

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

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



\$10,700,000*
TOWN OF ADDISON, TEXAS
(Dallas County)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2024

Dated Date: September 1, 2024
Interest Accrues from Delivery Date

Due: February 15 as shown on page 2

PAYMENT TERMS . . . Interest on the \$10,700,000* Town of Addison, Texas Combination Tax and Revenue Certificates of Certificate, Series 2024 (the "Certificates") will accrue from the date of initial delivery to the purchaser here-of (the "Delivery Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2025, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution, and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and are direct obligations of the Town of Addison, Texas (the "Town"), payable from an annual ad valorem tax levied on all taxable property within the Town, within the limits prescribed by law and a limited pledge (not to exceed \$1,000) of the net revenues of the Town's waterworks and sewer system, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance" ~~and together with the Bond Ordinance, the "Ordinances"~~) (see "THE CERTIFICATES - Authority for Issuance").

PURPOSE . . . Proceeds of the Certificates are expected to be used for the purpose of (i) designing, engineering, developing, constructing, improving and repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor, (ii) designing, engineering, developing, constructing, improving and repairing, Town park facilities and improvement, (iii) designing, engineering, developing, constructing, improving and repairing, extending and expanding Town water and waste water facilities and improvements, (iv) designing, engineering, developing and constructing public safety facilities, including a public safety communications facility and dispatch center, including the acquisition of land therefor (v) designing, engineering, developing, constructing, improving and repairing, extending and expanding Town drainage improvements and facilities, (vi) firefighting vehicles and equipment; (vii) professional services incurred in connection with items (i) – (vi) and to pay the costs incurred in connection with the issuance of the Certificates.

MATURITY SCHEDULE

See page 4

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

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of The Depository Trust Company on October 9, 2024.

BIDS DUE TUESDAY SEPTEMBER 10, 2024, AT 10:30 AM CDT

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

MATURITY SCHEDULE*

CUSIP Prefix⁽¹⁾: 006644

<u>Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield/Price</u>	<u>CUSIP Suffix⁽¹⁾</u>	<u>Amount</u>	<u>15-Feb Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield/Price</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 445,000	2025				\$ 470,000	2035			
405,000	2026				495,000	2036			
425,000	2027				515,000	2037			
445,000	2028				540,000	2038			
470,000	2029				560,000	2039			
495,000	2030				590,000	2040			
515,000	2031				615,000	2041			
535,000	2032				645,000	2042			
565,000	2033				675,000	2043			
590,000	2034				705,000	2044			

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

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

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

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

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

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

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document, as the same may be supplemented or corrected from time to time, constitutes an official statement of the Town with respect to the Certificates described herein that has been "deemed final" by the Town as of its date (or the date of any supplement or correction), except for the omission of no more than the information permitted by the Rule.

The information set forth herein has been obtained from the Town and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the town or its Financial Advisor. This Preliminary Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

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

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

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 STATEMENT.

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

- THE TOWN**..... The Town of Addison, Texas (the "Town"), is a political subdivision and home-rule municipal corporation of the State, located in Dallas County, Texas. The Town covers approximately 4.4 square miles (see "Introduction - Description of the Town").

- THE CERTIFICATES** The \$10,700,000* Town of Addison, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024 are issued as serial Certificates maturing on February 15 in each of the years 2025 through 2044, unless the Initial Purchaser (defined herein) designates one or more maturities as one or more term Certificates (see "THE CERTIFICATES - Description of the Certificates").

- PAYMENT OF INTEREST** Interest on the Certificates accrues from the Delivery Date, calculated on the basis of a 360-day year consisting of twelve 30-day months, and is payable February 15, 2025, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of The Certificates " and "THE CERTIFICATES – Optional Redemption").

- AUTHORITY FOR ISSUANCE** The Certificates are issued pursuant to the Constitution, and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, ~~and an ordinance authorizing the Certificates (the "Certificate Ordinance") as provided in the ordinance authorizing the Certificates~~ (see "THE CERTIFICATES - Authority for Issuance").

- SECURITY FOR THE CERTIFICATES**..... The Certificates constitute direct obligations of the Town, payable from a combination of (i) the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the Town, and (ii) a pledge of the Surplus Revenues of the Town’s Waterworks and Sewer System (the “System”) in an amount not to exceed \$1,000 as provided in the Certificate Ordinance (see "THE CERTIFICATES - Security and Source of Payment").

- OPTIONAL REDEMPTION** The Town reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

- TAX STATUS** In the opinion of Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

- USE OF PROCEEDS** Proceeds of the Certificates are expected to be used for the purpose of (i) designing, engineering, developing, constructing, improving and repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor, (ii) designing, engineering, developing, constructing, improving and repairing, Town park facilities and improvement, (iii) designing, engineering, developing, constructing, improving and repairing, extending and expanding Town water and waste water facilities and improvements, (iv) designing, engineering, developing and constructing public safety facilities, including a public safety communications facility and dispatch center, including the acquisition of land therefor (v) designing, engineering, developing, constructing, improving and repairing, extending and expanding Town drainage improvements and facilities, (vi) firefighting vehicles and equipment; (vii) professional services incurred in connection with items (i) – (vi*) and to pay the costs incurred in connection with the issuance of the Certificates.

- RATINGS** The Certificates and presently outstanding tax supported debt of the Town are rated "■" by Moody's Investors Service, Inc. ("Moody's") and "■" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") (see "Other Information - Ratings").

*...Preliminary, subject to change

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 Town has never defaulted on the payment of its tax-supported indebtedness.

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Town Population ⁽¹⁾	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Net Funded Tax Debt Outstanding ⁽²⁾	Per Capita Funded Tax Debt	Ratio Funded Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections to Tax Levy
2020	15,790	\$ 4,819,907,442	\$ 305,251	\$ 86,685,000	\$ 5,490	1.80%	95.40%
2021	16,320	4,925,943,024	301,835	96,870,000	5,936	1.97%	98.90%
2022	17,720	5,075,396,106	286,422	110,150,000	6,216	2.17%	99.60%
2023	17,720	5,576,316,621	314,691	110,485,000	6,235	1.98%	98.29%
2024	17,721	6,119,151,951	345,305	109,045,000 ⁽³⁾	6,153	1.78%	97.12%

(1) Source: North Central Texas Council of Governments ("NCTCOG").

(2) The above statement of indebtedness does not include general obligation debt for which repayment is provided from revenues of the waterworks and sewer system, the airport fund and drainage fund ("self-supporting debt"). See "Table 1 – Valuation, Exemptions and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt" herein.

(3) Projected, includes a portion of the Certificates. Excludes Self-Supporting Debt. Preliminary, subject to change.

For additional information regarding the Town, please contact:

Steven Glickman Chief Financial Officer Town of Addison P.O. Box 9010 Addison, Texas 75001 (972) 450-7001	or	Nick Bulaich Robert Spears Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, Texas 76102 (817) 332-9710
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TOWN OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Bruce Arfsten Mayor	1 Month	May, 2026	Real Estate Broker
Darren Gardner Mayor Pro Tempore	5 Years	May, 2025	Business Consultant
Nancy Craig Deputy Mayor Pro Tempore	11 Years	May, 2026	Real Estate Executive
Chris DeFrancisco Councilmember	2 Months	May, 2027	Banking
Howard Freed Councilmember	2 Months	May, 2027	Retired
Dan Liscio Councilmember	1 Year	May, 2026	Sales Executive
Marlin Willesen Councilmember	4 Years	May, 2026	Retired

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
David Gaines	City Manager	1 Year
Steven Glickman	Chief Financial Officer	4 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Auditors	FORVIS MAZARS, LLP Dallas, Texas
Bond Counsel	Bracewell LLP Dallas, Texas
Financial Advisor.....	Hilltop Securities Inc. Fort Worth, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$10,700,000*
TOWN OF ADDISON, TEXAS
COMBINATION TAX & REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2024

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$10,700,000* Town of Addison, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates"). Capitalized terms used in this Preliminary Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

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

All financial and other information presented in this Preliminary Official Statement has been provided by the Town from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Town. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION – Forward-Looking Statements Disclaimer").

