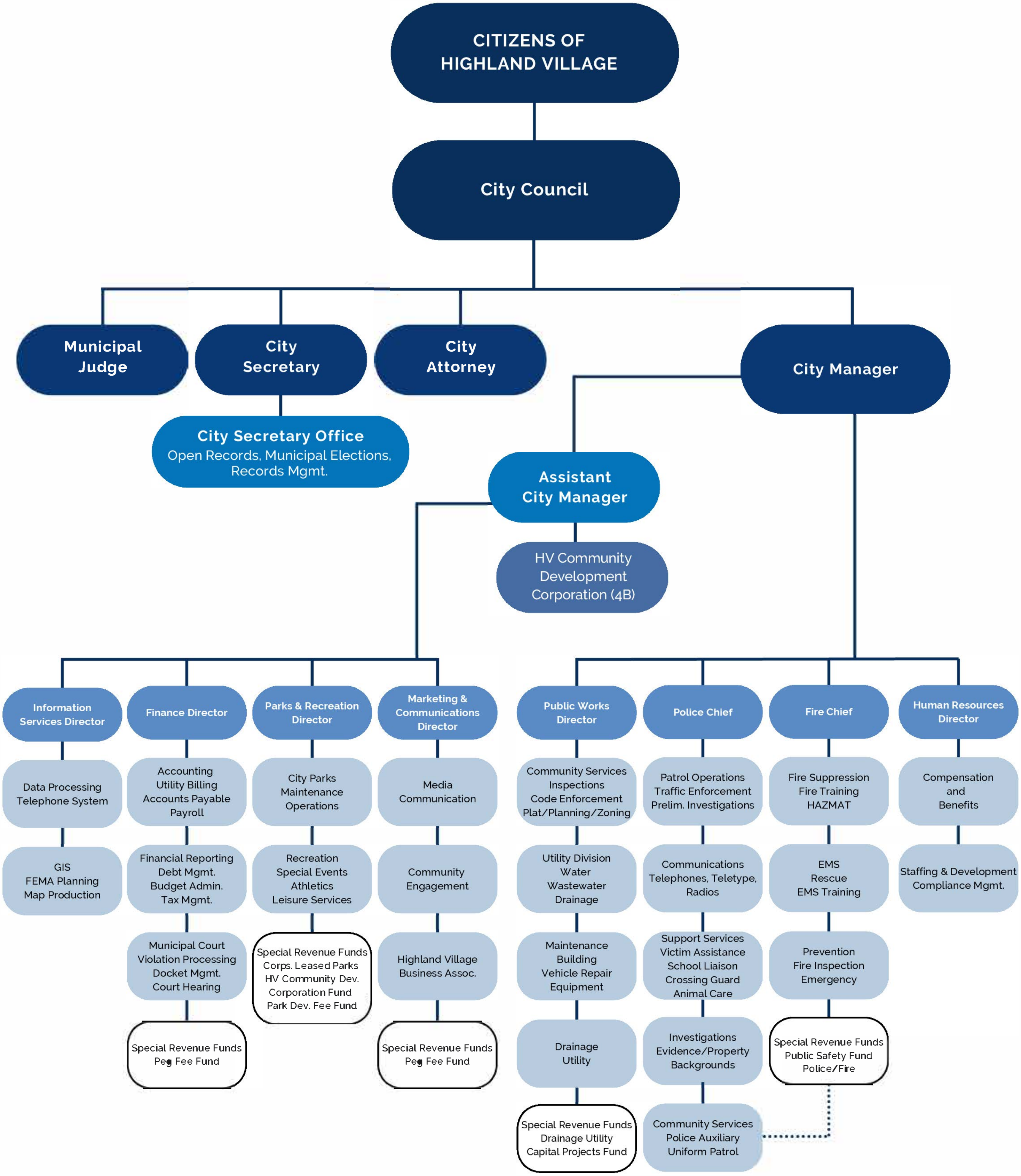
The preparation of the Annual Comprehensive Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council of the City of Highland Village, preparation of this report would not have been possible.

Sincerely,

Heather Miller

Heather Miller
Finance Director



City of Highland Village, Texas
Organizational Chart
Fiscal Year 2023 - 2024

CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2024

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

MAYOR AND CITY COUNCIL

		Term Expires
Charlotte Wilcox, Mayor	Place 1	05/2026
Jon Kixmiller, Mayor Pro Tem	Place 2	05/2026
Kevin Cox	Place 3	05/2025
Shawn Nelson	Place 4	05/2026
Rhonda Hurst	Place 5	05/2025
Robert Fiester	Place 6	05/2026
Brian Fiorenza, Deputy Mayor Pro Tem	Place 7	05/2025

ADMINISTRATIVE

Paul Stevens	City Manager
Angela Miller	City Secretary
Ken Heerman	Assistant City Manager
Scott Kriston	Director of Public Works
Doug Reim	Police Chief
Scott Green	Fire Chief
Kim Lopez	Human Resources Director
Phil Lozano	Director of Parks and Recreation
Sunny Lindsey	Information Services Director
Laurie Mullens	Director of Communications and Marketing

Prepared by:
City's Finance Department

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Village
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

Executive Director/CEO

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and City Council
City of Highland Village, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas (the "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 present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

The City's 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 one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Report on Summarized Comparative Information

We have previously audited the City's fiscal year 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 schedules and capital asset 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section, but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Waco, Texas
March 25, 2025

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S
DISCUSSION AND ANALYSIS

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Highland Village, we offer readers of the City of Highland Village's financial statements this narrative overview and analysis of the financial activities of the City of Highland Village for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Highland Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $63,272,582. Of this amount, $14,397,239 may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of Highland Village's total net position increased by $1,819,636. A $718,864 increase in net position related to governmental activities and an increase of $1,100,772 in net position in business-type activities.

- As of September 30, 2024, the City of Highland Village's governmental funds reported combined ending fund balances of $29,977,058 an increase of $1,987,256 in comparison with the prior year. Approximately 31 percent of this total amount, $9,338,065 is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $9,338,065 or 41 percent of total General Fund expenditures.

- The City of Highland Village's total debt increased by $300,000 during the current fiscal year. This is attributed to a tax note issued for $2,805,000, net with debt payments of $2,505,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the City of Highland Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these items 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 Highland Village is improving or deteriorating.

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

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

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

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

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 those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the 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 relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Highland Village maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Fund (a component of proprietary funds) is identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.
Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highland Village's budgetary comparison schedules and its progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was $63,272,582 as of September 30, 2024. Analyzing the net position of governmental and business-type activities separately, governmental activities' net position was $48,032,013 and business-type activities' net position was $15,240,569. This analysis focuses on the net position (Table 1), and the changes in net position (Table 2).

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

TABLE 1

CITY OF HIGHLAND VILLAGE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	$ 35,228,353	$ 33,591,259	$ 10,681,893	$ 11,711,527	$ 45,910,246	$ 45,302,786
Capital assets	58,622,860	57,269,408	14,867,758	14,532,831	73,490,618	71,802,239
Total assets	93,851,213	90,860,667	25,549,651	26,244,358	119,400,864	117,105,025
Deferred outflows of resources	2,520,523	4,527,277	304,464	582,253	2,824,987	5,109,530
Long-term liabilities	38,771,780	40,048,538	8,357,623	9,481,085	47,129,403	49,529,623
Other liabilities	6,522,634	5,067,500	2,187,211	3,160,519	8,709,845	8,228,019
Total liabilities	45,294,414	45,116,038	10,544,834	12,641,604	55,839,248	57,757,642
Deferred inflows of resources	3,045,309	2,958,757	68,712	45,210	3,114,021	3,003,967
Net position:						
Net investment in capital assets	37,418,194	38,193,458	6,023,518	5,643,295	43,441,712	43,836,753
Restricted	3,664,933	1,942,776	1,768,698	1,847,117	5,433,631	3,789,893
Unrestricted	6,948,886	7,176,915	7,448,353	6,649,385	14,397,239	13,826,300
Total net position	$ 48,032,013	$ 47,313,149	$ 15,240,569	$ 14,139,797	$ 63,272,582	$ 61,452,946

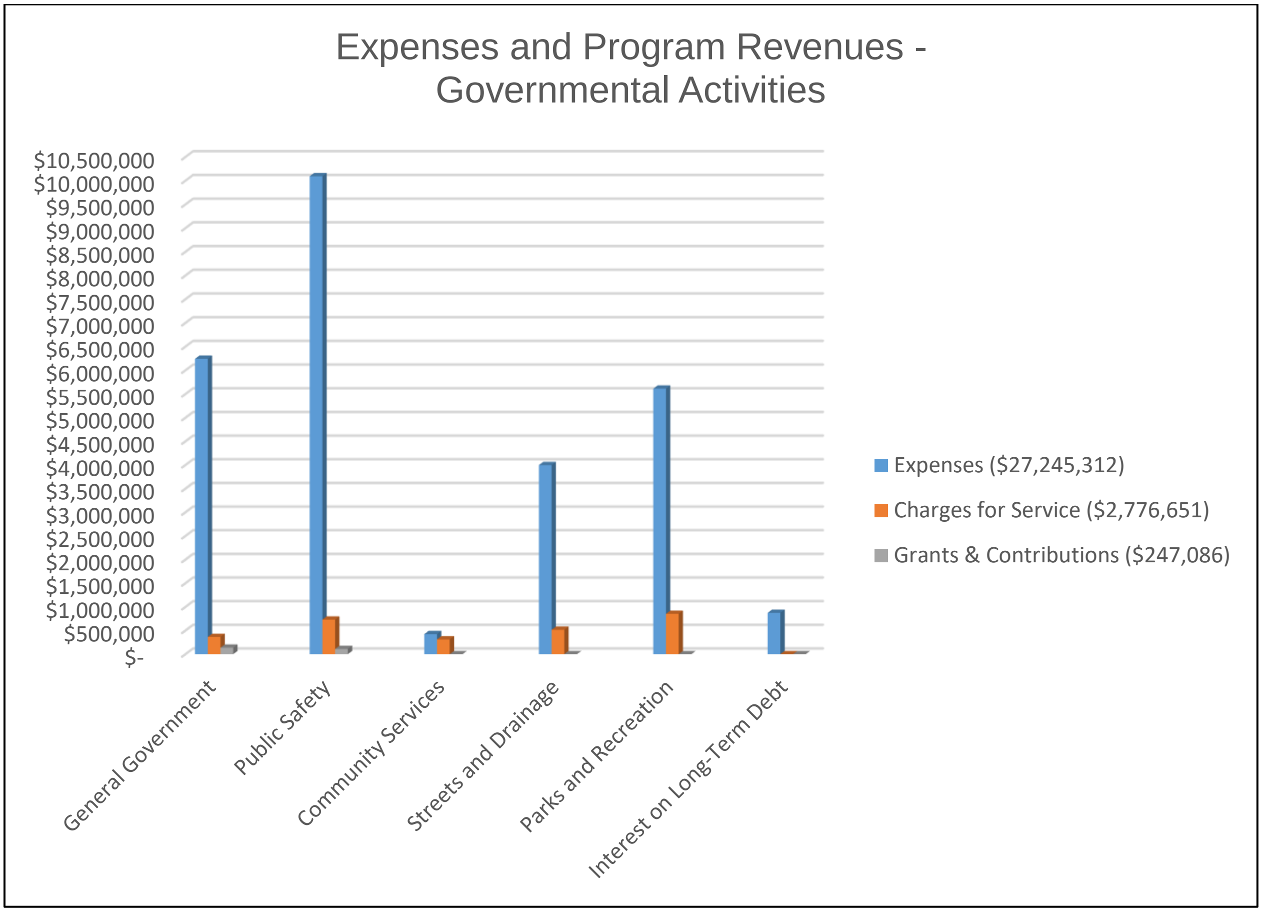
The following table (Table 2) provides a summary of the City's operations for the year ended September 30, 2024. Governmental activities increased the City's net position by $697,701 and business-type activities increased the City's net position by $1,092,098, resulting in a net $1,789,799 increase in total net position.

TABLE 2

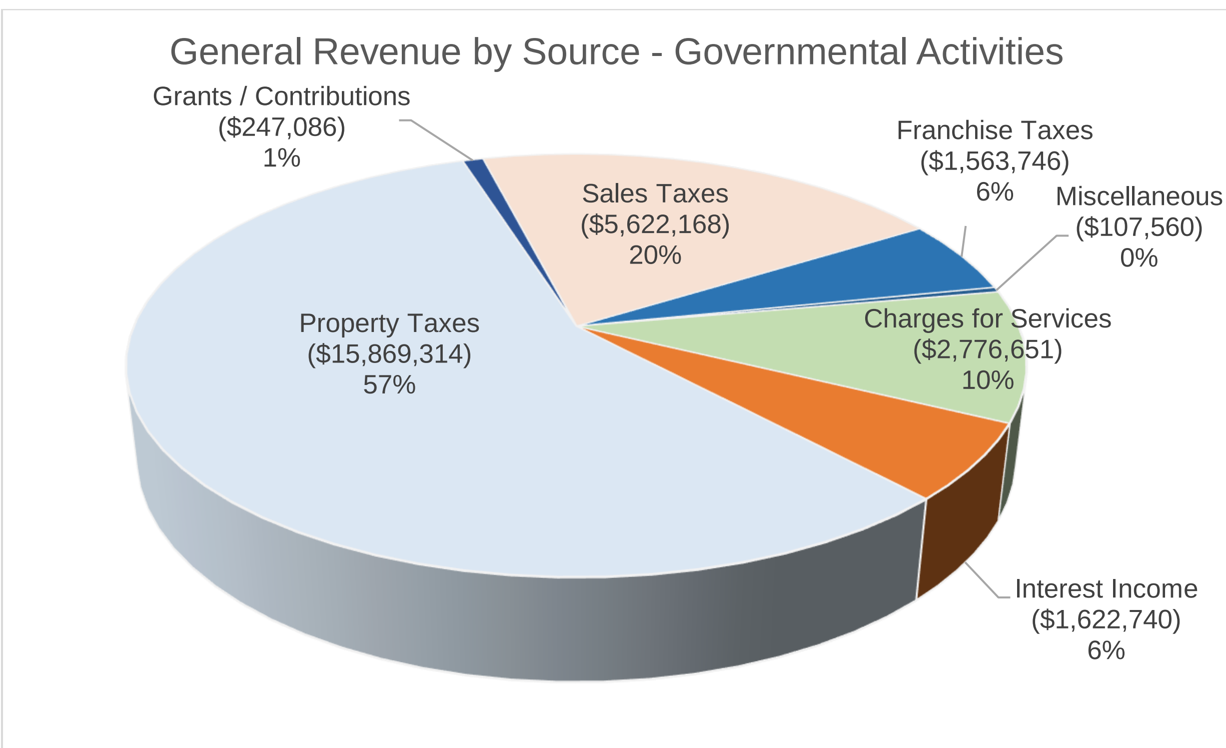
CITY OF HIGHLAND VILLAGE'S CHANGES IN NET POSITION

	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	$ 2,776,651	$ 3,090,920	$ 10,273,938	$ 10,705,342	$ 13,050,589	$ 13,796,262
Operating grants and contributions	114,839	359,938	966,580	1,624,016	1,081,419	1,983,954
Capital grants and contributions	132,247	34,609	9,507	80,830	141,754	115,439
General revenues:						
Property taxes	15,869,314	15,415,395	-	-	15,869,314	15,415,395
Sales taxes	5,622,168	5,624,837	-	-	5,622,168	5,624,837
Franchise fees	1,563,746	1,621,744	-	-	1,563,746	1,621,744
Interest income	1,307,651	1,041,681	315,089	362,311	1,622,740	1,403,992
Miscellaneous	107,560	236,647	-	-	107,560	236,647
Total revenues	27,494,176	27,425,771	11,565,114	12,772,499	39,059,290	40,198,270
Expenses:						
General government	6,243,098	6,862,078	-	-	6,243,098	6,862,078
Public safety	10,093,477	9,462,725	-	-	10,093,477	9,462,725
Community services	423,751	418,562	-	-	423,751	418,562
Streets and drainage	3,997,479	3,309,502	-	-	3,997,479	3,309,502
Parks and recreation	5,613,243	5,534,709	-	-	5,613,243	5,534,709
Interest on long-term debt	874,264	840,324	-	-	874,264	840,324
Water and wastewater	-	-	9,994,342	9,997,492	9,994,342	9,997,492
Total expenses	27,245,312	26,427,900	9,994,342	9,997,492	37,239,654	36,425,392
Increases in net position before transfers	248,864	997,871	1,570,772	2,775,007	1,819,636	3,772,878
Transfers	470,000	470,000	(470,000)	(470,000)	-	-
Change in net position	718,864	1,467,871	1,100,772	2,305,007	1,819,636	3,772,878
Net position, beginning	47,313,149	45,845,278	14,139,797	11,834,790	61,452,946	57,680,068
Net position, ending	$ 48,032,013	$ 47,313,149	$ 15,240,569	$ 14,139,797	$ 63,272,582	$ 61,452,946

Governmental activities. The City's expenses for governmental activities are detailed below – with associated program revenues.



Expenses and Program Revenues - Governmental Activities
$10,500,000
$10,000,000
$9,500,000
$9,000,000
$8,500,000
$8,000,000
$7,500,000
$7,000,000
$6,500,000
$6,000,000
$5,500,000
$5,000,000
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$-
General Government
Public Safety
Community Services
Streets and Drainage
Parks and Recreation
Interest on Long-Term Debt
Expenses ($27,245,312)
Charges for Service ($2,776,651)
Grants & Contributions ($247,086)



General Revenue by Source - Governmental Activities
Grants / Contributions ($247,086) 1%
Sales Taxes ($5,622,168) 20%
Franchise Taxes ($1,563,746) 6%
Miscellaneous ($107,560) 0%
Charges for Services ($2,776,651) 10%
Property Taxes ($15,869,314) 57%
Interest Income ($1,622,740) 6%

Net position associated with governmental activities increased $718,864 in FY 2024 – this compared to a $1,467,871 increase in net position in FY 2023.

- FY 2024 revenues increased $68,405 from the previous year. Key elements of this increase is as follows:

    - Charges for services decreased $314,269 reflective of decrease in Public Safety ($251,614 – primarily related to LISD participation for funding of school resources officers) and Community Services ($83,962 – largely due to decrease in building permitting).
    - Operating grants and contributions decreased $147,461 primarily reflective of DCTA TRip fund funds (Transportation Investment Program) provided to the City in FY 2023. This program provides for fifteen (15) percent of DCTA's net available fund balance from the previous fiscal year, divided among member cities (Denton, Lewisville, and Highland Village) proportional to sales and use tax receipts for the previous fiscal year.
    - Property taxes increased by $453,919 during the year. Most of this increase is the product of a 14.3% increase in the taxable assessed value of the property, partially mitigated by a decrease in the property tax rate.
    - Sales tax revenue decreased by $2,669. Collected sales tax collections were flat compared to prior year.
    - Investment earnings increased by $265,970, resulting from increase amount in the investment portfolio, offset by a slight decrease in yields.

- FY 2024 expenses increased $817,412 from FY 2023, reflecting inflation and increased service demand. The total expense amount of $27,245,312 was less than total revenues – creating a $248,864 increase in net position before transfers. This compares to a $997,871 increase in FY 2023 net position.

    - General government expenses decreased by $618,976. This decrease is primarily attributed to expenditures associated with expenses associated with completion of the facilities security upgrades totaling $303,997 as well as emergency repairs for both electric and plumbing in city facilities of $176,817 in FY 2023. A decrease of net pension liability of $178,222 substantially accounted for the remainder of the increase.

    - Public Safety expenses increased $630,748. $485,862 of this increase is attributed to entering into lease agreements related to vehicles and body cameras. The City also contributed to its pro-rata portion of constructing a regional fire training facility in the amount of $149,207.

    - Streets and drainage expenses increased $687,977. Cost related to the Highland Shores Asphalt Overlay project accounts for $592,528 of the increase. $98,553 of the increase is attributed to lease agreements entered into for the use of vehicles.

    - Parks and recreation expenses increased by $78,534. This increase is primarily attributed to increase in personnel cost related to turnover and retirement with the payout of accrued vacation and sick balances.

    - Interest on long-term debt increased $33,940.

Business-type activities: Business-type activities reflected a $1,100,772 increase in the City's net position – this compared to a $2,305,007 increase in net position in FY 2023. Overall, revenue exceeded expense and transfers.

- Charges for service decreased $431,404 from last year's total of $10,705,342. Water and sewer consumption decreased 120.3 million gallons and 101.2 million gallons, respectively compared to last year.
- Operating and capital grants and contributions decreased by $728,759. $966,580 in Coronavirus State and Local Fiscal Recovery Funds were expended in FY 2024, compared to $1,624,016 in FY 2023. Collected impact fees of $9,507 was a $71,323 reduction from last year.

- Interest income decreased $47,222, reflective of a slight reduction in yields coupled with a reduction in the investment portfolio.

- Expenses reflected a decrease of $448,480 from last year largely related to decreased maintenance costs. FY 2022 included expenses of $542,450 related to painting a groundwater storage tank that was not repeated in FY 2023.

FINANCIAL ANALYSIS OF THE GOVERNMENT'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 the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $29,977,058 an increase of $1,987,256 in comparison with the prior year. Approximately 31 percent of this total amount, or $9,338,065, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for spending because it has already been restricted - $18,239,008, committed - $91,008, assigned - $2,262,354, or non-spendable - $46,623.

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 $9,338,065, while total fund balance was $11,647,042. 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 percent of total General Fund expenditures, while total fund balance represents 51 percent of that same amount.

The original budget for FY 2023 reflected a $807,495 drawdown of the projected fund balance of $9,188,912, primarily to fund lease payments on vehicles and purchase of parks software integration solution – while still providing for sufficient reserve balances. Actual ending fund balance for FY 2023 was $10,422,639. For FY 2024, revenues of $21,607,961 exceeded the budgeted amount by $224,588, while expenditures of $22,838,432 in FY 2024 were less than the budgeted amount by $56,711. Additionally, $1,733,396 of the total expenditure total was offset by financing sources of leases issued, coupled with $25,500 for SBITA's issued. These variances comprised the majority of the increase in fund balance of $1,224,403. Key factors affecting fund balance are as follows:

- Total General Fund revenues of $21,607,961 were increased from FY 2023 by $282,172.

  - Taxes reflected a $339,439 increase from FY 2023.
    - Property tax revenue increased by $400,608, mainly resulting from a 14.3% increase in assessed valuation, partially offset by a property tax decrease.
    - Sales tax revenue slightly decreased by $3,171.
    - Franchise fees decreased by $57,998.

  - Licenses, permits, and fees decreased by $48,905 in FY 2024, reflecting a decrease in commercial building activity and recreation programming participation.

- Investment earnings increased by $302,306, resulting from an increased portfolio balance, which was countered by a slight decrease in yields.

- Charges for Services revenues experienced a $177,875 decrease, related to LISD participation for funding of school resources officers.

- Miscellaneous revenue decreased by $129,087 due to insurance recovery received in FY 2023 from electrical damage at a City facility.

- Total General Fund expenditures of $22,838,432 represent an increase of $1,946,014 from the previous year.

  - Personnel expenditures totaling $15,066,722 reflected a decrease of $1,277,046 from FY 2023. This increase is related to an overall salary increases of 7.25%.

  - Services / Supplies expenditures totaling $4,978,759 decreased by $511,724.

    - An upgrade to City facilities were completed in FY 2023 contributing to $271,897 of the decrease in FY 2024.
    - An emergency electrical repair, which resulted in expenditures totaling $153,817, and a slab leak repair in the Fire Department, which required expenditures totaling $61,475 in FY 2023, contributed to the decrease in FY 2024.
    - The City's comprehensive plan and solid waste advisory services were completed in FY 2023, accounting for $119,623 of the decrease.
    - A proportionate payment to the joint regional fire training facility of $149,206 was made in FY 2024.
    - Parks moved certain park maintenance in house in FY 2024, providing a decrease of $76,562.

  - Capital Outlay expenditures increased by $778,027 in FY 2024, largely due to provision for leases issued of $1,863,263.

- Total Other Financing Sources (Uses) reflected a net total of $2,454,874 – a $694,322 increase from FY 2023. Base elements of this total include transfers-in of $470,000, $28,000, and $16,000 respectively, from the Utility Fund, Highland Village Economic Development Corporation and Drainage Utility Fund for support functions provided by the General Fund, as well as a transfer-in of $18,758 from the Public Safety Fund related to collected Child Safety Fees. These transfers-in were partially offset by transfers to the Drainage Utility Fund of $16,000 for the City's drainage fees. Also included were financing sources of $1,733,396 and $25,500 related to issuance of leases and software subscription agreements, respectively and proceeds from the sale of capital assets of $179,220.

The Capital Projects Fund ended the year with a $14,488,233 fund balance, an increase of $61,220 from FY 2023, primarily related to addressing projects associated with the $15.3M 2021 Certificates of Obligation, netted with proceeds from the Tax Note issued in FY 2024.