DESCRIPTION OF THE TOWN . . . The Town is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the Town's Home Rule Charter. The Town's Home Rule Charter originally adopted in 1978, was last amended in 2020. The Town operates under the Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office for Councilmembers is two years with the terms of the Mayor and three of the Councilmembers expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. The Town Manager is the chief administrative officer for the Town. Some of the services that the Town provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the Town was 15,790, and the estimated 2024 population is 17,721. The Town covers approximately 4.4 square miles and is located within the Dallas, Texas, Standard Metropolitan Statistical Area (SMSA).

PLAN OF FINANCING

PURPOSE . . . Proceeds of the Certificates are expected to be used for the purposes of (i) designing, engineering, developing, constructing, improving and repairing, extending and expanding streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor, (ii) designing, engineering, developing, constructing, improving and repairing, Town park facilities and improvement, (iii) designing, engineering, developing, constructing, improving and repairing, extending and expanding Town water and waste water facilities and improvements, (iv) designing, engineering, developing and constructing public safety facilities, including a public safety communications facility and dispatch center, including the acquisition of land therefor (v) designing, engineering, developing, constructing, improving and repairing, extending and expanding Town drainage improvements and facilities, (vi) firefighting vehicles and equipment; (vii) professional services incurred in connection with items (i) – (vi) and to pay the costs incurred in connection with the issuance of the Certificates.

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

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

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

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated September 1, 2024 and mature on February 15 in each of the years and in the amounts shown on page 2 and 4 hereof. Interest for the Certificates will accrue from the date of their initial delivery to their initial purchasers (the "Delivery Date"), 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, 2025, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance to be passed by the Town Council of the Town (the "Certificate Ordinance" ~~and together with the Bond Ordinance, the "Ordinances"~~).

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the Town and are payable from and secured by a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the Town, and (ii) a pledge of the Surplus Revenues of the Town's Waterworks and Sewer System (the "System") in an amount not to exceed \$1,000 as provided in the Ordinance.

OPTIONAL REDEMPTION . . . The Town reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2035 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the Town may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption . . . In the event any of the Certificates are structured as term Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the respective Ordinance, which provisions will be included in the final Official Statement.

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

The Town reserves the right to give notice of its election or direction to redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the Town retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the Town delivers a certificate of the Town to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificates subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the Town to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

DEFEASANCE . . . The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal and interest thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Paying Agent/Registrar or any other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Bonds to maturity or prior redemption or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption of such Bonds; provided, that under current law, such deposits may be invested and reinvested only in (a) direct non-callable 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, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. Authorized City officials may limit these eligible securities as deemed necessary in connection with the sale of the Bonds. In the event the City restricts such eligible securities, the final Official Statement will reflect the new authorized eligible securities. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Certificates of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinance.~~The Ordinance provides that the Town may discharge its obligations to the registered owners of any or all of the Certificates, as applicable, to pay principal and interest thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Certificates to maturity or redemption (if applicable) or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption (if applicable) of such Certificates; provided that such deposits may be invested and reinvested only in (a) direct non-callable 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, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Town adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption (if applicable) of the Certificates, as the case may be.~~

If any of the Certificates are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Certificates at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinance.

Under current State law, after such deposit as described above, such Certificates shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the Town to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the Town: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Town believes the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

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

DTC 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 will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect 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 Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in 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 Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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 Bond Ordinance will be given only to DTC.

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates is BOKF NA, Dallas, Texas. In the Ordinances, the Town retains the right to replace the Paying Agent/Registrar. The Town covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. If the Town replaces

the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the Town agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

PAYMENT . . . 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 (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the Town where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Certificates and thereafter 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 respective 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 designated amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the Town nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond 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 Bond.

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

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

REMEDIES . . . The **Certificate** Ordinance authorizing the issuance of the Certificates establishes the following Events of Default with respect to the Certificates: (i) failure to make payment of principal of or interest on any of the Certificates when due and payable; or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the **Certificate** Ordinance which materially and adversely affects the rights of the related Owners, including but not limited to their prospect or ability to be repaid in accordance with the **Certificate** Ordinance, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City.

Under State law, there is no right to the acceleration of maturity of the Certificates upon an event of default under the Ordinance. Although a registered Owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of or interest on any such Certificates, such judgment could not be satisfied by execution against any property of the City. Such registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. No assurance can be given that a mandamus or other legal action to enforce a default under the Certificates would be successful.

On June 30, 2006 the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the 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. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I* "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the **Certificate Ordinance** provides that holders of the Certificates may exercise the remedy of mandamus to enforce the Certificates of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

The Certificate Ordinance does not provide for the appointment of a trustee to represent the interests of holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Certificate Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the 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 remedies 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 **Certificate Ordinance** and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity, and general principles of equity that permit the exercise of judicial discretion.

AD VALOREM PROPERTY TAXATION

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. 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 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, 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. State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

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

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

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

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

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

~~and (2) an additional exemption of the market value of the homesteads of persons 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. See Table 1 for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.~~

2023 PROPERTY TAX LEGISLATION . . . The 88th Texas Legislature began on January 10, 2023 and adjourned on May 29, 2023. The Legislature meets in regular session in odd numbered years for 140 days. During the 88th Texas Legislative Session, the Legislature considered legislation affecting ad valorem taxation procedures and exemptions, among other legislation affecting cities, counties and other political subdivisions generally. ~~The City is in the process of reviewing legislation that passed and can make no representation regarding the impact of such legislation at this time.~~

When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called ~~two~~ four special sessions. ~~The second special session concluded on July 13, 2023.~~

During the second called special session, property tax legislation was passed that, among other things, (i) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (ii) establishes a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent; (iii) excepts certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (iv) expands the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorize the legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. The foregoing legislation is intended to reduce the amount of property taxes paid by homeowners and businesses and will result in an increase the State's share of the cost of funding public education.

~~Implementation of the foregoing legislation is subject to voter approval of a constitutional amendment that will be submitted to the voters at an election to be held on November 7, 2023. If the constitutional amendment is approved by voters, certain additional legislation will take effect including but not limited to certain increases to the no tax due threshold for franchise tax.~~ Additional special sessions may be called. During this time, the Legislature may enact laws that materially change current law as it relates to property tax exemptions and procedures. The City can make no representations or predictions regarding the scope of legislation that may be considered during any additional called special session or the potential impact of such legislation at this time.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no historical judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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 for the reduction in taxable valuation attributable to the freeze on taxes 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.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling,

storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See Table 1 for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

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

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment 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 "AD VALOREM PROPERTY TAXATION" Town Application of Property Tax Code" for descriptions of any TIRZ created in the Town.

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

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

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.

"effective 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).

"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).

"rollback 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 1.08, plus the debt service tax rate.

"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 cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

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

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

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

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

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

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

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

ISSUER AND TAXPAYER REMEDIES

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

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "– Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for 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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the Town is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of August 1. Oil and gas reserves are assessed on the basis

of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on August 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

TOWNS RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the Town are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. 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 the State and each local taxing unit, including the Town, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the Town may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Town must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

<u>Month</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge.

TOWN APPLICATION OF TAX CODE . . . The Town grants an exemption to the market value of the residence homestead of persons 65 years of age or older of ~~\$650,000~~. The disabled are also granted an exemption of \$60,000.

To those who apply, the Town grants an additional exemption of 20% of the market value of residence homesteads with a minimum exemption of \$5,000.

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

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

The Town does not tax nonbusiness personal property or aircraft.

The Town contracts with the Dallas County Tax Assessor to collect its taxes.

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

The Town does tax freeport property.

The Town does tax goods-in-transit.

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

The Town has not adopted the freeze for elderly and disabled homeowners.

The Town has not created any TIRZs and does not participate in any TIRZs created by other governmental entities.

The Town does have Chapter 380 Agreements in place and expended \$ ~~_____~~ **\$328,090** under those agreements during Fiscal Year 2024.

TAX ABATEMENT POLICY . . . The Town does not have a tax abatement policy nor has it granted any tax abatements.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2023/24 Market Valuation Established by Dallas Central Appraisal District ⁽¹⁾		\$ 6,777,900,000
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	\$ 161,416,186	
Disabled Veterans Exemptions	4,073,684	
Agricultural Land Use Reductions	830,844	
Over 65	38,091,500	
Disabled Person	660,000	
Totally Exempt	378,769,380	
Prorated Total Exempt	340,038	
Parcels Under \$2500	507,150	
Mineral Rights	200	
Capped Value Loss	73,930,062	
Pollution Control	<u>129,005</u>	<u>658,748,049</u>
2023/24 Taxable Assessed Valuation		<u>\$ 6,119,151,951</u>
2024/25 Certified Taxable Assessed Valuation (as of July 25, 2024)		<u>\$ 6,458,952,670</u> ⁽⁵⁾
Town Funded Debt Payable from Ad Valorem Taxes (as of 6-30-2024)		
General Obligation Bonds	\$ 88,575,000	
Certificates of Obligation	44,995,000	
The Certificates	<u>10,700,000</u> ⁽²⁾	
Funded Debt Payable from Ad Valorem Taxes		\$ 144,270,000
Less Self-Supporting Debt: ⁽³⁾		
Airport Fund General Obligation Debt	9,735,000	
Drainage Fund General Obligation Debt	9,450,000 ⁽⁴⁾	
Water and Sewer System General Obligation Debt	<u>16,040,000</u>	<u>35,225,000</u>
Net Funded Debt Payable from Ad Valorem Taxes		<u>\$ 109,045,000</u>
Interest and Sinking Fund as of 6-30-2024		\$ 2,255,093
Ratio Total Funded Debt to Taxable Assessed Valuation		2.36%
Ratio Net Funded Debt to Taxable Assessed Valuation		1.78%

2024 Estimated Population - 17,721
Per Capita Taxable Assessed Valuation - \$345,305
Per Capita Total Funded Debt \$8,141
Per Capita Net Funded Debt - \$6,153

- (1) As reported by the Town’s 2023 Certified Tax Roll.
(2) Preliminary, subject to change.
(3) General obligation debt in the amount shown for which repayment is provided from revenues of the waterworks and sewer system, airport fund, and drainage fund. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the Town’s current policy to provide these payments from the respective system revenues. This policy is subject to change in the future. To the extent such policy is changed, and such self-supporting debt is not paid from the waterworks and sewer system revenues, airport fund, or drainage fund, the Town will assess an ad valorem tax and such debt will be paid from ad valorem taxes. See Table 10 “Computation of Self-Supporting Debt”.
(4) Includes a portion of the Certificates.
(5) The Town’s 2024/25 Taxable Assessed Valuation was certified on July 25, 2024 at \$ 6,458,952,670.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2024		2023		2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	\$ 1,131,175,410	16.69%	\$ 954,321,970	15.48%	\$ 914,579,906	16.25%
Real, Residential Multi-Family	1,666,387,760	24.59%	1,458,610,300	23.67%	1,231,377,064	21.88%
Real, Vacant Lots/Tracts	109,619,030	1.62%	108,188,550	1.76%	112,857,691	2.01%
Real, Farm and Ranch Improvements	831,130	0.01%	831,130	0.01%	664,900	0.01%
Real, Commercial and Industrial	2,958,300,500	43.65%	2,794,958,300	45.35%	2,604,552,885	46.28%
Minerals, Oil and Gas	200	0.00%	200	0.00%	200	0.00%
Real, Railroad	4,576,200	0.07%	4,145,640	0.07%	3,888,730	0.07%
Real and Tangible Personal, Utilities	33,376,590	0.49%	32,523,250	0.53%	29,382,160	0.52%
Tangible Personal, Aircraft	181,797,000	2.68%	149,635,060	2.43%	122,785,310	2.18%
Tangible Personal, Commercial.	565,406,200	8.34%	540,855,230	8.78%	507,880,296	9.03%
Tangible Personal, Industrial	101,197,390	1.49%	84,653,670	1.37%	79,686,802	1.42%
Real Property	5,040,000	0.07%	4,907,800	0.08%	-	0.00%
Tangible Personal, Other	20,192,590	0.30%	29,673,500	0.48%	19,674,050	0.35%
Total Appraised Value Before Exemptions	\$ 6,777,900,000	100.00%	\$ 6,163,304,600	100.00%	\$ 5,627,329,994	100.00%
Less: Total Exemptions/Reductions	(658,748,049)		(586,987,979)		(551,933,888)	
Taxable Assessed Value	<u>\$ 6,119,151,951</u>		<u>\$ 5,576,316,621</u>		<u>\$ 5,075,396,106</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2021		2020	
	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	\$ 862,815,259	15.90%	\$ 818,643,860	15.40%
Real, Residential Multi-Family	1,126,073,784	20.75%	999,517,250	18.80%
Real, Vacant Lots/Tracts	103,965,324	1.92%	108,676,940	2.04%
Real, Farm and Ranch Improvements	664,900	0.01%	664,900	0.01%
Real, Commercial and Industrial	2,587,617,824	47.68%	2,625,872,880	49.39%
Minerals, Oil and Gas	200	0.00%	200	0.00%
Real, Railroad	3,615,420	0.07%	3,453,430	0.06%
Real and Tangible Personal, Utilities	28,866,870	0.53%	27,050,060	0.51%
Tangible Personal, Aircraft	114,412,259	2.11%	117,007,360	2.20%
Tangible Personal, Commercial	496,994,887	9.16%	517,146,530	9.73%
Tangible Personal, Industrial	81,537,328	1.50%	81,316,910	1.53%
Real Property	-			
Tangible Personal, Other	20,546,000	0.38%	17,439,310	0.33%
Total Appraised Value Before Exemptions	\$ 5,427,110,055	100.00%	\$ 5,316,789,630	100.00%
Less: Total Exemptions/Reductions	(501,167,031)		(496,882,188)	
Taxable Assessed Value	<u>\$ 4,925,943,024</u>		<u>\$ 4,819,907,442</u>	

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

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Estimated Population ⁽¹⁾	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Net Funded Tax Debt Outstanding ⁽²⁾	Ratio Funded Tax Debt to Taxable Assessed Valuation	Net Funded Debt Per Capita
15,790	\$ 4,819,907,442	\$ 305,251	\$ 86,685,000	1.80%	\$ 5,490
16,320	4,925,943,024	301,835	96,870,000	1.97%	5,936
17,720	5,075,396,106	286,422	110,150,000	2.17%	6,216
17,720	5,576,316,621	314,691	110,485,000	1.98%	6,235
17,721	6,119,151,951	345,305	109,045,000 ⁽³⁾	1.78%	6,153

(1) Source: North Central Texas Council of Governments ("NCTCOG").

(2) The above statement of indebtedness does not include general obligation debt for which repayment is provided from revenues of the waterworks and sewer system, the airport fund and drainage fund ("self-supporting debt"). See "Table 1 – Valuation, Exemptions and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt" herein.