Remaining governmental funds reported a combined ending fund balance of $3,841,783, reflecting an increase of $701,633.

- Collective revenues of $5,408,378 for these funds reflected an increase of $122,879 from the previous year. The increase was largely reflective of an increase in investment earnings, $83,720, resulting from a larger portfolio. This was coupled by a $64,841 increase in intergovernmental primarily reflective of decreased donations in FY 2024 associated with the TPCA (Texas Police Chiefs Association) bike race to raise money for Texas fallen police officers.

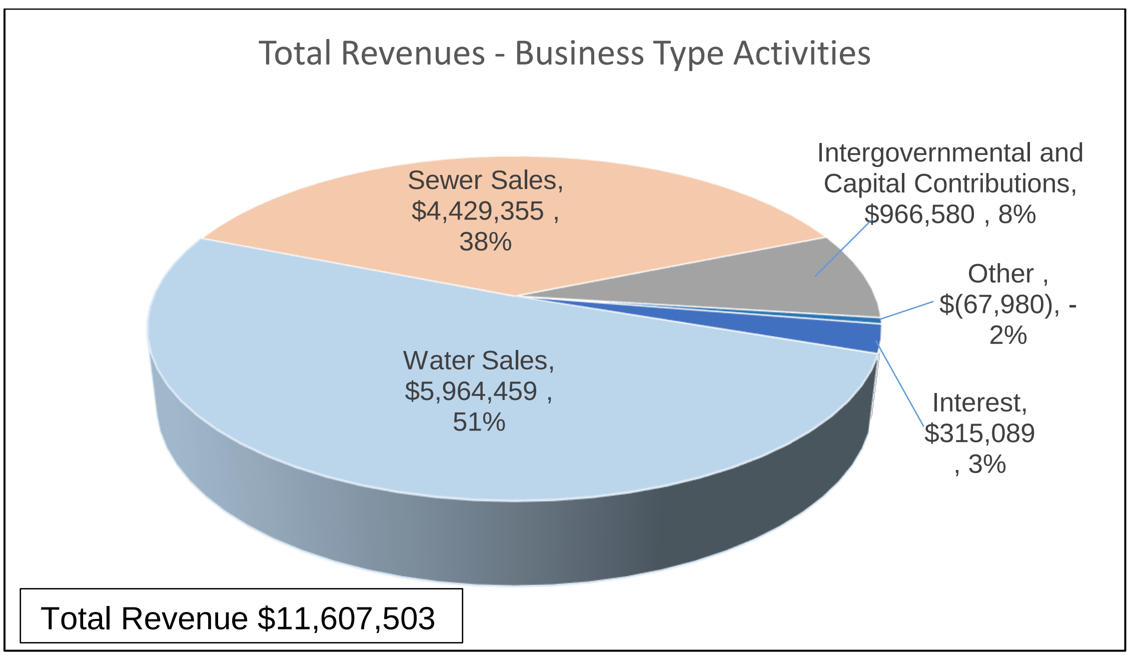
- Combined expenditures of $4,659,987 increased $351,155. The increase is largely related to an increased debt service of $85,810. Also increased are expenditures related to parks and recreation across the Corps Leased Parks Fund ($54,066), and Highland Village Community Development Fund ($107,625). Drainage Utility maintenance increased $98,305 compared to last year.

- Total Other Financing Sources (Uses) reflected a net total of $-46,758 – a net $451 decrease from FY 2023. The Highland Village Community Development Corporation (HVCDC) transfers it's portion of debt service to the Debt Service Fund. The amount of this transfer for FY 2024 is $537,581.

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

Net position in the Enterprise Fund totaled $15,240,569 at the end of the fiscal year 2024, an increase of $1,100,772, or 7.8%. Included in net position is $1,204,329 restricted for capital projects, $564,369 restricted for debt service, and unrestricted net position of $7,448,353. The remaining net position balance of $6,023,518 consists of net investments in capital assets.

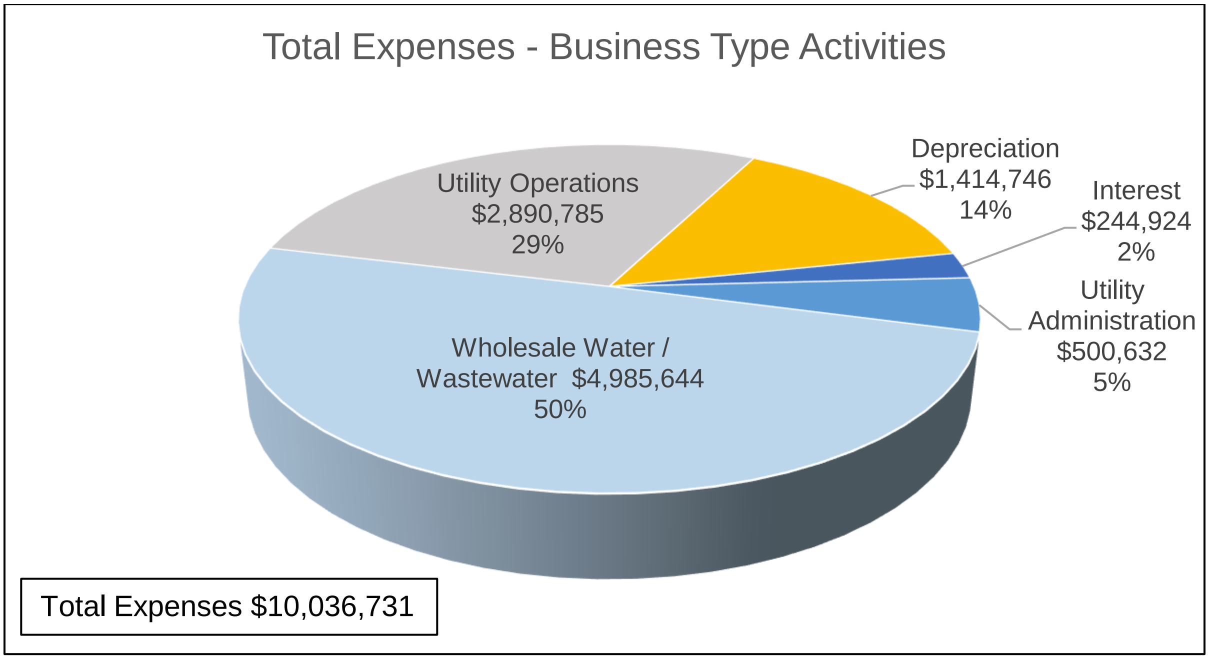
- Utility operating revenues of $10,273,938 reflected a decrease of $431,404 or 4.0%, in FY 2024.
  - Water sales decreased $331,174.
  - Sewer sales decreased $96,218.
  - Other fees increased $47,884.



- Utility operating expenses of $9,791,807 increased $24,641, or 0.2%.
  - Administration expenses increased $17,622 in FY 2024.
  - Maintenance and Operations increased $47,659.
    - Wholesale water / sewer treatment cost increased $222,577.
    - Personnel expenses decreased $173,491.

- Services and supplies decreased $1,426.
  - Engineering increased $35,920.
  - Dues and memberships decreased $29,259.
  - Utilities increased $75,584.
  - Well lot maintenance decreased $85,811 primarily relating rehabilitation of the Lake Vista well in FY 2023
  - Sewer line maintenance decreased $102,602 due to an emergency sewer main line repair in FY 2023.
  - Lift Station maintenance increased $107,864, stemming from pump replacements.

- Depreciation decreased in FY 2024 by $40,640.



GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2023-2024, the City Council of the City of Highland Village amended the budget for the General Fund on two occasions, resulting in an increase in budgeted expenditures of $555,600. The majority of these appropriations relate to actions taken to fund unbudgeted items during the fiscal year.

Staff reviewed each supplemental appropriation throughout the year and determined that revenues provided sufficient reserves to recommend their increase. All budget amendments presented had either offsetting reductions or sufficient available fund balances reserves.

For fiscal year 2023-2024, actual expenditures on a budgetary basis were $22,838,432. This total was less than the original budgeted expenditures of $22,895,149 by $56,717, and $580,717 below the revised budget. The amendment requests approved during the year are summarized following:

- Personnel expenditures increased by a total of $69,000 which consists of increases in City Manager ($27,000), and Parks and Recreation ($42,000). These changes resulted from mid-year adjustments, turnover, personnel changes, insurance coverage elections, etc.

- Services and supplies expenditures increased in total by $250,000 which consists of the following amendments:

    - Community Services – Increased $5,000 resulting from additional plan review services.
    - Finance – Increased $30,000 related to an increased insurance premiums and a deposit of new budget software.
    - Fire – Increased $25,000 related to additional cost for the Joint Training Facility.
    - Information Services – Increased $50,000 due to maintenance software renewals priced higher than anticipated.
    - Streets and Drainage - Increased $140,000 related to contracting additional debris removal service from a windstorm event.
- Capital outlay expenditures increased by $236,600 which include the acquisition of two positron electronic three-while personal patrol vehicle ($31,600), unanticipated purchase of grounds master mower ($80,000), and receipt of dump truck ordered in the previous year ($125,000).

Actual revenue on a budgetary basis was $21,607,961 compared to the original budget of $21,383,373, providing a positive variance of $224,588. Actual tax revenues were $348,199 less than the budget amount from lower than anticipated property tax and sales tax collections. Licenses, permits and fees actual revenues were more than budgeted by $41,910. Investment earnings were $440,788 more than budgeted, reflective of larger portfolios. Charges for services were $66,012 below the budgeted amount primarily related to LISD participation for funding of school resources officers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets, for its governmental and business-type activities as of September 30, 2024, amounted to $73,490,618 (net of accumulated depreciation). This investment in capital assets includes land, building, park facilities, roads, bridges, water and sewer lines, machinery, equipment, and right-to-use assets.

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

Project	**Amount**
2022 Street Improvement Project	$1,864,951
Right to Use 30 Vehicles	1,487,451
Right to Use Body Cameras	711,660
Sandero, Bexar, Victoria, Malibu Waterlines	615,038
Unity Park Renovations & Irrigation	508,227
Edgewood Dr. Sewer Line Replacement	501,331
Brazos & Highland Village Rd Traffic Signal	479,733
Unity Park, Brazos Park, & Tennis Center Improvements	178,169
Street Reconstruction – Highland Shores	102,450
Gayle, Merriman, Oak Cedar Waterline	101,150
Pilot Knoll Park Improvements	95,116
Vac Trailer	90,335
Software Integration – ActiveNet / Ventek	82,400
Workman HD – Kubota Gas	73,664
Toro Groundsmaster 7200	55,718
Replace Force Mains WW Lift Stations 2&7 Water Lines	53,790
Brazos Blvd KCS Railroad Street Reconstruction	45,692
Doubletree Parking Lot Improvement	36,446
SBITA - Budget Software	25,500

TABLE 3

CITY OF HIGHLAND VILLAGE'S CAPITAL ASSETS AT YEAR-END

	2024	2023	2024	2023	2024	2023
Land	$ 17,183,848	$ 17,183,848	$ 75,713	$ 75,713	$ 17,259,561	$ 17,259,561
Land improvements	13,756,731	15,011,139			13,756,731	15,011,139
Buildings and improvements	3,649,533	4,161,147	502,180	574,101	4,151,713	4,735,248
Distribution system			11,052,362	11,482,993	11,052,362	11,482,993
Equipment	1,817,582	2,249,515	587,683	603,875	2,405,265	2,853,390
Infrastructure	16,462,407	16,046,457	6,759	7,374	16,469,166	16,053,831
Intagibles	97,376	-	-	-	97,376	-
Right to use equipment	2,271,636	923,001	329,722	52,066	2,601,358	975,067
Right to use building	330,442	345,405			330,442	345,405
SBITA	285,313	398,075	669,892	758,101	955,205	1,156,176
Construction in progress	2,767,992	950,821	1,643,447	978,608	4,411,439	1,929,429
Total capital assets	$ 58,622,860	$ 57,269,408	$ 14,867,758	$ 14,532,831	$ 73,490,618	$ 71,802,239

Additional information on the City's capital assets can be found in Note E on pages 41-42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonds outstanding of $37,405,000. Of this amount, $30,215,000 is tax-supported debt. The remainder of the City of Highland Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

TABLE 4

CITY OF HIGHLAND VILLAGE'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
General obligations	$ 13,520,000	$ 15,110,000	$ 4,795,000	$ 5,475,000	$ 18,315,000	$ 20,585,000
Combination tax and revenue certificates of obligation	13,890,000	14,055,000	2,395,000	2,465,000	16,285,000	16,520,000
Tax notes	2,805,000	-	-	-	2,805,000	-
	$ 30,215,000	$ 29,165,000	$ 7,190,000	$ 7,940,000	$ 37,405,000	$ 37,105,000

The City's total debt increased by $300,000 during the current fiscal year. A key factor in this increase is the issuance of Tax Notes of $2,805,000, netted with debt payments of $2,505,000.