(3) Projected, includes a portion of the Certificates. Excludes the self-supporting debt. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
		General Fund	Interest and Sinking Fund			
2020	\$ 0.5835	\$ 0.4341	\$ 0.1494	\$ 28,199,326	96.90%	95.40%
2021	0.6087	0.4411	0.1676	30,018,305	100.00%	98.90%
2022	0.6146	0.4411	0.1735	31,028,872	100.60%	99.60%
2023	0.6098	0.4451	0.1647	33,975,726	99.08%	98.29%
2024	0.6098	0.4451	0.1647	37,012,822	98.76% ⁽¹⁾	97.12% ⁽¹⁾

(1) Collections as of June 30, 2024. Preliminary, subject to change.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2023/24 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Post Addison Circle	Apartments	\$ 216,526,620	3.54%
Fiori LLC	Apartments	102,000,000	1.67%
VOP Partners LLC	Shopping Center/Mall	95,725,000	1.56%
Spectrum Drive Owner LLC	Office Buildings	93,348,250	1.53%
FPG Colonade LP	Office Buildings	92,306,560	1.51%
PPF Amlı Quorum Dr. LLC	Apartments	86,715,000	1.42%
Gaedeke Holdings IX LLC	Office Buildings	86,000,000	1.41%
Mary Kay Inc.	Commercial Building	85,623,000	1.40%
CPT Addison LP	Apartments	85,000,000	1.39%
Woodbranch 14555 LLC	Office Buildings	84,000,000	1.37%
		<u>\$ 1,027,244,430</u>	<u>16.79%</u>

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

TABLE 6 - TAX ADEQUACY ⁽¹⁾

2024 Net Principal and Interest Requirements for Debt	\$ 10,350,435
\$0.1740 Tax Rate at 97.23% Collection Produces	\$ 10,352,394
Average Annual Net Principal and Interest Requirements for Debt, 2024 - 2044	\$ 6,994,896
\$0.1176 Tax Rate at 97.23% Collection Produces	\$ 6,996,790
Maximum Net Principal and Interest Requirements for Debt, 2026	\$ 10,838,666
\$0.1822 Tax Rate at 97.23% Collection Produces	\$ 10,840,265

(1) Includes the Certificates. Less Self-Supporting debt (See "Table 10 – Computation of Self-Supporting Debt"). Preliminary, subject to change. Based on the Town’s 2023-2024 Certified Value.

TABLE 7 - ESTIMATED OVERLAPPING DEBT ⁽¹⁾

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

Taxing Jurisdiction	2023/24 Taxable Assessed Value	2023/24 Tax Rate	Total G.O. Debt	Estimated % Applicable	Overlapping G.O. Debt As of 6/30/2024	Authorized But Unissued Debt as of 6/30/2024
Town of Addison	\$ 6,119,151,951	\$ 0.61460	\$ 109,045,000 ⁽²⁾	100.00%	\$ 109,045,000 ⁽²⁾	\$ 49,872,000
Carrollton/Farmers Branch Independent School District				1.56%	0	
Dallas County				1.49%	0	-
Dallas County Community College District				1.49%	0	
Dallas County Hospital District				1.49%	0	-
Dallas Independent School District				2.95%	0	
Total Direct and Overlapping G.O. Debt					<u>\$ 109,045,000</u>	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation						1.78%
Per Capita Overlapping G.O. Debt						\$ 6,153.43

(1) Based on fiscal year 2023-24 taxable values and tax rates for overlapping entities.

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

TABLE 8 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year	Outstanding Debt Service Requirements ⁽¹⁾		The Certificates ⁽²⁾		Total Debt Service Requirements	Less Amount Supported by Airport Fund	Less Amount Supported by Water and Sewer System ⁽³⁾	Less Amount Supported by Drainage Fund	Total Net Tax Supported Debt Service Requirements ⁽⁴⁾	% of Principal Retired
	Principal	Interest	Principal	Interest						
2024	\$ 8,875,000	\$ 4,576,414	\$ -	\$ -	\$ 13,451,414	\$ 870,221	\$ 1,742,169	\$ 488,590	\$ 10,350,435	
2025	9,145,000	4,326,446	445,000	416,650	14,333,096	872,459	1,744,469	891,303	10,824,866	
2026	9,465,000	4,030,146	405,000	452,363	14,352,509	871,559	1,751,344	890,940	10,838,666	
2027	9,785,000	3,709,632	425,000	433,688	14,353,319	873,659	1,752,184	893,590	10,833,886	
2028	9,665,000	3,368,094	445,000	414,113	13,892,206	873,249	1,753,838	890,428	10,374,693	31.77%
2029	9,585,000	3,016,179	470,000	393,525	13,464,704	879,794	1,653,631	895,845	10,035,434	
2030	9,940,000	2,662,714	495,000	371,813	13,469,526	876,636	1,649,638	894,913	10,048,340	
2031	10,250,000	2,308,406	515,000	349,088	13,422,493	879,104	1,654,222	892,990	9,996,178	
2032	10,565,000	1,953,491	535,000	325,463	13,378,953	865,719	1,650,081	890,138	9,973,016	
2033	9,605,000	1,601,039	565,000	300,713	12,071,751	876,249	1,648,206	891,298	8,655,999	66.07%
2034	6,905,000	1,306,606	590,000	274,725	9,076,331	678,875	1,211,944	400,975	6,784,538	
2035	5,645,000	1,101,263	470,000	250,875	7,467,138	678,975	652,556	404,388	5,731,219	
2036	5,810,000	931,050	495,000	229,163	7,465,213	678,694	653,731	402,238	5,730,550	
2037	5,980,000	758,066	515,000	206,438	7,459,503	678,091	654,494	399,638	5,727,281	
2038	5,600,000	586,300	540,000	182,700	6,909,000	676,488	654,206	401,475	5,176,831	87.32%
2039	5,780,000	415,006	560,000	157,950	6,912,956	678,481	652,581	397,750	5,184,144	
2040	3,850,000	270,575	590,000	132,075	4,842,650	178,500	208,013	403,350	4,052,788	
2041	3,085,000	162,944	615,000	104,963	3,967,906	182,100	206,034	398,275	3,181,497	
2042	2,240,000	69,606	645,000	76,613	3,031,219	180,400	203,750	402,525	2,244,544	
2043	670,000	13,400	675,000	46,913	1,405,313	178,500	-	400,988	825,825	99.54%
2044	-	-	705,000	15,863	720,863	-	-	398,775	322,088	100.00%
	<u>\$ 142,445,000</u>	<u>\$ 37,167,377</u>	<u>\$ 10,700,000</u>	<u>\$ 5,135,688</u>	<u>\$ 195,448,064</u>	<u>\$ 13,527,750</u>	<u>\$ 22,097,090</u>	<u>\$ 12,930,408</u>	<u>\$ 146,892,816</u>	

DEBT INFORMATION

- (1) "Outstanding Debt" does not include lease/purchase obligations, includes self-supporting debt. Preliminary, subject to change.
- (2) Average life of the issue – 10.666 years. Interest on the Certificates has been calculated at the average rate of 4.50% for purposes of illustration. Preliminary, subject to change.
- (3) Includes a portion of the Certificates. Preliminary, subject to change.
- (4) "General obligation debt in the amount shown for which repayment is provided from revenues of the waterworks and sewer system, airport fund, and drainage fund. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the Town's current policy to provide these payments from the respective system revenues. This policy is subject to change in the future. To the extent such policy is changed, and such self-supporting debt is not paid from the waterworks and sewer system revenues, airport fund, or drainage fund, the Town will assess an ad valorem tax and such debt will be paid from ad valorem taxes. See Table 10 "Computation of Self-Supporting Debt".

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

General Purpose Debt Service Requirements, Fiscal Year Ending 9/30/24		\$ 10,350,435	
Interest and Sinking Fund Balance, as of 9/30/23	\$ 747,328		
Budgeted Interest and Sinking Fund Tax Levy @ 98% Collection	9,465,895		
Budgeted Transfers	875,540		
Other Revenues and Income	<u>30,000</u>	<u>11,118,763</u>	
Projected Ending Fund Balance, 9/30/24			<u>\$ 768,328</u>

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Waterworks and Sewer System

Net Revenues Available from Waterworks and Sewer System, Fiscal Year 9-30-23	\$ 2,106,441
Less: Waterworks and Sewer System General Obligation Bond Requirements, 2024 Fiscal Year	<u>1,742,169</u>
Balance	<u>\$ 364,272</u>

Percentage of Waterworks and Sewer System General Obligation Bonds Self-Supporting 100.00%

Airport Enterprise Fund

Net Revenues Available from Airport Revenue, Fiscal Year 9-30-23	\$ 2,492,506
Less: Airport Fund General Obligation Bond Requirements, 2024 Fiscal Year	<u>870,221</u>
Balance	<u>\$ 1,622,285</u>

Percentage of Airport Fund General Obligation Bonds Self-Supporting 100.00%

Stormwater Drainage Enterprise Fund

Net Revenues Available from Stormwater Revenue, Fiscal Year 9-30-23	\$ 1,486,407
Less: Drainage Fund General Obligation Bond Requirements, 2024 Fiscal Year	<u>488,590</u>
Balance	<u>\$ 997,817</u>

Percentage of Drainage Fund General Obligation Bonds Self-Supporting 100.00%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount	Amount	Unissued Balance
			Previously Issued	Being Issued	
Street Improvements	5/12/2012	\$ 29,500,000	\$ 19,500,000	\$ -	\$ 10,000,000
Parking Facilities	5/12/2012	3,000,000	-	-	3,000,000
Keller Springs Road and Airport Parkway Improvements	11/5/2019	22,300,000	14,030,000	-	8,270,000
Quorum Drive Improvements	11/5/2019	33,602,000	5,000,000	-	28,602,000
Parks & Recreation	11/5/2019	6,723,000	6,723,000	-	-
Town Facilities	11/5/2019	7,395,000	7,395,000	-	-
Traffic Control Systems	11/5/2019	600,000	600,000	-	-
		<u>\$ 103,120,000</u>	<u>\$ 53,248,000</u>	<u>\$ -</u>	<u>\$ 49,872,000</u>

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The Town ~~does not anticipate issuing approximately \$ — million in~~ additional general obligation debt in the next 12 months. The Town applied for a loan of up to \$46,600,000 from the State Infrastructure Bank in 2024. The Town's application has made it through staff review and is going before the transportation committee for approval in August 2024. The Town anticipates drawing \$15,000,000 from the loan in fiscal year 2024.

TABLE 12 - OTHER OBLIGATIONS

As of September 30, 2023, the Town has no unfunded debt outstanding. **SIB Loan Disclosure**

PENSION FUND . . . The Town provides pension benefits for all of its full-time employees through a nontraditional, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 920 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the municipalities has an annual individual actuarial valuation performed. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code.

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

Benefits depend upon the sum of the employee’s contributions to the plan and the Town-financed monetary credits, with interest. At the date the plan began, the Town granted monetary credits for services rendered before the plan began based on an amount equal to two times what would have been contributed by the employee plus interest. Monetary credits for service since the plan began are 200 percent of the employee’s accumulated contributions. Beginning in 1994, the Town adopted an annually repeating type of monetary credit referred to as an updated service credit which when added to the employee’s accumulated contributions and the monetary credits for service since the plan began would be the total monetary credits and employee contributions accumulated with interest, if the current employee contribution rate and Town matching percent had always been in existence. The calculation included a three-year exponential average of the actual salaries paid during the prior fiscal years.

At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer-financed monetary credits plus interest were used to purchase an annuity. In 1994 the Town adopted annually repeating annuity increases for its retirees equal to 70% of the change in the consumer price index. The Town discontinued the annual increases in January 2009 and began doing ad hoc increases through 2014, still at 70%. The Town did not adopt an ad hoc COLA after 2014. In fiscal year 2023, the Town adopted annually repeating annuity increases for its retirees equal to 30% of the change in the consumer price index. During the measurement year ended December 31, 2022, these COLA's were applied retroactively. However, after the measurement date of December 31, 2022, the Town elected to change these COLA's to be non-retroactive. The impact of these changes is unknown at this time and will be evaluated further in the December 31, 2023 valuation.

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Members can retire at certain ages, based on the years of service with the Town. The service retirement eligibilities for the Town are: 5 years/age 60, 20 years/any age. Plan provisions for the Town are as follows:

Deposit Rate:	7.0%
Matching Ratio (Town to Employeee):	2 to 1
A member is vested after:	5 years

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	251
Inactive Employees Entitled to But Not Yet Receiving Benefits	264
Active Employees	<u>289</u>
	804

Contribution . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for the Town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Since the Town needs to know its contribution rates in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The Town elected to contribute at the full rates for calendar years 2022 of 11.78% and 2023 of 16.39%. Accordingly, contributions to TMRS for the year ended September 30, 2023 were \$4,059,743 and were equal to the required contribution.

Net Pension Liability . . . The Town's Net Pension Liability/(Asset) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability/(Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
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%	

Single Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 Net Pension Liability:

	Increase (Decrease)		
	Total	Plan Fiduciary	Net Pension
	Pension Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance at 10/1/2022	\$ 148,507,800	\$ 154,879,692	\$ (6,371,892)
Changes for the year:			
Service cost	4,286,332	-	\$ 4,286,332
Interest	10,750,024	-	10,750,024
Change in benefit terms including substantively automatic status	12,571,126	-	12,571,126
Difference between expected and actual experience	888,494	-	888,494
Contributions - employer	-	2,935,832	(2,935,832)
Contributions - employee	-	1,768,002	(1,768,002)
Net investment income	-	(11,283,212)	11,283,212
Benefit payments, including refunds of employee contributions	(7,924,945)	(7,924,945)	-
Administrative expense	-	(97,832)	97,832
Other changes	-	116,743	(116,743)
Net changes	<u>20,571,031</u>	<u>(14,485,412)</u>	<u>35,056,443</u>
Balance at 9/30/2023	<u>\$ 169,078,831</u>	<u>\$ 140,394,280</u>	<u>\$ 28,684,551</u>

Sensitivity of the Net Pension Liability to changes in the Discount Rate

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

	1% Decrease	Current Discount	1% Increase
	Rate (5.75%)	Rate (6.75%)	Rate (7.75%)
Town's Net Pension Liability	\$ 51,659,126	\$ 28,684,551	\$ 9,794,636

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2023, the Town recognized pension income of \$19,044,074. At September 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 1,214,563
Contributions subsequent to the measurement date	3,189,807
Change of assumptions	8,859
Difference between expected and actual investment earnings	<u>9,626,340</u>
Total	<u>\$ 14,039,569</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date but before the end of the Town's reporting period of \$3,189,807 will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended 30-Sep	Net deferred outflows (inflows) of resources
2024	\$ 931,752
2025	2,756,031
2026	2,814,463
2027	4,347,516
Total	<u>\$ 10,849,762</u>

OTHER POSTEMPLOYMENT BENEFITS

A summary of OPEB related items as of and for the year ended September 30, 2023, is presented below (in thousands).

Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Care Plan				
Governmental Activities	\$ 2,294,756	\$ 847,535	\$ (914,314)	\$ 190,555
Business-Type Activities	506,802	187,180	(201,930)	42,085
Supplemental Death Benefits				
Governmental Activities	817,042	150,171	(369,588)	51,646
Business-Type Activities	180,446	33,165	(81,625)	11,406
Total	<u>\$ 3,799,046</u>	<u>\$ 1,218,051</u>	<u>\$ (1,567,457)</u>	<u>\$ 295,692</u>

In addition to the pension benefits described above, as required by state law and defined by Town Policy, the Town makes available health care benefits to all employees who retire from the Town and who are receiving benefits from a Town-sponsored retirement program (Texas Municipal Retirement System and/or a Section 457 Deferred Compensation Plan) through a single-employer defined benefit healthcare plan. This healthcare plan provides lifetime insurance, or until age 65 if eligible for Medicare, to eligible retirees, their spouses and dependents through the Town's group health insurance plan, which covers both active and retired members. For the year under audit, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Subsequent to the December 31, 2022 measurement date, the Town created a trust in calendar year 2023, and the plan's related fiduciary net position will be reflected in the December 31, 2023 measurement of the net OPEB liability. The trust activity will be reported in the Town's financial statements for the fiscal year ended September 30, 2024. The initial funding of this trust was in the amount of \$560,000.