The City's tax supported debt is rated "AAA" by Standards & Poor's. The current ratio of tax-supported debt to assessed value of all taxable property is 1.18 percent.

Additional information on the City's outstanding debt can be found in Note G and H on page 43-46 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2024-2025 budget was adopted by ordinance on September 17, 2024. The following summarizes the significant factors that were considered in adopting the budget.

- General fund revenues are budgeted to increase by 7.2% over the FY 2024 budget with property taxes making up 63% of the general fund budgeted revenues. The property tax taxable values increased by 5.9%, prompting a tax rate reduction to remain within revenue cap constraints. Accordingly, the Council approved a tax rate of $.500273 per $100 valuation, reduced from the previous $0.501394 tax rate. The updated tax rate comprises $0.424733 apportioned to maintenance and operation expenses and $0.075540 apportioned to pay interest and principal maturities on outstanding debt. Sales tax represents 18% of the budget general fund revenues. Sales tax collections are expected to increase 6.8% over the FY 2023 budgeted amount.

- General fund expenditures are budgeted to increase by 8.2% over the FY 2024 original budget.

  - Personnel expenditures represent 67% of budgeted general fund expenditures. The proposed total increase in personnel is $1,084,828 or 7% over FY 2024. The majority of this increase, $778,856, is related to an overall 6% salary increase. Two supplemental requests were approved:
    - Add one additional Paramedic position in addition to converting two existing positions with 84 hour bi-weekly shift to the traditional 2756 hour shift costing $129,345.
    - Add one part-time position in Recreation to assist with Senior All-Star programming, registrations, tours, classes, and pickleball programming.
  - Base salaries will experience a $71,464 increase resulting from turnover of tenured employees.
  - Health insurance premiums are expected to increase by $10,068.

- Supplies and services expenditures represent 30% of the budgeted general fund expenditures. Expenditures in this category are expected to increase by $131,697 or 1.8% from FY 2024.
  - Professional Services will increase $208,234 – largely attributed to a supplemental request of $22,000 to facilitate enhancement of the City's rating with the National Floodplain Insurance Program Community Rating System. Also included is procurement of service to reorganize and update Zoning Ordinance as need to address various interpretation issues and definitions with an estimated cost of $100,000. A facilities assessment, completed in FY 2024, identified significant levels of distress with interior building finishes and suggested floor slab movement. A deeper analysis by a structural engineer is recommended with an estimated cost of $70,000.
  - Supplies and equipment provide for a $33,013 decrease, stemming primarily from previous year's appropriation for Police addition of replacement body armor ($76,000) and Parks ($50,000) to convert tennis courts at Unity Park to Pickleball. Current year's appropriation includes planned roof replacements for Parks and Public Work facilities of $109,000.
  - Other expenditures provide for a decrease of $58,213. The significant factors for this decrease include:
    - Decreased replacements schedule for the vehicle lease program ($46,675) and a decrease in data processing resulting from last year including integration project for recreation software ($119,000).
    - Increases for recreation program Concerts in the Park of $17,500 and various upgrades to the Animal Shelter totaling $25,404.

- Capital outlay expenditures represent 3.3% of the budgeted general fund expenditures. Capital expenditures are budgeted at $823,100 - a $664,100 increase from the FY 2024 original budget. This is comprised of replacement of a generator at City Hall ($500,000), Parks Department field drag ($31,500), Fire Department RTV replacement ($25,000), and a Street Department sander ($21,000). Supplemental requests totaling $245,600 include a Police personal patrol vehicle ($16,000), Maintenance – emergency generator ($115,000), Parks – robotic mower ($11,000), larger water line / meter for Unity Park ($20,100), enhancements to the Unity Park pickle ball courts ($65,000) and an upgrade to the field drag replacement for a ballfield groomer (additional cost of $18,500).

- The water sales are budgeted at $6,187,489, representing an increase of 7% from the budget for FY 2024. Projections are based on normalized usage determined by the past several years history – applied to the projected home count. Wastewater sales are budgeted at $4,484,370, representing a 1.6% decrease from FY 2024.

- Water and wastewater expenses are budgeted at $10,025,808 representing a $644,535 or 6.9 % increase compared to FY 2024 budget. Various elements accounted for the increase:

  - Engineering for MCC replacements in three lift stations ($70,000) and engineering services for the first of a five-year sanitary sewer overflow initiative to address Collections, Management, and Operations Maintenance requirements ($40,000).
  - UTRWD Charges (Volume / Demand costs for purchase of wholesale water and processing of sanitary sewer) decreased by $65,066.
  - Personnel decreased $1,726 resulting from the 6% overall salary increases, offset by decreased health insurance premiums.
  - Utilities increased $49,760.
  - System maintenance increased $575,423, primarily for water storage tank painting ($353,000) and the propose acquisition of a camera to perform water line condition inspections ($116,000).
  - Capital decreased $30,000. The purchase of a compact hydraulic excavator ($84,000) was appropriated in the FY 2025 budget.

Information on commitments and contingencies is detailed in Note K on pages 53 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Highland Village, Finance Department, 1000 Highland Village Road, Highland Village, TX, 75077.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC
FINANCIAL STATEMENTS

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 30,645,254	$ 6,559,526	$ 37,204,780
Receivables (net of allowances for uncollectibles)			
Taxes	1,520,766	-	1,520,766
Accounts	300,636	1,947,812	2,248,448
Leases	2,655,148	-	2,655,148
Other	57,229	4,557	61,786
Due from other governments	2,697	-	2,697
Inventories and prepaid items	46,623	310,530	357,153
Restricted cash and investments:			
Reserved bond debt service	-	564,369	564,369
Construction	-	1,204,329	1,204,329
Customer deposits	-	90,770	90,770
Capital assets:			
Nondepreciable	19,951,840	1,719,160	21,671,000
Depreciable, net	38,671,020	13,148,598	51,819,618
Total capital assets	58,622,860	14,867,758	73,490,618
Total assets	93,851,213	25,549,651	119,400,864
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	147,978	36,447	184,425
Related to pensions	2,306,710	260,580	2,567,290
Related to OPEB	65,835	7,437	73,272
Total deferred outflows of resources	2,520,523	304,464	2,824,987

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	$ 1,597,777	$ 802,832	$ 2,400,609
Accrued liabilities	630,677	113,103	743,780
Retainage payable	138,903	50,360	189,263
Unearned revenue	84,947	-	84,947
Accrued interest	115,388	47,247	162,635
Customer deposits	-	90,770	90,770
Noncurrent liabilities:			
Due within one year:			
Long-term debt	3,944,800	1,081,728	5,026,528
Total OPEB liability	11,533	1,171	12,704
Due in more than one year:			
Arbitrage liability	678,477	-	678,477
Long-term debt	32,957,899	7,777,522	40,735,421
Net pension liability	4,792,054	541,339	5,333,393
Total OPEB liability	341,959	38,762	380,721
Total liabilities	45,294,414	10,544,834	55,839,248
DEFERRED INFLOWS OF RESOURCES			
Related to leases	2,513,847	-	2,513,847
Deferred gain on refunding	-	8,675	8,675
Related to pensions	371,861	42,008	413,869
Related to OPEB	159,601	18,029	177,630
Total deferred inflows of resources	3,045,309	68,712	3,114,021
NET POSITION			
Net investment in capital assets	37,418,194	6,023,518	43,441,712
Restricted for:			
Debt service	29,451	564,369	593,820
Community development	2,007,661	-	2,007,661
Public safety	148,771	-	148,771
Utility drainage	122,977	-	122,977
Public broadcasting	178,995	-	178,995
Capital projects	-	1,204,329	1,204,329
Park development and maintenance	1,177,078	-	1,177,078
Unrestricted	6,948,886	7,448,353	14,397,239
Total net position	$ 48,032,013	$ 15,240,569	$ 63,272,582

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 6,243,098	$ 364,950	$ 4,933	$ 132,247
Public safety	10,093,477	730,751	109,906	-
Community services	423,751	312,711	-	-
Streets and drainage	3,997,479	514,692	-	-
Parks and recreation	5,613,243	853,547	-	-
Interest on long-term debt	874,264	-	-	-
Total governmental activities	27,245,312	2,776,651	114,839	132,247
Business-type activities:				
Water and wastewater	9,994,342	10,273,938	966,580	9,507
Total business-type activities	9,994,342	10,273,938	966,580	9,507
Total primary government	$ 37,239,654	$ 13,050,589	$ 1,081,419	$ 141,754

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Franchise
Sales
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (5,740,968)	$ -	$ (5,740,968)
(9,252,820)	-	(9,252,820)
(111,040)	-	(111,040)
(3,482,787)	-	(3,482,787)
(4,759,696)	-	(4,759,696)
(874,264)	-	(874,264)
(24,221,575)	-	(24,221,575)
-	1,255,683	1,255,683
-	1,255,683	1,255,683
(24,221,575)	1,255,683	(22,965,892)
13,726,279	-	13,726,279
2,143,035	-	2,143,035
1,563,746	-	1,563,746
5,622,168	-	5,622,168
1,307,651	315,089	1,622,740
107,560	-	107,560
470,000	(470,000)	-
24,940,439	(154,911)	24,785,528
718,864	1,100,772	1,819,636
47,313,149	14,139,797	61,452,946
$ 48,032,013	$ 15,240,569	$ 63,272,582

CITY OF HIGHLAND VILLAGE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	General	Capital Projects
ASSETS		
Cash and investments	$ 11,751,980	$ 15,069,695
Receivables, net		
Taxes	1,205,344	-
Accounts	300,636	-
Leases	2,655,148	-
Other	-	40,539
Due from other governments	-	-
Prepaid items	25,746	-
Inventories	20,877	-
Total assets	15,959,731	15,110,234
LIABILITIES		
Accounts payable	807,733	622,001
Accrued liabilities	585,967	-
Unearned revenue	10,641	-
Total liabilities	1,404,341	622,001
DEFERRED INFLOWS OF RESOURCES		
Related to leases	2,513,847	-
Unavailable revenue:		
Property taxes	178,725	-
Municipal court fines	55,430	-
Ambulance	160,346	-
Grants	-	-
Total deferred inflows of resources	2,908,348	-
FUND BALANCES		
Nonspendable:		
Prepaid items	25,746	-
Inventories	20,877	-
Restricted for:		
Debt service	-	-
Public parks, recreation, and related projects	-	-
Public safety - law enforcement operations	-	-
Utility drainage operations	-	-
Capital projects	-	14,488,233
Public broadcasting	-	-
Park development and maintenance	-	-
Committed - park development and maintenance	-	-
Assigned for:		
Subsequent year's budget - appropriation of fund balance	1,138,908	-
City manager- professional services	52	-
Finance - professional services	58,988	-
Information services - professional services	44,644	-
Public safety - police - services and supplies	37,584	-
Public safety - fire - services and supplies	699,627	-
Streets - maintenance and professional services	223,403	-
Maintenance - fleet and building maintenance	7,906	-
Parks - maintenance and supplies	5,712	-
Recreation - services	45,530	-
Unassigned	9,338,065	-
Total fund balances	11,647,042	14,488,233
Total liabilities, deferred inflows of resources, and fund balances	$ 15,959,731	$ 15,110,234

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

Other Governmental	Total Governmental Funds
$ 3,823,579	$ 30,645,254
315,422	1,520,766
-	300,636
-	2,655,148
16,690	57,229
2,697	2,697
-	25,746
-	20,877
4,158,388	35,228,353
168,043	1,597,777
44,710	630,677
74,306	84,947
287,059	2,313,401
-	2,513,847
29,546	208,271
-	55,430
-	160,346
-	-
29,546	2,937,894
-	25,746
-	20,877
115,293	115,293
2,007,661	2,007,661
148,771	148,771
122,977	122,977
-	14,488,233
178,995	178,995
1,177,078	1,177,078
91,008	91,008
-	1,138,908
-	52
-	58,988
-	44,644
-	37,584
-	699,627
-	223,403
-	7,906
-	5,712
-	45,530
-	9,338,065
3,841,783	29,977,058
$ 4,158,388	$ 35,228,353

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HIGHLAND VILLAGE, TEXAS

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

SEPTEMBER 30, 2024

Total fund balance, governmental funds		$ 29,977,058
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		58,622,860
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		
Property taxes	$ 208,271	
Ambulance fees	160,346	
Court fines	55,430	
		424,047
Long-term liabilities, including bonds and tax notes payable, are not due and payable in the current period and are therefore not reported in the funds. Also, the loss on refunding of bonds and premium on issuance of bonds are not included in the funds. The details of these differences are as follows:		
Bonds payable	(27,410,000)	
Tax notes	(2,805,000)	
Leases	(2,533,468)	
SBITA's	(238,076)	
Deferred amount on refunding	147,978	
Issuance premium	(2,655,251)	
Retainage payable	(138,903)	
Arbitrage	(678,477)	
Accrued interest	(115,388)	
Compensated absences	(1,260,904)	
		(37,687,489)
Included in the items related to long-term liabilities is the recognition of the City's net pension liability and deferred outflow and inflow of resources related to pensions.		
Deferred outflow related to pensions	2,306,710	
Deferred inflow related to pensions	(371,861)	
Deferred outflow related to post employment benefits	65,835	
Deferred inflow related to post employment benefits	(159,601)	
Total OPEB liability	(353,492)	
Net pension liability	(4,792,054)	
		(3,304,463)
Net position of governmental activities in the statement of net position		$ 48,032,013

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

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Capital Projects
REVENUES		
Taxes	$ 19,050,626	$ -
Fines and forfeitures	147,984	-
Licenses, permits and fees	726,531	-
Intergovernmental	4,933	421,041
Charges for services	682,379	-
Investment earnings	887,948	744,719
Miscellaneous	107,560	-
Total revenues	21,607,961	1,165,760
EXPENDITURES		
Current:		
General government:		
City manager	591,655	-
Finance	1,487,071	-
Marketing and communication	482,932	-
Human resources	489,863	-
City secretary	430,202	-
Maintenance	1,281,965	-
Information services	1,241,128	-
Public safety:		
Police	5,767,173	-
Fire	3,675,989	-
Community services	409,500	-
Streets and drainage	1,403,733	631,338
Parks and recreation	2,784,271	-
Debt service:		
Principal	577,747	-
Interest and other	75,609	46,411
Capital outlay	2,139,594	3,231,791
Total expenditures	22,838,432	3,909,540
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,230,471)	(2,743,780)
OTHER FINANCING SOURCES (USES)		
Transfers in	532,758	-
Transfers out	(16,000)	-
Issuance of bonds	-	2,805,000
Issuance of leases	1,733,396	-
Issuance of SBITA's	25,500	-
Sale of capital assets	179,220	-
Total other financing sources and uses	2,454,874	2,805,000
NET CHANGE IN FUND BALANCES	1,224,403	61,220
FUND BALANCES, BEGINNING	10,422,639	14,427,013
FUND BALANCES, ENDING	$ 11,647,042	$ 14,488,233

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

Other Governmental	Total Governmental Funds
$ 3,940,941	$ 22,991,567
-	147,984
1,182,607	1,909,138
109,906	535,880
-	682,379
174,924	1,807,591
-	107,560
5,408,378	28,182,099
-	591,655
14,471	1,501,542
-	482,932
-	489,863
-	430,202
-	1,281,965
-	1,241,128
53,847	5,821,020
2,541	3,678,530
-	409,500
640,821	2,675,892
1,191,297	3,975,568
1,755,000	2,332,747
960,711	1,082,731
41,299	5,412,684
4,659,987	31,407,959
748,391	(3,225,860)
555,165	1,087,923
(601,923)	(617,923)
-	2,805,000
-	1,733,396
-	25,500
-	179,220
(46,758)	5,213,116
701,633	1,987,256
3,140,150	27,989,802
$ 3,841,783	$ 29,977,058

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HIGHLAND VILLAGE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net change in fund balances - total governmental funds:		$ 1,987,256
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 the assets' estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	$ 5,518,296	
Retainage	(117,740)	
Depreciation expense	(4,060,505)	
		1,340,051
In the statements of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed.		(104,339)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:		
Property taxes	63,661	
Ambulance fees	21,479	
Court fines	15,671	
Grants	(288,794)	
Arbitrage	(499,940)	
		(687,923)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while issuing debt increases long-term liabilities in the statement of net position. The repayment of the principal portion of bonds, leases and tax notes is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Issuance of tax notes	(2,805,000)	
Issuance of leases	(1,733,396)	
Issuance of SBITA's	(25,500)	
Payments on bonds	1,755,000	
Payments on leases	438,820	
Payments on SBITA's	138,927	
		(2,231,149)
Certain pension and other postemployment benefits expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City’s unrecognized deferred resource outflows and inflows related to the pension and other post employment benefits liability were amortized.		138,116
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	68,385	
Accrued interest	8,897	
Amortization of deferred loss of refunding bonds	(14,555)	
Amortization of premium on bond issuances	214,125	
		276,852
Change in net position of governmental activities		$ 718,864

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

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2024
(With Comparative Totals as of September 30, 2023)

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,559,526	$ 6,673,358
Accounts receivable, net	1,947,812	2,090,298
Other receivables	4,557	4,557
Inventories	305,965	233,173
Prepaid items	4,565	4,565
Restricted cash and investments:		
Reserve bond debt service	564,369	567,777
Capital improvements	-	763,639
Construction	1,204,329	1,279,340
Customer deposits	90,770	94,820
Total current assets	10,681,893	11,711,527
Non-current assets:		
Capital assets:		
Nondepreciable capital assets	1,719,160	1,054,321
Depreciable capital assets, net of accumulated depreciation	13,148,598	13,478,510
Total capital assets	14,867,758	14,532,831
Total non-current assets	14,867,758	14,532,831
Total assets	25,549,651	26,244,358
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	36,447	51,041
Related to pensions	260,580	521,608
Related to other postemployment benefits	7,437	9,604
Total deferred outflows of resources	304,464	582,253

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2024
(With Comparative Totals as of September 30, 2023)

	2024	2023
LIABILITIES		
Current liabilities:		
Accounts payable	$ 802,832	$ 974,659
Accrued expenses	113,103	103,374
Accrued interest	47,247	41,223
Retainage payable	50,360	19,821
Customer deposits	90,770	94,820
Unearned revenue	-	966,580
Current portion of long-term debt	1,081,728	959,069
Total OPEB Liability	1,171	973
Total current liabilities	2,187,211	3,160,519
Noncurrent liabilities:		
Net pension liability	541,339	876,589
Total OPEB liability	38,762	38,058
Noncurrent portion of long-term debt	7,777,522	8,566,438
Total noncurrent liabilities	8,357,623	9,481,085
Total liabilities	10,544,834	12,641,604
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	8,675	10,639
Related to pensions	42,008	10,235
Related to other postemployment benefits	18,029	24,336
Total deferred inflows of resources	68,712	45,210
NET POSITION		
Net investment in capital assets	6,023,518	5,954,072
Restricted for debt service	564,369	567,777
Restricted for capital projects	1,204,329	1,279,340
Unrestricted	7,448,353	6,338,608
Total net position	$ 15,240,569	$ 14,139,797

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024
(With Comparative Totals For the Year Ended September 30, 2023)

	2024	2023
REVENUES		
Charges for services	$ 10,273,938	$ 10,705,342
Total operating revenues	10,273,938	10,705,342
OPERATING EXPENSES		
Administration	500,632	483,010
Maintenance and operations	7,876,429	7,828,770
Depreciation	1,414,746	1,455,386
Total operating expenses	9,791,807	9,767,166
OPERATING INCOME (LOSS)	482,131	938,176
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	315,089	362,311
Gain on disposal of capital assets	42,389	14,755
Intergovernmental grant revenue	966,580	1,624,016
Interest expense	(244,924)	(245,081)
Total non-operating revenues (expenses)	1,079,134	1,756,001
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,561,265	2,694,177
Capital contributions - impact fees	9,507	80,830
Transfers out	(470,000)	(470,000)
CHANGE IN NET POSITION	1,100,772	2,305,007
TOTAL NET POSITION, BEGINNING	14,139,797	11,834,790
TOTAL NET POSITION, ENDING	$ 15,240,569	$ 14,139,797

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

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024
(With Comparative Totals For the Year Ended September 30, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 10,412,374	$ 10,381,158
Cash paid to suppliers for goods and services	(7,175,708)	(6,942,917)
Cash paid to employees for services	(1,498,367)	(1,347,359)
Net cash provided by operating activities	1,738,299	2,090,882
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(470,000)	(470,000)
Net cash provided (used) by noncapital financing activities	(470,000)	(470,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	42,389	14,755
Acquisition and construction of capital assets	(1,418,589)	(729,875)
Principal paid on bonds	(750,000)	(735,000)
Principal paid on leases	(48,918)	-
Principal paid on SBITA's	(83,411)	(89,619)
Capital contributions	9,507	80,830
Interest and other charges paid on debt	(294,306)	(297,215)
Net cash provided (used) by capital and related financing activities	(2,543,328)	(1,756,124)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	315,089	362,311
Net cash provided by investing activities	315,089	362,311
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(959,940)	227,069
CASH AND CASH EQUIVALENTS, BEGINNING	9,378,934	9,151,865
CASH AND CASH EQUIVALENTS, ENDING	$ 8,418,994	$ 9,378,934
(Including $6,559,526 and $1,859,468 reported as restricted cash and investments)		

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024
(With Comparative Totals For the Year Ended September 30, 2023)

	2024	2023
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 482,131	$ 938,176
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,414,746	1,455,386
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	142,486	(313,659)
Other receivables	-	-
Inventories	(72,792)	11,464
Deferred outflow related to pensions	261,028	(383,789)
Deferred outflow related to OPEB	2,167	2,494
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	(171,827)	(88,573)
Accrued liabilities	9,729	22
Customer deposits	(4,050)	(10,525)
Compensated absences	(16,437)	13,521
Other post employment benefits	902	(18,464)
Net pension liability	(335,250)	798,128
Deferred inflow related to pensions	31,773	(332,535)
Deferred inflow related to OPEB	(6,307)	19,236
Net cash provided by operating activities	$ 1,738,299	$ 2,090,882
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Equipment acquired through leases	$ 300,545	$ 51,922
Software acquired through SBITA's	-	846,310

THIS PAGE LEFT BLANK INTENTIONALLY

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Highland Village adopted a Home Rule Charter in April 1985 and operates under a Council-Manager form of government. All powers of the City are vested in an elected Council, which enacts local legislation, adopts budgets, determines policies and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of seven members, a mayor and six Councilpersons elected by the City's residents.

The City's Annual Comprehensive Financial Report presents the financial position, changes in financial position and cash flows where applicable of the City. The reporting entity is the primary government and those component units for which the primary government is financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

City of Highland Village voters, in November 2004, approved, in a special election, the creation of the Highland Village Community Development Corporation. The Corporation was formed for the purpose of funding public parks, recreation, and projects from revenues derived from a one-half cent sales tax within the City of Highland Village. The City Council appoints a board and board members are removable by the City Council, for cause or at will. Four out of seven board members are on City Council. In the event of dissolution title of all the assets transfer to the City. The operational responsibility of the Community Development Corporation is managed essentially the same manner as other City programs and activities. The Community Development Corporation is reported as a Special Revenue Fund. Financial statement information can be obtained by contacting the Highland Village Community Development Corporation, 1000 Highland Village Rd., Highland Village, Texas 75077.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of 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 relating to compensated absences and claims and judgments, are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – is the operating fund of the City. It is utilized to account for all financial resources except those required to be accounted for in other funds.

Capital Projects Fund – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

The City reports the following major proprietary fund:

Enterprise – Water and Wastewater Fund – is used to account for the water and wastewater operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include administration, maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Cash and Investments

For the purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less.

Investments in government pools are recorded at amortized cost. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current traction between willing parties.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

Receivables and Payables

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

All trade receivables are shown net of allowance for uncollectible accounts based on an analysis of historical trends.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is 60 days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

Unbilled Services

Utility operating revenues (water, sewer and refuse collection) are billed on monthly cycles. Customers are billed for periods ending the 15th of each month on the last day of the month. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

Restricted Assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "reserve bond debt service" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments. The "construction funds" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

Impact fees collected from developers to cover, in whole or in part, the anticipated costs of improvements that will be necessary as a result of the development are set aside in the "capital improvements" account.

Deposits collected from utility customers are set aside until repayment.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets within an initial, individual cost threshold by asset class and an estimated useful life in excess of four years. Such assets are recorded at historical cost or an estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation expense is calculated principally on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives and capitalization thresholds of capital asset classes are as follows:

Capital Asset Class	Capitalization Threshold	Useful Life (Years)
Land	$ 50,000	Indefinite
Infrastructure	250,000	20
Buildings and Improvements	100,000	30
Land Improvements	50,000	20
Machinery and equipment	5,000	5 - 10
Intangibles	5,000	5 - 10
Right to use equipment	5,000	5 - 10
Right to use building	5,000	30
Right to use software	5,000	2 - 5

Accrued Vacation

It is the City's policy to grant employees vacation leave earned at the rate of 10 days a year for at least one but less than 5 years continuous service, 15 days for at least 5 but less than 10 years continuous service, and 20 days for at least 10 years continuous service. Upon termination, the employee shall be paid at the hourly rate of pay such employee was earning on the effective date of termination.