Benefits Provided

Current retirees in the health plan and active employees with 20 years or more of service or at age 60 or more with five years or more of service at retirement are eligible to remain in the health plan at the total blended contribution rate for active and retiree participants. Benefit provisions for retirees are not mandated by any form of employment agreement. The continued provision of these benefits is based entirely on the discretion of the Town of Addison City Council.

A measurement date of December 31, 2022 was used for the September 30, 2023 liability and expense. The information that follows was determined as of a valuation date of December 31, 2022.

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

Retirees and beneficiaries	53
Active Members	<u>286</u>
Total	339

Contributions

Before age 65, the Town will pay a \$150 monthly stipend toward the retiree’s healthcare premium if the retiring employee meets the eligibility criteria at the time of termination and elects coverage in the health plan. For members who retire after 65 or were eligible for the \$150 stipend before age 65, the Town will pay a \$75 monthly stipend directly to the retiree. Current retirees contribute to the health plan the total blended premium for active and retired participants, less the \$150 stipend provided by the Town. The Town contribution to the health plan consists of total premiums in excess of retiree contributions.

Retirees receiving medical benefits during fiscal year 2023 contributed \$499 to \$1,600 per month depending on coverage levels selected. In fiscal year 2023, total retiree contributions were \$766,455. Amounts that were paid after the measurement date of December 31, 2022 but before fiscal year-end, including contributions to the newly created trust, were included as a deferred outflow subsequent to the measurement date.

Total OPEB Liability for Retiree Health Care Plan

The Town of Addison utilized the actuarial services of Gabriel, Roeder, Smith & Company (GRS), a company who has been providing actuarial consulting services since 1938, under the shared services arrangement provided by GRS and North Central Texas Council of Governments. The Town's total OPEB liability for healthcare benefits of \$2,801,558 was measured as of December 31, 2022.

The Town's total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date, unless otherwise specified:

Inflation.....	2.50% per year
Overall payroll growth.....	3.50% to 11.50%, including inflation
Discount rate	4.05% (1.84% in prior year)
Healthcare cost trend rates	7.0% for 2023 declining to 4.25% after 15 years
Participation rates.....	50% of employees who retire before age 65 and 90% of employees who retire at age 65 or older (same in prior year)

For plans that do not have a formal trust that meets the GASB's requirements, the discount rate is equal to the tax-exempt municipal bond rate based on a 20-year general obligation AA bond rating as of the measurement date. The rate of 4.05 percent is based on the daily rate closest to but not later than the measurement date using the Fidelity 20-Year Municipal G.O. AA Index.

Mortality rates were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables and projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.

Changes in the Total OPEB Liability for Retiree Health Care Plan

	<u>Total OPEB Liability</u>
Balance as of 10/1/22	\$ 3,813,177
Changes for the year:	
Service Cost	253,278
Interest on OPEB Liability	70,518
Effect of difference in expected & actual experience	(557,603)
Effect of assumptions (change in discount rate)	(563,188)
Benefit payments	(214,624)
Change in total OPEB Liability	<u>(1,011,619)</u>
Balance as of 9/30/23	<u><u>\$ 2,801,558</u></u>

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the plan's total OPEB liability of the Town, calculated using a discount rate of 4.05% as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>3.05%</u>	<u>4.05%</u>	<u>5.05%</u>
Total OPEB Liability	\$ 3,092,158	\$ 2,801,558	\$ 2,545,559

Sensitivity of Total OPEB Liability to Changes in Health Care Cost Trend Rates

The following presents the plan's total OPEB liability of the Town, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
	<u>3.05%</u>	<u>4.05%</u>	<u>5.05%</u>
Total OPEB Liability	\$ 2,581,866	\$ 2,801,558	\$ 3,064,607

For the year ended September 30, 2023, the Town recognized OPEB expense of \$232,640. At September 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual economic experience	\$ 8,083	\$ (572,693)
Change of assumptions	305,779	(543,551)
Benefit payments made subsequent to measurement date	<u>720,853</u>	<u>-</u>
Total	\$ 1,034,715	\$ (1,116,244)

Deferred outflows of resources related to OPEB resulting from benefit payments subsequent to the measurement date but before the end of the Town's reporting period of \$720,853 will be recognized as a decrease to the total OPEB liability during the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	Net deferred outflows (inflows) of resources
<u>30-Sep</u>	<u>of resources</u>
2024	\$ (91,156)
2025	(91,156)
2026	(91,156)
2027	(100,101)
2028	(96,352)
Thereafter	<u>(332,461)</u>
Total	<u>\$ (802,382)</u>

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FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Revenues:					
<u>Program Revenues</u>					
Charges for Services	\$ 5,597,125	\$ 7,286,698	\$ 4,435,607	\$ 3,714,419	\$ 5,362,224
Operating Grants and Contributions	399,776	2,243,757	2,934,576	634,082	100,904
Capital Grants and Contributions	301,890	25,000	228,952	100	130,000
<u>General Revenues</u>					
Property Taxes	33,454,168	30,443,817	29,960,335	27,005,415	25,180,507
Other Taxes	25,889,388	24,071,353	20,805,691	20,495,887	24,208,294
Other	4,679,452	(3,073,620)	1,223,370	1,346,316	1,707,358
Total Revenues	<u>\$ 70,321,799</u>	<u>\$ 60,997,005</u>	<u>\$ 59,588,531</u>	<u>\$ 53,196,219</u>	<u>\$ 56,689,287</u>
Expenses:					
General Government	\$ 13,791,308	\$ 9,416,452	\$ 9,265,244	\$ 10,206,304	\$ 10,149,540
Public Safety	30,645,228	20,331,699	20,235,377	20,337,267	19,855,190
Development Services	4,536,840	3,061,515	3,437,779	3,320,919	3,137,715
Streets	8,555,527	10,669,363	7,619,194	8,326,816	7,677,651
Parks and Recreation	8,851,065	7,023,671	6,675,787	6,784,214	6,840,345
Visitor Services	6,543,984	5,396,612	5,011,538	4,310,828	6,884,597
Interest on Long-term Debt	2,705,036	2,179,219	2,007,306	2,153,845	1,938,010
Total Expenses	<u>\$ 75,628,988</u>	<u>\$ 58,078,531</u>	<u>\$ 54,252,225</u>	<u>\$ 55,440,193</u>	<u>\$ 56,483,048</u>
Increase (Decrease) in Net Position	\$ (5,307,189)	\$ 2,918,474	\$ 5,336,306	\$ (2,243,974)	\$ 206,239
Transfers	909,405	-	56,014	(3,790,232)	500,000
Change in Accounting Principle	-	-	-	-	-
Net Position - October 1	<u>165,124,157</u>	<u>162,205,683</u>	<u>156,813,363</u>	<u>162,847,569</u>	<u>162,141,330</u>
Net Position - September 30	<u>\$ 160,726,373</u>	<u>\$ 165,124,157</u>	<u>\$ 162,205,683</u>	<u>\$ 156,813,363</u>	<u>\$ 162,847,569</u>