The City also grants employees sick leave earned at the rate of 12 days a year. Upon termination, employees are paid for one-half of the actual number of days earned up to a maximum of 45 days. Obligations under compensated absence arrangements are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City utilizes the last-in first-out method of recognizing the use of compensated absences. Thus, unless it is anticipated that compensated absences of governmental fund types will be used/paid in excess of a normal year's accumulation, no amount is classified as current.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Leases

The City has entered into various lease agreements as either lessee and lessor. 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, if available. 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.

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

Lessee. The City is a lessee for noncancellable leases of equipment and buildings. The City recognizes a lease liability and an intangible 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. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor. The City is a lessor in an arrangement allowing the placement of cellular towers on City property. In both the government-wide financial statements and the governmental fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

Subscription-Based Information Technology Arrangements

The City is a lessee for subscription-based IT arrangements (SBITAs). The City recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

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

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

- The agreement term includes the noncancellable period of the SBITA.

- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long- term debt on the statement of net position.

Pensions

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 TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

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

Deferred Outflows/Inflows of Resources

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the pension and other post-employment benefit liability – these effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, municipal court fines, ambulance, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has several types of these items that are recorded under the full accrual basis of accounting as followed:

- Deferred loss on refunding – This results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

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

- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by Ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of debt related to capital assets and accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

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

Comparative Data and Reclassifications

Comparative total data for the prior year is presented only for the Enterprise Fund in the fund financial statements in order to provide an understanding of changes in the financial position and operations of this fund. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits and investments are made in accordance with the provisions of the bank depository agreement or in any negotiable instrument the Council has authorized under the City's approved investment policy and the provisions of the Public Funds Investment Act of 1987, as amended.

Investments held at year-end are as follows:

	Carrying Value	Weighted Average Maturity (Days)
TexPool	$ 7,976,889	26
TexStar	5,800,056	24
Total investments	$ 13,776,945	

Cash and investments are reported as restricted assets as required by debt issues and City ordinance. The monies in government investment pools represent investments in TexPool and TexStar, investment pools for state and local governments in Texas. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

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 "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), and TexPool, through which political subdivisions and other entities may invest public funds.

J.P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J.P. Morgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

TexPool and TexStar have 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.

Both TexPool and TexStar are rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investments are with TexPool and TexStar with maturities of less than one year.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All investment pools' policies require a rating of AA or better from a nationally recognized rating agency.

Concentration of Credit Risk. The City's investments are issued or explicitly guaranteed by external investment pools, which are not considered to provide a concentration of credit risk.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times. The City's cash deposits in the bank on September 30, 2024, were covered by federal depository insurance or by collateral held by the City's agent in the City's name.

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor governmental funds, including the applicable allowance for estimated uncollectible accounts, are as follows:

	General	Capital Projects	Nonmajor Governmental	Enterprise	Total
Receivables:					
Taxes	$1,205,344	$ -	$ 315,422	$ -	$1,520,766
Accounts	965,535	-	-	1,373,644	2,339,179
Unbilled accounts	-	-	-	611,295	611,295
Leases	2,655,148		-	-	2,655,148
Other	-	40,539	16,690	4,557	61,786
Gross receivables	4,826,027	40,539	332,112	1,989,496	7,188,174
Less: allowance for uncollectibles	(664,899)	-	-	(37,127)	(702,026)
Net total receivables	$4,161,128	$ 40,539	$ 332,112	$1,952,369	$6,486,148

Lease Receivable

In prior years, the City entered into multiple leases as lessor for the placement of cellular antennas on City property and use of City land by multiple telecommunications company. The lessees are required to make annual payments ranging from $35,160 to $42,084 for the antenna facilities, and monthly payments ranging from $2,000 to $2,281 for the use of land.

A summary of the City's lease receivables as of September 30, 2024, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Receivable	Interest Current Year	Reductions Current Year	Amounts Receivable 9/30/24
Right to Use:						
Antenna facilities	.74%-.99%	2007	$ 479,598	$ 3,653	$ 71,765	$ 268,618
Land	1.24%-1.74%	2018	2,516,813	41,215	48,279	2,386,530
Totals				$ 44,868	$ 120,044	$ 2,655,148

C. Unearned Revenue

Unearned revenue generally relates to cash received in advance of performance obligations being completed by the City. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

General fund:	
Franchise taxes	$ 6,292
Park fees	4,349
Total general fund	10,641
Nonmajor governmental fund:	
Parks fees	74,306
Total nonmajor governmental fund	74,306
Total governmental funds	$ 84,947

D. Interfund Transfers

The following is a summary of transfers for the current fiscal year:

	Transfers in		
Transfers out	General	Nonmajor Governmental	Total
General	$ -	$ 16,000	$ 16,000
Nonmajor governmental	62,758	539,165	601,923
Water and wastewater	470,000	-	470,000
	$ 532,758	$ 555,165	$ 1,087,923

The purpose of transfers is as follows:

- The transfer to non-major governmental funds was for a drainage fee associated with impermeable square footage of public buildings.
- The transfer from the Nonmajor Governmental Fund to the Debt Service Fund is a for debt service payments made on behalf of the HVCDC.
- The transfer from Nonmajor Governmental Fund to the General Fund is for support services.
- The transfer from the Water and Wastewater Fund to the General Fund represents a payment in lieu of taxes.

E. Capital Assets

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

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 17,183,848	$ -	$ -	$ 17,183,848
Construction in progress	950,821	3,337,649	(1,520,478)	2,767,992
Total assets not being depreciated	18,134,669	3,337,649	(1,520,478)	19,951,840
Capital assets, being depreciated:				
Land improvements	28,814,292	-	37,016	28,851,308
Buildings and improvements	16,109,709	-		16,109,709
Equipment	10,494,531	191,392	(421,018)	10,264,905
Infrastructure	45,891,490	-	1,483,462	47,374,952
Intangibles	537,690	100,489	-	638,179
Right to use equipment	1,109,818	1,863,266	(105,431)	2,867,653
Right to use building	365,356	-	-	365,356
SBITA	513,893	25,500	-	539,393
Total capital assets being depreciated	103,836,779	2,180,647	994,029	107,011,455
Less accumulated depreciation:				
Land improvements	13,803,153	1,291,424	-	15,094,577
Buildings and improvements	11,948,562	511,614	-	12,460,176
Equipment	8,245,016	583,008	(380,701)	8,447,323
Infrastructure	29,845,033	1,067,512	-	30,912,545
Intangibles	537,690	3,113	-	540,803
Right to use equipment	186,817	450,609	(41,409)	596,017
Right to use building	19,951	14,963	-	34,914
SBITA	115,818	138,262	-	254,080
Total accumulated depreciation	64,702,040	4,060,505	(422,110)	68,340,435
Total capital assets being depreciated, net	39,134,739	(1,879,858)	1,416,139	38,671,020
Governmental activities capital assets, net	$ 57,269,408	$ 1,457,791	$ (104,339)	$ 58,622,860

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 75,713	$ -	$ -	$ 75,713
Construction in progress	978,608	1,307,859	(643,020)	1,643,447
Total assets not being depreciated	1,054,321	1,307,859	(643,020)	1,719,160
Capital assets, being depreciated:				
Buildings	1,469,618	-	-	1,469,618
Improvements other than buildings	37,332,546	-	643,020	37,975,566
Equipment	2,286,594	112,497	(112,520)	2,286,571
Infrastructure	617,553	-	-	617,553
Intangibles	81,737	-	-	81,737
Right to use equipment	52,174	335,845	-	388,019
SBITA	846,310	-	-	846,310
Total capital assets being depreciated	42,686,532	448,342	530,500	43,665,374
Less accumulated depreciation:				
Buildings	895,517	71,921	-	967,438
Improvements other than buildings	25,849,553	1,073,651	-	26,923,204
Equipment	1,682,719	122,161	(105,992)	1,698,888
Infrastructure	610,179	615	-	610,794
Intangibles	81,737	-	-	81,737
Right to use equipment	108	58,189	-	58,297
SBITA	88,209	88,209	-	176,418
Total accumulated depreciation	29,208,022	1,414,746	(105,992)	30,516,776
Total capital assets being depreciated, net	13,478,510	(966,404)	636,492	13,148,598
Business-type activities assets, net	$ 14,532,831	$ 341,455	$ (6,528)	$ 14,867,758

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
City Manager	$ 993
Finance/Court	44,378
Human Resources	14,975
City Secretary	2,839
Information Services	91,057
Marketing and Communications	27,915
Police	377,049
Fire	428,186
Community Services	19,001
Streets and Drainage	1,221,457
Maintenance	61,206
Utility Drainage	106,515
Park and recreation	1,664,934
Total depreciation expense - governmental activities	$ 4,060,505
Business-type activities:	
Water and wastewater	$ 1,414,746
Total depreciation expense - business-type activities	$ 1,414,746

F. **Construction Commitments**

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

Projects	Spent to Date	Remaining Commitment
Governmental activities:		
Street Reconstruction Highland Shores Blvd	$ 172,400	$ 603,000
2022 Street Improvements Phase II	993,234	31,621
Highland Shores Crosswalk	25,100	400
Brazos / Highland Village Rd Signal	517,318	2,214
Quail Cove / Walmart Detention / Retension	46,120	12,680
Highland Village Rd Reconstruction	79,600	147,900
Unity Park Detention / Retention	42,565	5,685
Pilot Knoll Improvements	134,691	166,795
Highland Shores Blvd Asphalt Overlay	653,528	62,764
Unity Park, Brazos Park, Tennis Center Improvements	178,169	10,331
Village Park Fishing Pier, Playground & Trail Connect	13,920	41,653
Unity Park Renovations & Irrigation	508,227	80,138
Business-type activities:		
12" Water Line Northwest of City	$ 101,341	$ 42,020
Lake Vista Well Lot and Facilities	161,224	44,876
Wastewater System Restoration Slope Protection	49,040	24,515
Sandero, Bexar, Victoria, Malibu, Wtr Lns	1,108,562	6,725
Replace Force Mains WW Lift Stations 2 & 7	108,160	978,160
Gayle, Merriman, Oat Cedar Waterline	101,150	60,850
Brooks Ct & Pilot Knoll Park Waterlines	13,970	403,030
Oat St Ground Storage Tank Repainting	-	158,328

G. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are payable and pledged from the levy and collection of a direct and continuing annual ad valorem tax. General obligation bonds currently outstanding are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
GO refunding & improvement bonds	3.00 - 4.00	2018	2038	6,905,000	$ 5,430,000
GO refunding & improvement bonds	3.00 - 5.00	2021	2034	10,300,000	8,090,000
Total governmental activities					13,520,000
Business-type activities:					
GO refunding bonds - Direct Placement	2.28	2017	2029	4,050,000	1,930,000
GO refunding & improvement bonds	3.00 - 5.00	2021	2034	2,915,000	2,865,000
Total business-type activities					4,795,000
Total general obligation bonds outstanding					$ 18,315,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2025	$ 1,400,000	$ 499,750	$ 230,000	$ 117,600
2026	1,465,000	434,525	240,000	105,850
2027	1,535,000	366,125	255,000	93,475
2028	1,280,000	302,550	270,000	80,350
2029	970,000	253,300	275,000	66,725
2030-2034	5,075,000	669,675	1,595,000	135,425
2035-2039	1,795,000	109,725	-	-
Total	$ 13,520,000	$ 2,635,650	$ 2,865,000	$ 599,425

General Obligation Bonds - Direct Placement

Year Ending	Business-type Activities	
September 30,	Principal	Interest
2025	$ 390,000	$ 39,471
2026	395,000	30,542
2027	410,000	21,385
2028	420,000	11,944
2029	315,000	3,583
Total	$ 1,930,000	$ 106,925

Combination Tax and Revenue Certificates of Obligation (CO) Bonds

The City also issues bonds where the government pledges a combination of the levy and collection of a direct and continuing annual ad valorem tax plus a limited pledge ($2,500) of the net revenues from the Water and Sewer System to pay debt service. Combination tax and revenue certificates of obligation have been issued for both governmental and business-type activities.

Combination tax and revenue certificates of obligation outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Combination tax and revenue CO's	2.00 - 4.00	2021	2041	$ 14,240,000	$ 13,890,000
Total governmental activities					$ 13,890,000
Business-type activities:					
Combination tax and revenue CO's	3.00 - 4.00	2018	2028	$ 2,715,000	$ 2,395,000
Total business-type activities					2,395,000
Total certificates of obligation outstanding					$ 16,285,000

Combination tax and revenue certificates of obligation debt service requirements to maturity are as follows:

Certificates of Obligation

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2025	$ 250,000	$ 386,500	$ 135,000	$ 75,356
2026	250,000	376,500	140,000	69,856
2027	260,000	366,300	145,000	64,156
2028	590,000	349,300	150,000	58,256
2029	800,000	321,500	160,000	52,856
2030-2034	4,475,000	1,110,850	875,000	188,156
2035-2039	5,085,000	476,550	790,000	49,672
2040-2042	2,180,000	43,800	-	-
Total	$ 13,890,000	$ 3,431,300	$ 2,395,000	$ 558,308

Tax Notes

The City issues tax notes bonds to provide short-term funds for the acquisition of various pieces of capital equipment. During the year, the City issued Series 2024 Tax Notes for $2,805,000 which bears interest of 3.42% and will be fully paid off by February 2031. Tax notes currently outstanding are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Tax notes	3.42	2024	2031	$ 2,805,000	$ 2,805,000
Total governmental activities					$ 2,805,000

Tax note debt service requirements to maturity are as follows:

Tax Notes

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest
2025	$ 471,000	$ 77,484
2026	373,000	73,445
2027	405,000	60,141
2028	507,000	44,545
2029	384,000	29,309
2030-2034	665,000	20,777
Total	$ 2,805,000	$ 305,701

Defeased Debt

The City defeased certain outstanding revenue bonds by placing proceeds of new bonds in irrevocable trust to provide for all future debt service payments. Accordingly, the respective trust accounts and liability for the defeased bond are not included in the City's financial statements. As of September 30, 2024, the City does not have bonds considered defeased and outstanding.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of September 30, 2024, a liability for arbitrage rebate existed in the amount of $678,477.

H. Changes in Long-term Debt

Long-term debt activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations	$ 15,110,000	$ -	$ 1,590,000	$ 13,520,000	$ 1,400,000
Combination tax and revenue CO	14,055,000	-	165,000	13,890,000	250,000
Issuance premium	2,869,376	-	214,125	2,655,251	214,125
Tax note	-	2,805,000	-	2,805,000	471,000
Total bonds payable	32,034,376	2,805,000	1,969,125	32,870,251	2,335,125
Compensated absences	1,329,289	1,032,491	1,100,876	1,260,904	1,044,242
Leases	1,238,892	1,733,396	438,820	2,533,468	475,082
SBITA's	351,503	25,500	138,927	238,076	90,351
Governmental activities long-term debt	$ 34,954,060	$ 5,596,387	$ 3,647,748	$ 36,902,699	$ 3,944,800

The General Fund has typically been used to liquidate governmental activities compensated absences, the net pension liability, and the total OPEB liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 5,475,000	$ -	$ 680,000	$ 4,795,000	$ 620,000
Combination tax and revenue CO	2,465,000	-	70,000	2,395,000	135,000
Issuance premium	614,366	-	68,036	546,330	51,992
Total bonds payable	8,554,366	-	818,036	7,736,330	806,992
Compensated absences	162,528	112,747	129,184	146,091	116,119
Leases	51,922	300,545	48,918	303,549	72,482
SBITA's	756,691	-	83,411	673,280	86,135
Business-type activities long-term debt	$ 9,525,507	$ 413,292	$ 1,079,549	$ 8,859,250	$ 1,081,728

Additionally, certain obligations that were marketed as direct placements have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the City default on these bonds, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

Lease Payable

During the current year, the City entered into multiple 48-month and 60-month leases as lessee both for the right to use of vehicles through Enterprise. The City is required to make fixed monthly payments ranging between $685 and $1,450.

In addition, during the current year, the City entered into a 60 month lease for the right to use of cameras through Axon. The City is required to make annual payments ranging between $95,799 and $99,225.

A summary of the City's long-term lease payable as of September 30, 2024, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/24
Governmental Activities					
Multifunctional printers	0.29%	2022	$ 9,236	$ 7	$ 515
Fire Department Medical Equipment	0.74%	2021	249,768	1,238	125,935
Camera	3.45%	2024	711,660	-	615,861
Animal Shelter Building	2.51%	2022	365,356	8,664	338,590
Vehicles	2.23-8.37%	2023	1,756,703	55,023	1,452,567
Totals				$ 64,932	$ 2,533,468
Business-type Activities					
Vehicles	2.27-8.28%	2023	$ 352,467	$ 12,164	$ 303,549
Totals				$ 12,164	$ 303,549

Annual lease payments to maturity are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total Requirements
2025	$ 475,082	$ 104,319	$ 579,401
2026	495,726	82,025	577,751
2027	586,241	57,031	643,272
2028	332,666	31,816	364,482
2029	171,144	19,111	190,255
2030-2034	264,436	40,827	305,263
2035-2039	78,563	21,407	99,970
2040-2044	89,070	10,900	99,970
2045-2048	40,540	1,113	41,653
Totals	$ 2,533,468	$ 368,549	$ 2,902,017

Year Ending September 30,	Business-Type Activities Principal	Interest	Total Requirements
2025	$ 72,482	$ 19,606	$ 92,088
2026	77,858	14,231	92,089
2027	89,367	8,429	97,796
2028	37,980	3,354	41,334
2029	25,862	894	26,756
Totals	$ 303,549	$ 46,514	$ 350,063

SBITA Payable

During the fiscal year, the City entered into multiple subscriptions for the use of various software. As of September 30, 2024, the value of the subscription liability is $911,356. The City is required to make fixed annual payments ranging between $1,464 and $58,082 with interest rates ranging from to 2.310% to 3.461%.

A summary of the City's long-term SBITA payable as of September 30, 2024, is as follows:

Purpose of SBITA	Interest Rate	Initial Year of SBITA	Amount of Initial SBITA Liability	Interest Current Year	Amounts Outstanding 9/30/24
Governmental Activities					
Right to Use:					
Various software	2.31%	2023	$ 497,392	$ 10,678	$ 238,076
Totals				$ 10,678	$ 238,076
Business-Type Activities					
Right to Use:					
Meter reading software	3.46%	2023	$ 846,310	$ 25,134	$ 673,280
Totals				$ 25,134	$ 673,280

Annual SBITA payments to maturity are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total Requirements	Business-Type Activities Principal	Interest	Total Requirements
2025	$ 90,351	$ 7,254	$ 97,605	$ 86,135	$ 22,410	$ 108,545
2026	61,204	4,558	65,762	88,948	19,596	108,544
2027	63,090	2,672	65,762	91,854	16,691	108,545
2028	11,536	728	12,264	94,854	13,690	108,544
2029	11,895	370	12,265	97,953	10,591	108,544
2030-2034	-	-	-	213,536	18,790	232,326
Totals	$ 238,076	$ 15,582	$ 253,658	$ 673,280	$ 101,768	$ 775,048

I. Retirement Plan

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

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

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Member Contribution Rate	7%
Matching ratio (City to member)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated Service Credit	100% repeating transfers
Annuity increase to retirees	70% of CPI repeating

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

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	143
Active employees	153
	404

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.98% and 14.42% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the years ended September 30, 2023 and September 30, 2024 were $1,646,871 and $1,691,932, respectively, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability was measured as of December 31, 2023, and the Total Pension Liability 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 assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service-based scale.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2022	$ 59,277,724	$ 51,198,566	$ 8,079,158
Changes for the year:			
Service cost	2,071,317	-	2,071,317
Interest	4,014,081	-	4,014,081
Difference between expected and actual experience	(121,461)	-	(121,461)
Changes in assumptions	(395,987)	-	(395,987)
Contributions - employer	-	1,600,000	(1,600,000)
Contributions - employee	-	814,546	(814,546)
Net investment income	-	5,937,130	(5,937,130)
Benefit payments, including refunds of employee contributions	(1,691,031)	(1,691,031)	-
Administrative expense	-	(37,698)	37,698
Other changes	-	(263)	263
Net changes	3,876,919	6,622,684	(2,745,765)
Balance at 12/31/2023	$ 63,154,643	$ 57,821,250	$ 5,333,393

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 14,709,104	$ 5,333,393	$(2,307,440)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2024, the City recognized pension expense of $1,430,770. As of September 30, 2024, the City reported deferred outflows and inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 19,952	$ 126,371
Changes in actuarial assumptions	-	287,498
Difference between projected and actual investment earnings	1,350,866	-
Contributions subsequent to the measurement date	1,196,472	-
Totals	$ 2,567,290	$ 413,869

$1,196,472 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2025	$ 219,243
2026	284,677
2027	949,275
2028	(496,246)

J. Defined Other Post-Employment Benefit Plan – TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, there are no assets accumulated in an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

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

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

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

Inactive employees or beneficiaries currently receiving benefits	61
Inactive employees entitled to but not yet receiving benefits	19
Active employees	153
Total	233

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.29% for 2023 and 0.27% for 2024, of which 0.10% and 0.07%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2023 and 2024 were $8,696 and $11,533, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

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

Actuarial Assumptions and Other Inputs. The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	3.77%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.60% to 11.85% including inflation

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

Salary increases are based on a service-related table. Mortality rates for active members are based on 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). 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 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 actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience for the period ending December 31, 2022.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.77% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2023.

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

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB Liability	$ 470,296	$ 393,425	$ 332,553

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2022	$ 359,730
Changes for the year:	
Service cost	16,146
Interest	14,662
Difference between expected and actual experience	(4,042)
Changes of assumptions	18,462
Benefit payments	(11,533)
Net changes	33,695
Balance at 12/31/2023	$ 393,425

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

OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2024, the City recognized OPEB expense of $11,151. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

As of September 30, 2024, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 48,425
Changes in actuarial assumptions	67,353	129,205
Contributions subsequent to the measurement date	5,919	-
Totals	$ 73,272	$ 177,630

$5,919 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2025. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2025	$ (20,919)
2026	(22,874)
2027	(34,015)
2028	(34,892)
2029	2,399
Thereafter	24

K. Commitments and Contingencies

Upper Trinity Regional Water District ("UTRWD")

The City of Highland Village entered into a contract with the Upper Trinity Regional Water District Lakeview Regional Water Reclamation System (sewer plant), in June 1995, to meet its long-term wastewater treatment needs. The UTRWD has issued a series of bonds to provide for capital funding for the expansion and refurbishment of the Lakeview Sewer Plant and to construct the regional sewer system with all of the said bonds to be payable from and secured by annual payments made by participating members. In the fiscal year 2024, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City paid fixed operations and maintenance costs of $458,180/MGD, $527,095 for joint facilities, and $204,810 for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.35/1,000 gallons.

In the fiscal year 2024, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.49/1,000 gallons, with an annual demand charge of $500,155/MGD.

For the fiscal year 2025, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City is committed to paying fixed operations and maintenance costs of $473,900/MGD, facility charges of $445,335 for joint facilities, and $204,870 annually for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.37/1,000 gallons.

In the fiscal year 2025, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.56/1,000 gallons, with an annual demand charge of $539,435/MGD.

Encumbrances and Assignments of Fund Balance

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. At year-end, the amount of encumbrances expected to be honored in the next year were as follows:

Fund	Amount
General	$ 1,123,446
Other governmental	1,727,488
Total	$ 2,850,934

Additionally, in accordance with budgetary policy, the City's adopted budget for the fiscal year beginning October 1, 2024, is presented as a balanced budget, i.e., revenues and available resources equal appropriations. These appropriations exceeded estimated revenues by $1,837,308, which is presented as assigned fund balance for subsequent year's budget in the General Fund.

Lawsuits

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

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's general liability and property coverage is insured by the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool. The City's only responsibility to the Fund is to pay premiums for insurance and related deductible amounts of these policies. Other risk of loss is covered by commercial insurance. Settlements of claims have not exceeded coverage in the past three years.

L. <u>New Accounting Guidance</u>

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

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

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

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$19,398,825	$19,398,825	$19,050,626	$ (348,199)
Fines and forfeitures	106,074	106,074	147,984	41,910
Licenses, permits and fees	619,423	619,423	726,531	107,108
Intergovernmental	-	-	4,933	4,933
Charges for services	748,391	748,391	682,379	(66,012)
Investment earnings	447,160	447,160	887,948	440,788
Miscellaneous	63,500	63,500	107,560	44,060
Total revenues	21,383,373	21,383,373	21,607,961	224,588
EXPENDITURES				
Current:				
General government:				
City manager:				
Personnel	434,265	461,265	461,061	204
Services and supplies	237,068	237,068	130,594	106,474
Total city manager	671,333	698,333	591,655	106,678
Finance:				
Personnel	991,619	991,619	974,702	16,917
Services and supplies	548,320	578,320	512,369	65,951
Capital outlay	-	-	43,589	(43,589)
Total finance	1,539,939	1,569,939	1,530,660	39,279
Marketing and communication:				
Personnel	360,873	360,873	361,566	(693)
Services and supplies	135,325	135,325	121,366	13,959
Capital outlay	-	-	32,114	(32,114)
Total marketing and communication	496,198	496,198	515,046	(18,848)
Human resources:				
Personnel	498,423	498,423	347,712	150,711
Services and supplies	192,257	192,257	142,151	50,106
Total human resources	690,680	690,680	489,863	200,817
City secretary:				
Personnel	296,073	296,073	291,618	4,455
Services and supplies	188,520	188,520	138,584	49,936
Total city secretary	484,593	484,593	430,202	54,391
Information services:				
Personnel	852,334	852,334	844,263	8,071
Services and supplies	572,225	622,225	396,865	225,360
Total information services	1,424,559	1,474,559	1,241,128	233,431
Maintenance:				
Personnel	428,069	428,069	415,958	12,111
Services and supplies	1,894,329	1,894,329	866,007	1,028,322
Capital outlay	75,000	75,000	263,610	(188,610)
Total maintenance	2,397,398	2,397,398	1,545,575	851,823

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
Public safety:				
Police:				
Personnel	$ 5,385,828	$ 5,385,828	$ 5,232,788	$ 153,040
Services and supplies	744,437	744,437	534,385	210,052
Capital outlay	-	-	777,530	(777,530)
Total police	6,130,265	6,130,265	6,544,703	(414,438)
Fire:				
Personnel	3,223,770	3,223,770	3,142,510	81,260
Services and supplies	591,993	616,993	533,479	83,514
Capital outlay	-	-	248,969	(248,969)
Total fire	3,815,763	3,840,763	3,924,958	(84,195)
Community services:				
Personnel	387,510	387,510	386,944	566
Services and supplies	25,532	30,532	22,556	7,976
Total building operations	413,042	418,042	409,500	8,542
Streets and drainage:				
Personnel	870,283	870,283	825,550	44,733
Services and supplies	840,298	980,298	578,183	402,115
Capital outlay	15,000	140,000	177,274	(37,274)
Total streets and drainage	1,725,581	1,990,581	1,581,007	409,574
Parks and recreation:				
Personnel	1,750,502	1,792,502	1,782,051	10,451
Services and supplies	1,286,296	1,286,296	1,002,220	284,076
Capital outlay	69,000	149,000	596,508	(447,508)
Total parks and recreation	3,105,798	3,227,798	3,380,779	(152,981)
Debt service:				
Principal	-	-	577,747	(577,747)
Interest and other charges	-	-	75,609	(75,609)
Total debt service	-	-	653,356	(653,356)
Total expenditures	22,895,149	23,419,149	22,838,432	580,717
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,511,776)	(2,035,776)	(1,230,471)	805,305
OTHER FINANCING SOURCES (USES)				
Transfers in	534,000	534,000	532,758	(1,242)
Transfers out	(16,000)	(16,000)	(16,000)	-
Leases issued	-	-	1,733,396	1,733,396
SBITA's issued	-	-	25,500	25,500
Sale of capital assets	186,275	186,275	179,220	(7,055)
Total other financing sources and uses	518,000	518,000	2,454,874	1,936,874
NET CHANGE IN FUND BALANCE	(993,776)	(1,517,776)	1,224,403	2,742,179
FUND BALANCE, BEGINNING	10,422,639	10,422,639	10,422,639	-
FUND BALANCE, ENDING	$ 9,428,863	$ 8,904,863	$11,647,042	$ 2,742,179

THIS PAGE LEFT BLANK INTENTIONALLY

BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Special Revenue Funds and the Debt Service Fund. The Capital Project Funds are appropriated on a project-length basis, except for the Park Development Fund, which is appropriated annually.

The appropriated budget is prepared by fund, department and three categories – personnel, services and supplies, and capital outlay. During the fiscal year, each department is responsible to not exceed the amounts budgeted in each of the three categories. Transfers of appropriations between categories or departments require the approval of council. Category subtotals of departmental expenditures thus provide the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year’s budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2024, expenditures exceed appropriation in the following fund, function, department and category:

Fund	Function/Department	Category	Amount
General	General Government - Finance	Capital Outlay	$ 43,589
General	General Government - Marketing and Communication	Personnel	693
General	General Government - Marketing and Communication	Capital Outlay	32,114
General	General Government - Maintenance	Capital Outlay	188,610
General	Public Safety - Police	Capital Outlay	777,530
General	Public Safety - Fire	Capital Outlay	248,969
General	Community Services	Capital Outlay	65,945
General	Streets and Drainage	Capital Outlay	37,274
General	Parks and Recreation	Capital Outlay	365,108
General	Debt Service	Principal	577,747
General	Debt Service	Interest	75,609
Corps Leased Parks	Parks and Recreation	Personnel	83
Public Safety	Fire	Services and Supplies	41

The overage related to capital outlay, principal, and interest are related to the issuance of new leases and SBITA’s, which required a noncash recognition of capital outlays and an other financing source. Other overages were covered by cost savings in other categories or with greater than anticipated revenues.

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement Date December 31,	2014	2015	2016
A. Total pension liability			
Service Cost	$ 1,370,530	$ 1,535,928	$ 1,646,661
Interest (on the Total Pension Liability)	1,983,761	2,177,527	2,307,773
Difference between expected and actual experience	(10,973)	(226,332)	(95,490)
Changes of assumptions	-	196,596	-
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)	(649,521)
Net change in total pension liability	2,692,726	3,018,466	3,209,423
Total pension liability - beginning	27,979,470	30,672,196	33,690,662
Total pension liability - ending (a)	$ 30,672,196	$ 33,690,662	$ 36,900,085
B. Plan fiduciary net position			
Contributions - employer	$ 1,070,712	$ 1,187,926	$ 1,229,404
Contributions - employee	588,766	625,694	651,959
Net investment income	1,407,343	39,833	1,903,485
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)	(649,521)
Administrative expense	(14,690)	(24,263)	(21,492)
Other	(1,208)	(1,197)	(1,158)
Net change in plan fiduciary net position	2,400,331	1,162,740	3,112,677
Plan fiduciary net position - beginning	24,595,321	26,995,652	28,158,392
Plan fiduciary net position - ending (b)	$ 26,995,652	$ 28,158,392	$ 31,271,069
C. Net pension liability - ending (a) - (b)	$ 3,676,544	$ 5,532,270	$ 5,629,016
D. Plan fiduciary net position as a percentage of total pension liability	88.01%	83.58%	84.75%
E. Covered payroll	$ 8,410,947	$ 8,940,209	$ 9,313,695
F. Net position liability as a percentage of covered payroll	43.71%	61.88%	60.44%

2017	2018	2019	2020	2021	2022	2023
$ 1,710,282	$ 1,767,329	$ 1,845,710	$ 1,952,526	$ 1,934,524	$ 1,994,564	$ 2,071,317
2,521,112	2,735,944	2,960,334	3,238,362	3,485,265	3,747,427	4,014,081
(173,461)	(171,841)	352,042	(150,374)	85,730	(72,746)	(121,461)
-	-	89,119	-	-	-	(395,987)
(810,836)	(996,678)	(1,095,988)	(1,267,369)	(1,479,996)	(1,823,342)	(1,691,031)
3,247,097	3,334,754	4,151,217	3,773,145	4,025,523	3,845,903	3,876,919
36,900,085	40,147,182	43,481,936	47,633,153	51,406,298	55,431,821	59,277,724
$ 40,147,182	$ 43,481,936	$ 47,633,153	$ 51,406,298	$ 55,431,821	$ 59,277,724	$ 63,154,643
$ 1,325,468	$ 1,367,635	$ 1,410,431	$ 1,491,855	$ 1,473,715	$ 1,548,337	$ 1,600,000
680,226	706,528	739,552	784,597	760,768	784,820	814,546
4,336,041	(1,102,494)	5,684,242	3,300,738	6,229,854	(3,997,474)	5,937,130
(810,836)	(996,678)	(1,095,988)	(1,267,369)	(1,479,996)	(1,823,342)	(1,691,031)
(22,461)	(21,292)	(32,086)	(21,335)	(28,787)	(34,539)	(37,698)
(1,139)	(1,111)	(963)	(832)	196	41,216	(263)
5,507,299	(47,412)	6,705,188	4,287,654	6,955,750	(3,480,982)	6,622,684
31,271,069	36,778,368	36,730,956	43,436,144	47,723,798	54,679,548	51,198,566
$ 36,778,368	$ 36,730,956	$ 43,436,144	$ 47,723,798	$ 54,679,548	$ 51,198,566	$ 57,821,250
$ 3,368,814	$ 6,750,980	$ 4,197,009	$ 3,682,500	$ 752,273	$ 8,079,158	$ 5,333,393
91.61%	84.47%	91.19%	92.84%	98.64%	86.37%	91.56%
$ 9,717,511	$ 10,093,257	$ 10,565,024	$ 11,208,528	$ 10,868,111	$ 11,211,713	$ 11,532,944
34.67%	66.89%	39.73%	32.85%	6.92%	72.06%	46.24%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Fiscal Year Ended September 30,	**2015**	**2016**	**2017**	**2018**
Actuarial determined contribution	$ 1,163,130	$ 1,258,570	$ 1,303,201	$ 1,362,529
Contributions in relation to the actuarially determined contribution	1,163,130	1,258,570	1,303,201	1,362,529
Contribution deficiency (excess)	-	-	-	-
Covered payroll	8,859,846	9,517,623	9,628,107	10,031,460
Contributions as a percentage of covered payroll	13.13%	13.22%	13.54%	13.58%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date Actuarially determined contribution rates are calculated as of December 31 and become effective in

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

Other Information There were no benefit changes during this year.

2019	2020	2021	2022	2023	2024
$ 1,238,128	$ 1,427,239	$ 1,464,895	$ 1,543,894	$ 1,646,871	$ 1,691,932
1,238,128	1,427,239	1,464,895	1,543,894	1,646,871	1,691,932
-	-	-	-	-	-
9,235,981	10,715,294	10,859,779	11,235,379	11,743,372	11,821,943
13.41%	13.32%	13.49%	13.74%	14.02%	14.31%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement Date December 31,	**2017**	**2018**
A. Total OPEB liability		
Service Cost	$ 16,520	$ 20,187
Interest (on the Total OPEB Liability)	11,181	11,678
Difference between expected and actual experience	-	(3,782)
Changes of assumptions	29,489	(27,003)
Benefit payments, including refunds of employee contributions	(1,944)	(2,019)
Net change in Total OPEB liability	55,246	(939)
Total OPEB liability - beginning	288,493	343,739
Total OPEB liability - ending	$ 343,739	$ 342,800
B. Covered-employee payroll	$ 9,717,511	$ 10,093,257
C. Total OPEB liability as a percentage of covered-employee payroll	3.54%	3.40%

Notes to Schedule:

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

- This schedule is required to have 10 years of information. As of September 30, 2024, only 7 years are included and additional years will be added in the future as the information becomes available.

- Changes of assumptions generally includes the annual change in the municipal bond index rate.

2019	2020	2021	2022	2023
$ 17,961	$ 24,659	$ 29,344	$ 32,514	$ 16,146
13,012	12,195	10,917	10,360	14,662
(8,636)	(5,753)	(33,522)	(35,262)	(4,042)
69,216	73,902	17,123	(190,168)	18,462
(2,113)	(2,242)	(7,608)	(8,969)	(11,533)
89,440	102,761	16,254	(191,525)	33,695
342,800	432,240	535,001	551,255	359,730
$ 432,240	$ 535,001	$ 551,255	$ 359,730	$ 393,425
$ 10,565,024	$ 11,208,528	$ 10,868,111	$ 11,315,133	$ 11,945,362
4.09%	4.77%	5.07%	3.18%	3.29%

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

THIS PAGE LEFT BLANK INTENTIONALLY

[Closing Date]

NORTON ROSE FULBRIGHT

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

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

IN REGARD to the authorization and issuance of the "City of Highland Village, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025," dated September 15, 2025, in the principal amount of $7,130,000 (the "Certificates"), we have examined into their issuance by the City of Highland Village, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Certificates mature on February 15 in each of the years specified in an ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

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

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

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

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.

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

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

Municipal Advisory Services
Provided By

Hilltop Securities
Investment Banking Solutions