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

Revenues	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Taxes	\$ 40,761,957	\$ 37,801,940	\$ 36,137,879	\$ 33,808,469	\$ 33,409,108
Franchise Fees	2,125,941	2,078,651	1,946,706	2,176,562	2,459,254
Licenses and Permits	1,219,541	1,120,552	824,908	1,183,285	1,366,941
Intergovernmental Revenues	-	3,982	1,000,000	-	71,963
Service Fees	2,132,772	2,063,371	1,826,274	1,842,055	1,726,863
Fines and Forfeitures	391,711	301,404	163,408	227,997	376,362
Net Investment Income/(Loss)	194,259	(1,105,426)	21,569	402,873	643,083
Rental and Other	328,005	422,578	286,124	156,674	185,442
Total Revenues	\$ 47,154,186	\$ 42,687,052	\$ 42,206,868	\$ 39,797,915	\$ 40,239,016
Expenditures					
General Government	\$ 10,043,539	\$ 9,301,300	\$ 9,046,345	\$ 8,784,547	\$ 8,917,497
Public Safety	23,226,106	21,471,686	20,387,046	19,170,964	18,589,033
Development Services	1,933,207	1,643,483	1,560,348	1,501,596	1,350,598
Streets	2,275,695	2,047,734	1,951,588	1,799,513	1,777,128
Parks and Recreation	6,587,120	6,083,572	5,695,541	5,407,703	5,520,903
Principal Retirement	31,475	27,385	-	-	-
Interest and Fiscal Charges	7,457	5,498	-	-	-
Total Expenditures	\$ 44,104,599	\$ 40,580,658	\$ 38,640,868	\$ 36,664,323	\$ 36,155,159
Revenues Over (Under) Expenditures	\$ 3,049,587	\$ 2,106,394	\$ 3,566,000	\$ 3,133,592	\$ 4,083,857
Other Sources (Uses), Net	(2,882,009)	(1,834,688)	(3,456,764)	(3,587,397)	(4,458,569)
Change in Fund Balance	\$ 167,578	\$ 271,706	\$ 109,236	\$ (453,805)	\$ (374,712)
Beginning Fund Balance	20,515,381	20,243,675	20,134,439	20,588,244	20,962,956
Ending Fund Balance	\$ 20,682,959	\$ 20,515,381	\$ 20,243,675	\$ 20,134,439	\$ 20,588,244

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The Town has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the Town the power to impose and levy a 1% Local Sales and Use Tax within the Town; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the Town monthly.

Fiscal Year Ended 9/30	1% Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2020	\$ 14,302,624	52.53%	\$ 0.2967	\$ 906
2021	14,881,277	49.48%	0.3021	912
2022	15,997,283	17.99%	0.3152	903
2023	16,661,868	17.99%	0.2988	940
2024	12,513,450 ⁽¹⁾	17.99%	0.2045	706

(1) Collections through June 30, 2024. Preliminary, subject to change.

FINANCIAL POLICIES

The financial statements of the Town has been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements . . . The governmental-wide financial statement (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government 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 government considers revenues to be available if they are collected within 50 days of the end of the current fiscal period, with the exception of intergovernmental revenues, which have a one-year period of availability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, landfill closer/post close costs, are recorded only when the liability has matured.

Property taxes, sales taxes, franchise fees and licenses, intergovernmental revenues, certain charges for services, 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. All other revenue items are considered to be measurable and available only when the Town receives the cash as the resulting receivables are deemed immaterial.

Budgetary Procedures . . . The City Council follows these procedures in establishing the budgets reflected in the financial statements:

1. At least 60 days prior to the beginning of each fiscal year, the Town Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.
4. Transfers between expenditure accounts in one department may occur with the approval of the Chief Financial Officer. Transfers between operating departments may occur with the approval of the Town Manager and Chief Financial Officer provided that a department's total budget is not changed by more than five percent. Transfers between fund or transfers between departments which change a department's total budget by more than five percent must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council.

For all budgets of the Town, the Town Charter requires only that funds be certified as available for expenditure. Legally, expenditures may exceed budgeted appropriations as long as those expenditures are certified as funds being available.

Budgetary control is maintained at the individual expenditure account level by the review of all requisitions of estimated purchase amounts prior to the release of purchase orders to vendors.

5. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for the Capital Project Funds are normally established pursuant to the terms of the related bond indentures, that is, project basis.

Budgeted amounts are as originally adopted or as amended by the City Council.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement (the "Certificate") for Excellence in Financial Reporting to the Town of Addison, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2023². The Certificate is the highest form of recognition for excellence in state and local government financial reporting. A Certificate of Achievement is valid for a period of one year only.

In addition to the Certificate, the Town received GFOA's Award for Distinguished Budget Presentation (the "Award") for its fiscal year 2024 annual budget document. Together, the Award and the Certificate are evidence of the Finance department's dedication to producing documents which effectively communicate the Town's financial condition to elected officials, Town administrators, and the general public.

In addition, the Town received the Award for Achievement in Popular Annual Financial Reporting for the Popular Annual Financial Report (PAFR) from GFOA for the third time for the fiscal year ended September 30, 2023.

Together, the Budget Award, PAFR Award, and the Certificate are evidence of the Finance Department's dedication to producing documents that effectively communicate the Town's financial condition to elected officials, city administrators, and the general public.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Available Town funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the Town's investment policies are subject to change. Under State law, the Town is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for Town deposits, or (ii) where (a) the funds are invested by the Town through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Town as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the Town; (b) the broker or the depository institution selected by the Town arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Town; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Town appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party selected and approved by the Town and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Town, held in the Town's name and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the Town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Town may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The Town is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the Town is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Town funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act (Texas Government Code, Chapter 2256). All Town funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

TABLE 15 - CURRENT INVESTMENTS ⁽¹⁾

As of June 30, 2024, the Town's investable funds were invested in the following categories:

<u>Description</u>	<u>Percent</u>	<u>Book Value</u>	<u>Market Value</u>
TexPool	0.82%	\$ 1,096,769	\$ 1,096,769
TexStar	0.81%	1,093,651	1,093,651
Logic	19.64%	26,372,718	26,372,718
Texas CLASS	2.81%	3,779,791	3,779,791
Corporate Bonds/CP	1.75%	2,351,790	2,350,065
Agency Securities	32.19%	43,231,522	42,035,440
Municipal Bonds	36.87%	49,516,984	48,162,319
Certificates of Deposit	5.11%	6,860,000	6,794,102
	<u>100.00%</u>	<u>\$ 134,303,225</u>	<u>\$ 131,684,855</u>

(1) Source: Town Officials.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership, and disposition of the Certificates.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Town has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Certificates from gross income for federal income tax purposes and, in addition, will rely on representations by the Town ~~and other parties involved with the issuance of the Obligations, the Town's Financial Advisor and the Underwriter~~ with respect to matters solely within the knowledge of the Town ~~and such other parties, the Town's Financial Advisor and the Underwriter, respectively,~~ which Bond Counsel has not independently verified. If the Town fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

~~Except as stated above,~~ Bond Counsel will express no opinion as to the amount ~~or timing~~ of interest on the Certificates or, ~~except as stated above,~~ to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates. ~~Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Certificates from gross income for federal income tax purposes.~~

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Town as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates, regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Certificates should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

~~For tax years beginning after December 31, 2022,~~ aAn "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Certificates, is included in a corporation's "adjusted financial statement income," ownership of the Certificates could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or

continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Certificates.

Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

~~The~~ If the issue price of a maturity ~~all or a portion~~ of the Certificates ~~may exceed~~ exceeds the stated redemption price payable at maturity of such Certificates, such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Certificates.

Tax Accounting Treatment of Original Issue Discount

~~The~~ If the issue price of a maturity ~~all or a portion~~ of the Certificates ~~may be~~ is less than the stated redemption price payable at maturity of such Certificates (the "Original Issue Discount Certificates"). ~~In such case,~~ The difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Certificates. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Certificates under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the ~~Underwriter-Purchaser~~ has purchased the Certificates for contemporaneous sale to the public and (ii) all of the Original Issue Discount Certificates have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the Town nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues 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 Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) 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 (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that 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 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.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

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CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The Town will provide annually to the MSRB-, (1) within six months after the end of each fiscal year of the Town, beginning with the Town's fiscal year ending in 2024, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information of the type described in Tables 1 through 6 and 8 through 15, and (2) if not provided as part such financial information and operating data, audited financial statements of the Town, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles appended to the Official Statement, or such other accounting principles as the Town may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Town commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.~~updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 15. The Town will update and provide this information in the numbered tables within six months after the end of each fiscal year ending in or after 2024 and, if then available, audited financial statements of the Town. If audited financial statements are not available when the information is provided, the Town will provide audited financial statements when and if they become available, but in any event within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Town may be required to employ from time to time pursuant to State law or regulation.~~ The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The Town's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced tables must be provided by March 31 in each year, and audited financial statements must be provided by September 30 of each year, unless the Town changes its fiscal year. If the Town changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The Town will also provide timely notices of certain events to the MSRB. The Town will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Town, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) Incurrence of a Financial Certificate of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Certificate of the Town, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Certificate of the Town, any of which reflect financial difficulties. In addition, the Town will provide timely notice of any failure by the Town to provide annual financial information in accordance with their agreement described above under "Annual Reports."

For these purposes, (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Town in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets of business of the Town, and (B) the Town intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Certificate to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines "Financial Certificate" as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

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

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

OTHER INFORMATION

RATINGS

The Certificates and presently outstanding tax-supported debt of the Town are rated "■" by Moody's and "■" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Town makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

LITIGATION

In the opinion of Town officials the Town is not a party to any litigation or other proceeding pending or to their knowledge threatened, in or before any court, agency or other administrative body (either state or federal) which, if decided adversely to the Town, would have a material adverse effect on the financial condition or operations of the Town.

At the time of the initial delivery of the Certificates, the Town Attorney will notify the Initial Purchaser if there has been any lawsuit or claim challenging the issuance of the Certificates or that affects the payment, delivery or security of the Certificates of which the Town Attorney has been notified.

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). The Certificates have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Preliminary Official Statement. The Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The Town assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before the Certificates are eligible investments for sinking funds and other public funds. 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 at least \$1 million of capital and savings and loan associations.

The Town has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates to any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. No review by the Town has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL MATTERS

The Town will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificates and to the effect that the Certificates are valid and legally binding obligations of the Town, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "~~TAX MATTERS FOR THE CERTIFICATES~~" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Certificates will also be furnished. Though it represents the Financial Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the Town in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained 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 Bond Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from Town records, audited and unaudited 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 Bond Ordinance contained in this Preliminary 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 statutes, documents and Bond Ordinance for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

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

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

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the Town accepted the bid of _____ (the "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on page 4 of this Official Statement at a price of \$ _____. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the Town to the Initial Purchaser of the Certificates. The initial yields shown on page 4 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser of the Certificates and may subsequently be changed at the sole discretion of the Initial Purchaser of the Certificates. The Town has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

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 Town will furnish to the Initial Purchasers a certificate, executed by a proper Town officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the Town contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the 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 Town and its affairs, including its financial affairs, are concerned, the 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 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 Town, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the Town believes to be reliable and the Town 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 Town since the date of the last audited financial statements of the Town.

CYBERSECURITY

The unauthorized access, use, disclosure, disruption, modification, or destruction of the Town's information or information systems could negatively impact the operations of the Town and its ability to provide services to its citizens. The Town uses a risk-based approach and "best practices" to protect the confidentiality, integrity and availability of the information and information systems that it is entrusted with. Employees are required to take annual security training which is re-enforced with continuous phishing email tests. The Town uses the NIST-CSF framework to assure compliance with multiple standards, regulations, and other obligations. In addition, to help protect the Town against claims and expenses due to a cybersecurity incident, the Town maintains cyber insurance.

MISCELLANEOUS

The **Certificate** Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Initial Purchaser.

APPENDIX A

GENERAL INFORMATION REGARDING THE TOWN

DESCRIPTION OF THE TOWN . . . The Town of Addison (4.4 square miles in area), incorporated in 1953, is located in Dallas County 12 miles north of downtown Dallas. Addison is bounded on the east by the extension of the Dallas North Tollway and is bisected east to west by Belt Line Road.

GOVERNMENT . . . The Town is governed by a City Council composed of six councilmembers and the Mayor. The Mayor and councilmembers serve staggered two-year terms. The day-to-day operations of Addison are conducted by a Town Manager who is selected by the City Council. The Town's Home Rule Charter was adopted in 1978 and was last amended in January, 1993. The charter provides for a City Council comprised of the Mayor and six councilmembers. Under the charter the Mayor may vote on all items coming before the Council.

POPULATION . . . The U.S. Census Bureau set the 1970 population at 550, the 1980 population at 5,553, the 1990 population at 8,783 and the 2010 population at 13,056, and the NCTCOG estimates the 2024 population to be 17,721.

ECONOMY . . . Addison is a prime and desirable location for many businesses seeking relocation in the area.

Among the top employers in the Town are the following:

Company	Type of Business	Estimated Number of Employees
Mary Kay Cosmetics Inc.	Cosmetics	3,607
Bank of America	Finance	1,800
Concentra	Medical	600
Analog Devices, Inc.	Manufacturing	500
National Teachers Associates Life Insurance Company	Insurance	500
Wingstop Restaurants Inc.	Food Services	494
National Bankruptcy Services	Finance	450
Exponent HR	Professional Services	435
Spaces.	Real Estate	354

Source: Town's 2023 Annual Financial Report.

AIRPORT . . . The Town of Addison owns a general aviation airport with a single 7,200-foot runway. It accommodates general aviation aircraft weighing up to 120,000 pounds, including Boeing 737s and DC9s. Addison Airport houses over 600 based aircraft, including 150 jets. It features an FAA air traffic control tower, U.S. Customs services, three nationally recognized Fixed-Based Operators (FBOs), and more than seventy commercial aeronautical service providers employing over 1,000 full-time employees. Corporate executives frequently use the airport for business in the north Dallas area. ~~The Town of Addison owns a general aviation airport, a single runway facility. The runway is 7,200 feet in length and can accommodate general aviation aircraft through 120,000 pounds gross weight including Boeing 737's and DC9's. The Addison Airport is currently home to over 600 based aircraft, including more than 150 jets, an FAA air traffic control tower, U.S. Customs services, two nationally recognized Fixed Based Operators (FBO's) with a third FBO currently under construction, and more than seventy commercial aeronautical service providers employing over 1,000 full time employees. The airport is used extensively by corporate executives who wish to conduct business in offices located in the north Dallas area.~~

TRANSPORTATION . . . Direct access to downtown Dallas is afforded via the Dallas North Tollway. Nearby highways and freeways provide convenient access to the entire Dallas/Fort Worth Metroplex including the Richardson telecommunications corridor, the Plano corporate campus, and the Dallas/Fort Worth International Airport.

In addition to Addison Airport, commercial air transportation is available at Dallas' Love Field and at the Dallas/Fort Worth International Airport. Rail service for Addison is provided by the Cotton Belt Railroad and numerous motor freight lines from nearby Dallas are available.

EDUCATIONAL FACILITIES . . . Addison is served by the Dallas Independent School District and the Carrollton-Farmers Branch Independent School District, it is also served by two private schools, Trinity Christian Academy and Greenhill School; all serve the K/12 grades. Brookhaven Community College, a part of the Dallas County Community College, is located in the Town and seven major colleges and universities are located within a 40-mile radius of the Town and include University of North Texas, Southern Methodist University, Texas Christian University, University of Texas at Dallas and University of Texas at Arlington.

BUILDING PERMITS

<u>Fiscal Year</u>	<u>Number of Permits</u>	<u>Commercial</u>	<u>Residential</u>	<u>Total Value</u>
2019	1,231	\$ 162,104,339	\$ 40,239,465	\$ 202,343,804
2020	1,171	209,324,055	9,409,884	218,733,938
2021	1,204	57,267,135	12,026,759	69,293,894
2022	1,308	111,624,974	8,394,939	120,019,913
2023	696	91,063,745	3,321,372	94,385,118
2024 ⁽¹⁾				0

(1) As of June 30, 2024.

APPENDIX B

EXCERPTS FROM THE
TOWN OF ADDISON, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the Town of Addison, Texas Annual Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the Town's financial condition. Reference is made to the complete Report for further information.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION