

OFFICIAL STATEMENT

Dated April 4, 2023

Rating:
S&P: "AA" (AGM)
Moody's: "A1" (AGM)
Moody's: "A2" (underlying)
Insurance: AGM
(See "BOND INSURANCE" and
"OTHER INFORMATION
– Rating" herein)

NEW ISSUE – Book-Entry-Only

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



\$21,260,000
CITY OF WEST, TEXAS
(A political subdivision of the State of Texas located in McLennan County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

Dated Date: March 15, 2023; Interest Accrues from the Date of Initial Delivery **Due: April 1, see inside cover page**

PAYMENT TERMS . . . Interest on the \$21,260,000 City of West, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") will accrue from the date of initial delivery and will be payable on April 1 and October 1 of each year commencing April 1, 2024, 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 beneficial owners thereof.** Principal of 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"). The initial Paying Agent/Registrar is BOKF, N.A., Austin, Texas (see "THE CERTIFICATES – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") adopted by the City Council of the City of West, Texas (the "City") on April 4, 2023. The Certificates are direct obligations of the City payable from 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 City and a limited pledge of \$1,000 of the net revenues of the City's water and wastewater system, as provided in the Ordinance (see "THE CERTIFICATES – Authority for Issuance" and "THE CERTIFICATES – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of (i) designing, constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving a wastewater treatment plant, and (ii) professional services rendered in relation to such projects and the financing thereof (see "THE CERTIFICATES – Purpose").



The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). See "BOND INSURANCE" and APPENDIX D – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

CUSIP PREFIX: 956211
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Inside Cover Page

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

DELIVERY . . . It is expected that the Certificates will be available for initial delivery through DTC on May 2, 2023.

MATURITY SCHEDULE**Serial Certificates \$13,625,000**

Maturity (April 1)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
2024	\$ 345,000	6.000%	2.650%	ER3
2025	305,000	6.000%	2.550%	ES1
2026	340,000	6.000%	2.450%	ET9
2027	360,000	6.000%	2.400%	EU6
2028	385,000	6.000%	2.400%	EV4
2029	420,000	6.000%	2.400%	EW2
2030	445,000	6.000%	2.400%	EX0
2031	470,000	6.000%	2.450%	EY8
2032	505,000	5.000%	2.500%	EZ5
2033	520,000	5.000%	2.550%	⁽²⁾ FA9
2034	550,000	5.000%	2.620%	⁽²⁾ FB7
2035	575,000	5.000%	2.770%	⁽²⁾ FC5
2036	605,000	5.000%	2.960%	⁽²⁾ FD3
2037	635,000	5.000%	3.120%	⁽²⁾ FE1
2038	665,000	5.000%	3.210%	⁽²⁾ FF8
2039	700,000	5.000%	3.250%	⁽²⁾ FG6
2040	735,000	4.000%	3.800%	⁽²⁾ FH4
2041	760,000	4.000%	3.900%	⁽²⁾ FJ0
2042	795,000	4.000%	3.950%	⁽²⁾ FK7
2043	825,000	4.000%	4.000%	FL5
2044	860,000	4.000%	4.050%	FM3
2045	895,000	4.000%	4.100%	FN1
2046	930,000	4.000%	4.101%	FP6

Term Certificates \$7,635,000

\$1,965,000 4.125% Term Certificates due April 1, 2048 Priced to Yield 4.223% - CUSIP Suffix ⁽¹⁾: FR2

\$5,670,000 4.250% Term Certificates due April 1, 2053 Priced to Yield 4.310% - CUSIP Suffix ⁽¹⁾: FW1

(Interest accrues from the date of initial delivery)

- (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. Neither the City, the Purchaser of the Certificates nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) Yield shown is yield to first call date, April 1, 2032.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2033, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on April 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE CERTIFICATES – Optional Redemption”).

MANDATORY SINKING FUND REDEMPTION . . . The Term Certificates maturing on April 1 in the years 2048 and 2053 are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein under “THE CERTIFICATES – Mandatory Sinking Fund Redemption”.

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

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized.

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

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR 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, OR ANY POTENTIAL BOND INSURER OR ITS MUNICIPAL BOND GUARANTY POLICY AS DESCRIBED HEREIN (OR INCORPORATED BY REFERENCE) UNDER THE CAPTIONS “BOND INSURANCE” AND “BOND INSURANCE RISKS”, AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

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

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and APPENDIX D – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of West, Texas (the “City”) is a political subdivision and municipal corporation of the State of Texas (the “State”), located in McLennan County, Texas. The City covers approximately two square miles (see “INTRODUCTION – Description of the City”).
THE CERTIFICATES	The City is issuing its \$21,260,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the “Certificates”). The Certificates are issued as serial certificates maturing on April 1 in the years 2024 through and including 2046, and as term certificates maturing on April 1 in the years 2048 and 2053 (see “THE CERTIFICATES – Description of the Certificates”).
PAYMENT OF INTEREST	Interest on the Certificates accrues from the date of initial delivery, and will be payable initially on April 1, 2024, and each October 1 and April 1 thereafter until stated maturity or prior redemption (see “THE CERTIFICATES – Description of the Certificates”, “THE CERTIFICATES – Optional Redemption” and “THE CERTIFICATES – Mandatory Sinking Fund Redemption”).
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the “Ordinance”) adopted by the City Council of the City on April 4, 2023 (see “THE CERTIFICATES – Authority for Issuance”).
SECURITY	The Certificates constitute direct obligations of the City, payable from the levy and collection of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and a limited pledge of \$1,000 of the net revenues of the City’s water and wastewater system, as provided in the Ordinance (see “THE CERTIFICATES – Security and Source of Payment”).
REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2033, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on April 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE CERTIFICATES – Optional Redemption”). The Term Certificates maturing on April 1 in the years 2048 and 2053 are subject to mandatory sinking fund redemption prior to maturity on the dates and in the amounts described herein under “THE CERTIFICATES – Mandatory Sinking Fund Redemption”.
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS” herein.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for the purposes of (i) designing, constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving a wastewater treatment plant, and (ii) professional services rendered in relation to such projects and the financing thereof (see “THE CERTIFICATES – Purpose”).
RATING	The Certificates have been rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Municipal Corp. The Certificates underlying rating is “A2” by Moody’s without regard to credit enhancement. The presently outstanding tax-supported debt of the City, except the City’s Combination Tax and Revenue Refunding Bonds, Series 2012, are rated “A2” by Moody’s without regard to credit enhancement. Additionally, the City’s Combination Tax and Revenue Certificates of Obligation, Series 2015 are rated “AA” by S&P, without regard to credit enhancement. An application for a rating on the Certificates has not been made to S&P (see “OTHER INFORMATION – Rating”). See “BOND INSURANCE” and “BOND INSURANCE RISKS” herein.

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

PAYMENT RECORD The City has never defaulted in the payment of its outstanding debt obligations.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed	G.O. Tax Debt Per Capita	% of Total Tax Collections to Tax Levy
2019	2,986	\$ 182,965,009	\$ 61,274	\$ 2,735,000	1.49%	\$ 916	99.00%
2020	2,531	196,572,824	77,666	2,405,000	1.22%	950	99.27%
2021	2,557	214,399,089	83,848	3,335,000	1.56%	1,304	100.20%
2022	2,557	231,458,817	90,520	2,950,000	1.27%	1,154	99.68%
2023	2,557	273,107,952	106,808	23,820,000 ⁽⁴⁾	8.72%	9,316	99.05% ⁽⁵⁾

(1) Source: The Municipal Advisory Council of Texas and 2020 Census.

(2) Valuations shown are certified taxable assessed values reported by the McLennan County 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.

(3) Includes self-supporting debt.

(4) Projected; includes the Certificates.

(5) Collections as of February 28, 2023.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires
Tommy Muska Mayor	12 Years	November, 2023
David Pratkanis Mayor Pro Tem	8 Years	November, 2023
Joe Pustejovsky Council Member	5 Years	November, 2024
Natalie Kelinske Council Member	3 Years	November, 2024
Cody Harris Council Member	1 ½ Years	November, 2023
Matt Miller Council Member	6 Months	November, 2024

COUNCIL APPOINTEES

Name	Position	Employment Date	Length of Employment with City
Shelly Nors	City Administrator/City Secretary	October, 2013	10 Years
Shannon Cox	Assistant City Administrator/City Clerk	May, 2015	8 Years
Charles Buenger	City Attorney	October, 2015	8 Years
C.J. Gillaspie	Director of Public Works	August, 2006	17 Years

CONSULTANTS AND ADVISORS

Auditor..... William B. Sanders
Certified Public Accountant
West, Texas

Bond CounselNorton Rose Fulbright US LLP
Dallas, Texas

Financial Advisor.....Specialized Public Finance Inc.
Dallas, Texas

For additional information regarding the City, please contact:

Ms. Shelly Nors City Administrator City of West 110 North Reagan West, Texas 76691 Phone: (254) 826-5351	or	Mr. Steven Adams Managing Director Specialized Public Finance Inc. 4925 Greenville Avenue, Suite 1350 Dallas, Texas 75206 Phone: (214) 373-3911	or	Mr. Paul Jasin Managing Director Specialized Public Finance Inc. 4925 Greenville Avenue, Suite 1350 Dallas, Texas 75206 Phone: (214) 373-3911
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**OFFICIAL STATEMENT
RELATING TO
\$21,260,000
CITY OF WEST, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$21,260,000 City of West, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (the “Certificates”). The Certificates are being issued pursuant to an ordinance (the “Ordinance”) adopted by the City Council of the City of West, Texas (the “City”) on April 4, 2023. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City’s Financial Advisor, Specialized Public Finance Inc., Dallas, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the “State”), duly organized and existing as a general law city under the laws of the State. The City was incorporated in 1892. The City operates under an alderman form of government with a Board of Aldermen comprised of the Mayor and five Aldermen. The term of office is two years with the terms of the Mayor and two of the Aldermen’s terms expiring in odd-numbered years and the terms of the other three Aldermen expiring in even-numbered years. The Mayor is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), street maintenance, water and sanitary sewer utilities, public improvements and general administrative services. The 2020 Census population for the City was 2,531. The City covers approximately two square miles. For more information regarding the City, see “APPENDIX A – General Information Regarding the City.”

THE CERTIFICATES

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of (i) designing, constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving a wastewater treatment plant, and (ii) professional services rendered in relation to such projects and the financing thereof.

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated March 15, 2023, and mature on April 1 in each of the years and in the amounts shown on page two hereof. Interest on the Certificates will accrue from the date of initial delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on April 1 and October 1 of each year until maturity or prior redemption, commencing April 1, 2024. 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, New York, New York (“DTC”) pursuant to the book-entry-only system described herein (“Book-Entry-Only-System”). **No physical delivery of the Certificates will be made to the owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “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.

SECURITY AND SOURCE OF PAYMENT . . . Debt service on the Certificates is payable from and secured by a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City at a rate sufficient to provide for the payment of principal of and interest on the Certificates and a limited pledge of \$1,000 of the net revenues of the City’s water and wastewater system.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2033, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on April 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all of the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on April 1 in the years 2048 and 2053 (the “Term Certificates”) are subject to mandatory sinking fund redemption in part prior to maturity at the redemption price of par plus accrued interest to the date of redemption on the dates and in the amounts as follows:

Term Certificates Maturing April 1, 2048		Term Certificates Maturing April 1, 2053	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
April 1, 2047	\$ 965,000	April 1, 2049	\$ 1,040,000
April 1, 2048 *	1,000,000	April 1, 2050	1,085,000
	\$ 1,965,000	April 1, 2051	1,135,000
		April 1, 2052	1,180,000
		April 1, 2053 *	1,230,000
			\$ 5,670,000

* Stated Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable Stated Maturity to be redeemed on the next following April 1 from moneys set aside for that purpose in the Certificate Fund. Any Term Certificate not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Term Certificates for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Certificates of like Stated Maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION... Not less than thirty (30) days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the Owners of the Certificates to be redeemed at the address of the 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.

In the Ordinance, the City reserves the right, in the case of an optional redemption, 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 City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City 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. If such notice of redemption has been rescinded, any Certificates subject to conditional redemption will remain Outstanding, and the rescission of such redemption will not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City 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.

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 AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE CITY IN THE NOTICE, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the City so long as a book-entry-only system is used for the Certificates, will send any notice of redemption or other notices with respect to the Certificates to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Certificates for redemption.

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

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized entity, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities, which Defeasance Securities shall mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Certificates being defeased, and thereafter, the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. In the event of a defeasance of the Certificates, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party concerning the sufficiency of the deposit of cash and/or Defeasance Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Certificates.

The Ordinance provides that “Defeasance Securities” means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (iv) any additional securities and obligations hereafter authorized by the State law as eligible for use to accomplish the discharge of obligations, such as the Certificates. There is no assurance that the ratings for United States Treasury securities acquired to defease any Certificates, or those for any other Defeasance Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible Defeasance Securities (such list consisting of those securities identified in clauses (i) through (iii) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates (“Defeasance Proceeds”), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible Defeasance Securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, Registered Owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other Defeasance Securities, notwithstanding the fact that such Defeasance Securities may not be of the same investment quality as those currently identified under State law as permissible Defeasance Securities.

Upon such deposit as described above, such Certificates will no longer be regarded to be outstanding or unpaid for purposes of applying any limitation or indebtedness. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City 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 City has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the Owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

DEFAULT AND REMEDIES . . . If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. V. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by the statute in "clear and unambiguous" language. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Because it is unclear whether the State legislature has effectively waived the City's sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Certificates or the covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors or general principles of equity which permit the exercise of judicial discretion.

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 (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

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

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

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

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

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable 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 Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, 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.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Purchaser take any responsibility for the accuracy thereof.

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, N.A., Austin, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid. Any successor Paying Agent/Registrar shall be a commercial bank, financial institution, trust company, or other agency organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City 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.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the 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. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

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

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

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

SOURCES OF FUNDS:

Principal Amount of the Certificates	\$ 21,260,000.00
Net Reoffering Premium	1,068,824.65
Total Sources of Funds	<u>\$ 22,328,824.65</u>

USES OF FUNDS:

Deposit to Project Construction Fund	\$ 22,000,000.00
Deposit to Interest and Sinking Fund (Rounding Amount)	3,666.81
Purchaser's Discount	205,157.84
Costs of Issuance	120,000.00
Total Uses of Funds	<u>\$ 22,328,824.65</u>

INFECTIOUS DISEASE OUTBREAK – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no State-imposed COVID-19 related operating limits for any business or other establishment in Texas and no State-imposed requirement to wear a face covering. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19 or variants of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and limit the growth of or reduce the City's ad valorem and sales tax collections. In addition, further or extended reductions in the value of stocks and other investments could impact employee retirement plans or other funds and could require actions by the State. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19, or variants of COVID-19, or a similar virus on the City's operations or financial condition.

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BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Certificates (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as APPENDIX D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP. . . . AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings . . . On October 21, 2022, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody’s announced it had upgraded AGM’s insurance financial strength rating to “A1” (stable outlook) from “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM . . . At December 31, 2022:

- The policyholders’ surplus of AGM was approximately \$2,747 million.
- The contingency reserve of AGM was approximately \$855 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,134 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”) and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

The policyholders’ surplus of AGM and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference . . . Portions of AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the Securities and Exchange Commission (the “SEC”) on March 1, 2023 that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website

at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption **"BOND INSURANCE – Assured Guaranty Municipal Corp."** or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters . . . AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading **"BOND INSURANCE"**.

BOND INSURANCE RISKS

GENERAL . . . The City has obtained a commitment from AGM to have the payment of the principal of and interest on the Certificates insured by AGM.

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy may insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Certificate owner as a voidable preference under applicable bankruptcy law may be covered by the Policy, however, such payments will be made by AGM at such time and in such amounts as would have been due absence such prepayment by the City unless AGM chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of AGM without appropriate consent. AGM may direct and must consent to any remedies that the Paying Agent/Registrar exercises and AGM consent may be required in connection with amendments to any applicable Certificate documents.

In the event AGM is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the applicable Certificate documents. In the event AGM becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates are dependent in part on the financial strength of AGM and its claim paying ability. AGM financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the Certificates insured by AGM will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "OTHER INFORMATION – Rating" herein.

The obligations of AGM are contractual obligations of AGM and in an event of default by AGM, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies.

Neither the City nor the Purchaser have made independent investigation into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of any AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of AGM, particularly over the life of the Certificates.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . S&P Global Ratings, a division of S&P Global Inc. ("S&P"), Moody's Investor Service, Inc., and Fitch Ratings (the "Rating Agencies") have downgraded the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates.

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

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

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

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

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

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

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

PERSONAL PROPERTY. . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

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

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

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER. . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes, located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualified 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 Property Tax Code, as amended.

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

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

For a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” below.

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

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

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

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

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

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

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

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

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

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2021 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 City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate 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 of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

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

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

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

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

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

DEBT TAX RATE LIMITATIONS. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 15 of each year and the final installment due on August 15.

2023 LEGISLATIVE SESSION – FUTURE LEGISLATION . . . The 88th Texas Legislature convened on January 10, 2023 and will conclude on May 29, 2023. Thereafter, the Governor may call one or more additional special sessions which may last no more than 30 days and for which the Governor sets the agenda. During the legislative session, the Legislature will consider a general appropriations act and may consider legislation affecting ad valorem taxation procedures affecting cities. The City can make no representations of predictions regarding any actions the Legislature may take during the 88th Texas legislative session concerning the substance or the effect of any legislation that may be passed in the future or how such legislation could affect the City.

CITY APPLICATION OF PROPERTY TAX CODE . . . The City does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older or the disabled. The City does grant a Disabled Veterans exemption.

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

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

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

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

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

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

The City does not tax Freeport Property.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes (see “Table 11 – Municipal Sales Tax History”).

The City has not adopted a tax abatement policy.

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2023 Market Valuation Established by McLennan County Appraisal District	\$ 341,345,696
Less Exemptions	<u>68,237,744</u>
2023 Net Taxable Assessed Valuation	<u>\$ 273,107,952</u>
 City Funded Debt Payable from Ad Valorem Taxes (as of 2/28/2023)	 \$ 2,950,000
The Certificates	21,260,000
Less: Self-Supporting Debt	<u>17,090,000 ⁽¹⁾</u>
General Purpose Funded Debt Payable from Ad Valorem Taxes	<u>\$ 7,120,000</u>
 General Fund balance as of 3/31/2023	 \$ 1,628,000
 Ratio General Purpose Funded Debt to Taxable Assessed Valuation	 2.61%

2023 Estimated Population - 2,557
Per Capita Taxable Assessed Valuation - \$106,808
General Funded Debt Per Capita - \$2,785

(1) Includes the City’s Combination Tax and Revenue Certificates of Obligation, Series 2021 (the “Series 2021 Certificates”) and the Certificates, which are supported by a portion of water and sewer revenues.

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TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed	G.O. Tax Debt Per Capita
2019	2,986	\$ 182,965,009	\$ 61,274	\$ 2,735,000	1.49%	\$ 916
2020	2,531	196,572,824	77,666	2,405,000	1.22%	950
2021	2,557	214,399,089	83,848	3,335,000	1.56%	1,304
2022	2,557	231,458,817	90,520	2,950,000	1.27%	1,154
2023	2,557	273,107,952	106,808	23,820,000 ⁽⁴⁾	8.72%	9,316

(1) Source: The Municipal Advisory Council of Texas and 2020 Census.

(2) Valuations shown are certified taxable assessed values reported by the McLennan County 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.

(3) Includes self-supporting debt.

(4) Projected; includes the Certificates.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Adjusted Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
		General Fund	Interest and Sinking Fund			
2019	\$ 0.6065	\$ 0.3792	\$ 0.2272	\$ 1,108,613	98.21%	99.00%
2020	0.6043	0.3944	0.2099	1,187,779	98.44%	99.27%
2021	0.5826	0.3876	0.1950	1,229,703	98.57%	100.20%
2022	0.5525	0.3790	0.1735	1,277,057	98.46%	99.68%
2023	0.5205	0.3487	0.1719	1,421,527	94.75% ⁽¹⁾	99.05% ⁽¹⁾

(1) Collections as of February 28, 2023.

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2023 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
West Rest Haven Inc.	\$ 11,576,174	4.24%
3 Pigs Properties LP	7,126,180	2.61%
Chevrolet of West	5,266,120	1.93%
Sykora, Edmund	5,201,040	1.90%
ACG West LLC	3,906,490	1.43%
Carr Orr Tx West LLC	3,300,910	1.21%
McDonalds Real Estate Company	2,430,420	0.89%
Bolton Body Shop LTD	2,413,160	0.88%
Tseya Pesoka LLC	2,200,000	0.81%
Oncor Electric Delivery Co. LLC	2,131,450	0.78%
	<u>\$ 45,551,944</u>	<u>16.68%</u>

TABLE 5 – TAX ADEQUACY ⁽¹⁾

2023 Net Tax Supported Debt Principal and Interest Requirements	\$ 408,827
\$0.1544 Tax Rate at 97% Collection Produces	\$ 409,028
Average Net Tax Supported Debt Annual Principal and Interest Requirements, 2023 - 2053	\$ 384,637
\$0.1452 Tax Rate at 97% Collection Produces	\$ 384,656
Maximum Net Tax Supported Debt Principal and Interest Requirements, 2030	\$ 478,546
\$0.1807 Tax Rate at 97% Collection Produces	\$ 478,701

(1) Includes the Certificates and excludes self-supporting debt.

ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total G.O. Funded Tax Debt As of 3/1/2023	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 3/1/2023
City of West	\$ 7,120,000 ⁽¹⁾	100.00%	\$ 7,120,000 ⁽¹⁾
McLennan County	74,300,000	0.92%	683,560
McLennan County Junior College District	44,450,000	0.92%	408,940
West ISD	18,701,997	25.63%	4,793,322
Total Direct and Overlapping G.O. Debt			\$ 13,005,822
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation			4.76%
Per Capita Overlapping G.O. Debt			\$ 5,086

(1) Includes the Certificates and excludes self-supporting debt.

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DEBT INFORMATION

TABLE 6 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended								Less:	
	Outstanding Debt			The Certificates ⁽¹⁾			Total Debt Service Requirements	Waterworks & Sewer System Self-Supporting Debt ⁽²⁾	Net Tax Supported Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total			
2023	\$ 390,000	\$ 88,171	\$ 478,171	\$ -	\$ -	\$ -	\$ 478,171	\$ 69,344	\$ 408,827
2024	130,000	78,084	208,084	345,000	891,938	1,236,938	1,445,022	1,024,734	420,288
2025	140,000	72,384	212,384	305,000	955,281	1,260,281	1,472,665	1,023,944	448,721
2026	140,000	66,184	206,184	340,000	936,981	1,276,981	1,483,165	1,023,044	460,121
2027	150,000	61,609	211,609	360,000	916,581	1,276,581	1,488,190	1,021,244	466,946
2028	155,000	56,696	211,696	385,000	894,981	1,279,981	1,491,678	1,023,544	468,134
2029	155,000	51,634	206,634	420,000	871,881	1,291,881	1,498,515	1,024,794	473,721
2030	165,000	46,709	211,709	445,000	846,681	1,291,681	1,503,390	1,024,844	478,546
2031	170,000	41,459	211,459	470,000	819,981	1,289,981	1,501,440	1,028,694	472,746
2032	170,000	35,879	205,879	505,000	791,781	1,296,781	1,502,660	1,026,194	476,466
2033	180,000	30,799	210,799	520,000	766,531	1,286,531	1,497,330	1,021,694	475,636
2034	180,000	25,379	205,379	550,000	740,531	1,290,531	1,495,910	1,021,444	474,466
2035	190,000	19,764	209,764	575,000	713,031	1,288,031	1,497,795	1,020,194	477,601
2036	55,000	13,794	68,794	605,000	684,281	1,289,281	1,358,075	1,027,944	330,131
2037	55,000	12,694	67,694	635,000	654,031	1,289,031	1,356,725	1,024,344	332,381
2038	55,000	11,525	66,525	665,000	622,281	1,287,281	1,353,806	1,024,675	329,131
2039	55,000	10,356	65,356	700,000	589,031	1,289,031	1,354,388	1,023,756	330,631
2040	60,000	9,188	69,188	735,000	554,031	1,289,031	1,358,219	1,026,588	331,631
2041	60,000	7,913	67,913	760,000	524,631	1,284,631	1,352,544	1,023,513	329,031
2042	60,000	6,638	66,638	795,000	494,231	1,289,231	1,355,869	1,024,638	331,231
2043	55,000	5,288	60,288	825,000	462,431	1,287,431	1,347,719	1,019,688	328,031
2044	60,000	4,050	64,050	860,000	429,431	1,289,431	1,353,481	1,023,850	329,631
2045	60,000	2,700	62,700	895,000	395,031	1,290,031	1,352,731	1,021,900	330,831
2046	60,000	1,350	61,350	930,000	359,231	1,289,231	1,350,581	1,018,950	331,631
2047	-	-	-	965,000	322,031	1,287,031	1,287,031	955,000	332,031
2048	-	-	-	1,000,000	282,225	1,282,225	1,282,225	955,506	326,719
2049	-	-	-	1,040,000	240,975	1,280,975	1,280,975	954,775	326,200
2050	-	-	-	1,085,000	196,775	1,281,775	1,281,775	956,838	324,938
2051	-	-	-	1,135,000	150,663	1,285,663	1,285,663	957,413	328,250
2052	-	-	-	1,180,000	102,425	1,282,425	1,282,425	956,500	325,925
2053	-	-	-	1,230,000	52,275	1,282,275	1,282,275	959,100	323,175
	\$ 2,950,000	\$ 760,242	\$ 3,710,242	\$ 21,260,000	\$ 17,262,195	\$ 38,522,195	\$ 42,232,437	\$ 30,308,684	\$ 11,923,753

(1) Interest on the Certificates has been calculated at the rates set forth on page 2.

(2) Includes the Series 2021 Certificates and the Certificates, which are supported by a portion of water and sewer revenues.

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TABLE 7 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-23 ⁽¹⁾		\$ 478,171
Interest and Sinking Fund Balance, 9-30-22	\$ -	
Less Self-Supporting Debt	69,344	
Interest and Sinking Fund Tax Levy	469,473	538,817
Estimated Balance Fiscal Year Ending 9-30-23		<u>\$ 60,646</u>

(1) Includes self-supporting debt.

TABLE 8 - WATER AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	2022	2021	2020	2019	2018
Operating Revenues	\$ 1,847,812	\$ 1,985,542	\$ 1,708,607	\$ 1,622,976	\$ 1,610,086
Property Taxes	(245,000)	(245,000)	(235,000)	(215,000)	(219,263)
Cost of Water Purchased	(253,048)	(225,858)	(179,928)	(190,242)	(252,796)
Operating Expenses ⁽¹⁾	(837,963)	(812,711)	(917,714)	(805,282)	(739,989)
Operating Income	\$ 511,801	\$ 701,973	\$ 375,965	\$ 412,452	\$ 398,038
Nonoperating Revenues Interest Income	93,421	66,302	137,859	221,438	144,916
Net Revenue Available	<u>\$ 605,222</u>	<u>\$ 768,275</u>	<u>\$ 513,824</u>	<u>\$ 633,890</u>	<u>\$ 542,954</u>
Water Customers	1,143	1,213	1,203	1,207	1,190
Sewer Customers	1,059	1,072	1,073	1,114	1,106

(1) Includes amortization, depreciation, and interest expenses.

The City may also incur non-voted debts payable from or secured by its collection of taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, and leases for various purposes.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing additional ad valorem tax supported debt within the next twelve months, with the exception of possible refundings for debt service savings.

OTHER OBLIGATIONS . . . On September 20, 2005, the City sold a pump station and water transmission line to the City of Waco, to be paid to the City in installments of \$12,814 monthly for 18 years, and \$6,632 monthly for 22 years. Interest is imputed at 4.35% over the term of the agreement. During the first 18 years, payments of \$6,632 per month will be offset against those due to Waco for water reservation rights. For all 40 years, the payments of \$6,182 per month will be offset by the City's purchase of surface water from Waco.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense.

Contributions

Employees of the City were required to contribute 5% of their annual gross earnings during the 2022 fiscal year. The contribution rate for the City was 7% and totaled \$66,290 for the year, which equaled the required contributions.

For more detailed information concerning the retirement plan, see "APPENDIX B – Excerpts from the City's Annual Financial Report" – Note 7.

FINANCIAL INFORMATION

TABLE 9 - CHANGES IN NET POSITION

	Fiscal Years Ended September 30,				
	2022	2021	2020	2019	2018
<u>REVENUES</u>					
Program Revenues:					
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	408,284	402,429	116,719	-	338,389
General Revenues:					
Sales Taxes	903,312	782,858	716,453	623,585	568,387
Property Taxes	1,023,831	988,584	939,118	884,004	810,092
Franchise Taxes	139,745	131,679	132,149	143,806	133,035
Fines	19,869	10,952	29,295	61,865	51,753
Other Taxes	180,499	122,255	148,288	65,258	123,008
Fire Department	76,470	36,433	36,234	55,711	70,663
Donations	-	-	-	23,607	16,499
Other	55,667	39,052	66,060	69,849	31,192
Total Revenues	<u>\$ 2,807,677</u>	<u>\$ 2,514,242</u>	<u>\$ 2,184,316</u>	<u>\$ 1,927,685</u>	<u>\$ 2,143,018</u>
<u>EXPENSES</u>					
Payroll & Benefits	\$ 941,852	\$ 878,368	\$ 1,092,331	\$ 891,792	\$ 748,129
Utilities	105,783	100,867	84,335	90,288	87,158
Bond Interest	-	7,259	1,923	-	-
Depreciation	325,472	314,098	247,849	237,236	254,704
Repairs & Maintenance	232,493	154,722	144,420	262,545	401,575
Insurance	42,038	39,334	42,357	38,170	33,522
Supplies	45,320	34,679	24,514	45,219	35,643
Gasoline	55,402	28,151	23,630	40,720	33,432
Community Subsidies	42,000	41,000	41,000	24,000	34,000
Fees	151,708	270,681	225,736	269,417	176,992
Fire Department	133,704	58,658	45,344	73,647	93,407
Grant Expenses	13,835	-	117,428	863	294,007
Other	69,489	25,878	59,858	25,671	38,346
Total Expenses	<u>\$ 2,159,096</u>	<u>\$ 1,953,695</u>	<u>\$ 2,150,725</u>	<u>\$ 1,999,568</u>	<u>\$ 2,230,915</u>
Interfund Transfers	\$ 314,966	\$ 250,000	\$ 615,825	\$ -	\$ -
Increase (Decrease) in Net Assets	\$ 963,547	\$ 810,547	\$ 649,416	\$ (71,883)	\$ (87,897)
Prior Period Adjustment	<u>\$ 380,371</u>	<u>\$ -</u>	<u>\$ (41,434)</u>	<u>\$ (258,037)</u>	<u>\$ -</u>
Net Position - Beginning	<u>\$ 5,749,639</u>	<u>\$ 4,939,092</u>	<u>\$ 4,331,110</u>	<u>\$ 4,661,030</u>	<u>\$ 4,748,927</u>
Net Position - Ending	<u><u>\$ 7,093,557</u></u>	<u><u>\$ 5,749,639</u></u>	<u><u>\$ 4,939,092</u></u>	<u><u>\$ 4,331,110</u></u>	<u><u>\$ 4,661,030</u></u>

Source: City's audited financial statements.

TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2022	2021	2020	2019	2018
General Property Taxes	\$ 1,023,831	\$ 988,584	\$ 939,118	\$ 884,004	\$ 810,092
Penalty & Interest	9,446	29,927	19,831	14,021	14,497
City Sales Taxes	903,312	782,858	716,453	623,585	568,387
Alcohol Device Taxes	7,128	3,980	3,072	3,684	3,465
Franchise Taxes	139,745	-	132,149	-	-
Hotel Taxes	159,219	41,817	113,050	30,864	78,905
Occupation Taxes	-	131,679	-	143,806	133,035
Permits	4,706	46,530	12,335	16,689	26,141
Fines	19,869	10,952	29,295	61,865	51,753
Animal Control	-	150	75	425	-
Child Satiety Fees	3,614	3,535	3,672	4,299	3,497
Fire Department Revenues	76,470	36,433	36,234	55,711	70,663
Donations	-	-	-	23,607	16,499
Rental Income	-	-	-	-	900
Asset Sales	10,900	-	49,163	27,313	-
Grants	408,284	402,429	116,719	-	338,389
Miscellaneous	35,270	33,185	4,640	23,024	15,346
Interest	5,883	2,183	8,510	14,788	11,449
Total Revenues	\$ 2,807,677	\$ 2,514,242	\$ 2,184,316	\$ 1,927,685	\$ 2,143,018
Expenditures:					
Salaries, Taxes and Benefits	\$ 941,852	\$ 878,367	\$ 1,092,331	\$ 891,793	\$ 748,130
Utilities	105,783	100,868	84,335	90,289	87,158
Supplies	45,319	34,681	24,514	45,219	35,643
Hotel Tax Disbursement	44,074	82,357	64,524	66,098	58,217
Animal Control	6,781	4,698	9,899	2,532	7,401
Code Enforcement	1,909	4,510	1,344	4,773	-
Repairs & Maintenance	232,494	154,724	144,420	262,545	401,575
Recycling	3,667	3,129	2,816	2,190	2,655
Criminal Justice Fees	5,204	5,842	18,185	23,817	12,258
Dues & Subscriptions	42,481	34,279	33,270	31,342	27,741
Election Expense	544	3,726	-	38	472
Legal & Professional	38,952	125,272	89,718	132,646	63,831
Travel & Training	4,520	3,624	6,542	5,880	7,662
Public Works Uniforms	18,689	3,570	3,415	3,969	11,923
Fire Department Expenses	133,704	58,658	45,344	73,647	93,407
Community Subsidies	42,000	41,000	41,000	24,000	34,000
Gasoline	55,402	28,151	23,630	40,719	33,432
Miscellaneous	14,314	25,996	34,444	15,846	18,852
Capital Outlay	842,852	1,010,718	1,955,838	257,025	105,213
Economic Development	32,000	-	14,400	-	-
Grant Expenses	13,835	-	117,428	863	294,007
Insurance	42,038	39,334	42,357	38,170	33,522
Public Health District Fees/Other	8,062	6,811	5,960	5,956	4,325
Total Expenditures	\$ 2,676,476	\$ 2,650,315	\$ 3,855,714	\$ 2,019,357	\$ 2,081,424
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ 131,201	\$ (136,073)	\$ (1,671,398)	\$ (91,672)	\$ 61,594
Other Financing Sources (Uses):					
Interfund Transfers	\$ 314,966	\$ 250,000	\$ 615,825	\$ -	\$ -
Net Change in Fund Balance	\$ 446,167	\$ 113,927	\$ (1,055,573)	\$ (91,672)	\$ 61,594
Prior Period Adjustment	\$ 380,371	\$ -	\$ (41,434)	\$ (258,037)	\$ -
Fund Balances - Beginning	\$ 1,379,042	\$ 1,265,115	\$ 2,362,122	\$ 2,711,831	\$ 2,650,237
Fund Balances - Ending	\$ 2,205,580	\$ 1,379,042	\$ 1,265,115	\$ 2,362,122	\$ 2,711,831

Source: City's audited financial statements.

TABLE 11 - MUNICIPAL SALES TAX HISTORY

The City imposes and levies a 1.0% Local Sales and Use Tax within the City pursuant to the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code; the proceeds are credited to the General Fund and are not pledged to payment of debt obligations, including the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, which remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2019	\$ 605,824	54.65%	\$ 0.3311	\$ 203
2020	701,257	59.03%	0.3567	277
2021	770,960	62.71%	0.3596	302
2022	879,524	68.78%	0.3800	344
2023	400,052 ⁽¹⁾	26.51%	0.1465	156

Source: Texas State Comptroller.

(1) Collections through February 28, 2023.

The sales tax breakdown for the City is as follows:

City Sales & Use Tax	1 ½%
County Sales & Use Tax	½%
State Sales & Use Tax	<u>6 ¼%</u>
Total	8 ¼%

FINANCIAL POLICIES

Basis of Accounting . . . The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

The accrual basis of accounting is used by the proprietary fund type. Under this method, revenues are recorded when earned, and expenses are recorded at the time liability is incurred.

General Fund Balance . . . The General Fund is the general operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property, sales, and other local taxes.

Water and Sewer Fund . . . The Water and Sewer Fund accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Budgetary Procedures . . . The City adopts annual budgets for the General Fund and the Water and Sewer Fund. The annual budget for the general fund is prepared on the modified accrual basis of accounting. The budget for the Water and Sewer Fund is prepared under a basis consistent with GAAP, except that depreciation is not considered, but capital expenses and liability reductions are considered.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State or the United States or their respective agencies and instrumentalities; (5) A or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized U.S. government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an A or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) AAA or AAA- rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15 percent of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

INVESTMENT POLICIES . . . Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments 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." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

TABLE 12 – CURRENT INVESTMENTS

As of February 28, 2023, the City's investable funds were invested in the following categories:

Type of Investment	Market	% of Total Market Value
Bank Accounts	\$ 3,267,618	43.35%
Certificates of Deposit	378,008	5.01%
Logic Accounts	3,892,471	51.64%
	<u>\$ 7,538,098</u>	<u>100.00%</u>

As of such date, 100% of the City's investment portfolio will mature within one year. The market value of the investment portfolio was approximately 100% of its purchase price. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel’s opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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

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

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

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

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

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, corporations subject to the alternative minimum tax on adjusted financial statement income, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2023, financial information and operating data with respect to the City of the general type of information contained in Tables 1 through 12 hereof, and (2) within twelve months after the end of each fiscal year ending in or after 2023, audited financial statements of the City. Any financial statements so provided shall be prepared in accordance with the accounting principles described in APPENDIX B hereof, or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. If audited financial statements are not available within twelve months after the end of any fiscal year, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available.

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 SEC, as permitted by SEC Rule 15c2-12 (the “Rule”).

The City’s current fiscal year end is September 30. Accordingly, it must provide updated information included in Tables 1 through 12 by the last day of March in each year and audited financial statements for the preceding year (or unaudited financial statements if the audited financial statements are not yet available) by the last day of September in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City 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 City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City 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 Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

Neither the Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement (unless the City obtains a municipal bond insurance policy, which will be disclosed in the final Official Statement), or liquidity enhancement. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

For these purposes, (a) any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the events described in (15) and (16) in the immediately preceding paragraph and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports”. The City will file each notice with the MSRB through EMMA.

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

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with its continuing disclosure agreements pursuant to the Rule except as follows: The City’s underlying rating was upgraded by Moody’s (defined below) on August 2, 2016 and October 17, 2018. A notice for these upgrades was not filed until April 25, 2019, which is outside of the ten business days as required by the Rule. A late notice was also filed at that time.

OTHER INFORMATION

RATING . . . S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned its municipal bond insured rating of "AA" (stable outlook) and Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond insured rating of "A1" (stable outlook) to the Certificates with the understanding that upon issuance and delivery of the Certificates, the Bond Insurance Policy insuring the timely payment of the principal and interest on the Certificates will be issued by AGM. Moody's has assigned an underlying rating of "A2" to the Certificates. The presently outstanding tax-supported debt of the City, except the City's Combination Tax and Revenue Refunding Bonds, Series 2012, are rated "A2" by Moody's without regard to credit enhancement. Additionally, the City's Combination Tax and Revenue Certificates of Obligation, Series 2015 and Combination Tax and Revenue Certificates of Obligation, Series 2021 are rated "AA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"), based on a bond insurance policy issued with respect to each series of obligations by Build America Mutual Assurance Company. An application for a rating on the Certificates has not been made to S&P. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City 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 one or more of such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Certificates. In addition, due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, general economic conditions and political developments that may affect the financial condition of the United States government, the United States debt limit, and bond and credit ratings of the United States and its instrumentalities, the ratings of obligations issued by state and local governments, such as the Certificates, could be adversely affected.

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

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

LEGAL OPINIONS . . . The City will furnish the 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 Certificate and to the effect that the Certificates are valid and legally binding obligations of the City and, based upon examination of such transcripts of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate of the City as described under "OTHER INFORMATION - Certification of the Official Statement" will also be furnished to the Purchaser. Though it represents the Financial Advisor and investment banking firms such as the Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City 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 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 various 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 the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City 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. Specialized Public Finance Inc., in its capacity as Financial Advisor, 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 City 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 City 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 . . . After requesting competitive bids for the Certificates, the City accepted the bid of Wells Fargo Bank, National Association (the "Purchaser") to purchase the Certificates at the interest rates shown on page 2 hereof at a price of approximately 104.062% of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Certificates, the City will furnish the Purchaser a certificate, executed by an authorized representative of the City, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City 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 City 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 in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

FORWARD-LOOKING STATEMENTS . . . 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 forward-looking statements 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

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

This Official Statement has been approved by the City Council of the City for distribution in accordance with the provisions of the Rule.

/s/ Tommy Muska
Mayor
City of West, Texas

ATTEST:

/s/ Shelly Nors
City Administrator/City Secretary
City of West, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

The City of West (the “City”), originally established as Bold Springs and renamed in 1881 to West, was incorporated in 1892. It is located in McLennan County approximately 20 miles north of the City of Waco. The land area of the City covers approximately 2.2 square miles.

In April 2013, the City’s local fertilizer plant exploded, claiming the lives of 15 individuals and destroying a large portion of the City. As a result, the City’s water and sewer systems sustained damage and a multitude of individual properties were destroyed, depressing the taxable assessed value of the City. The local school campuses were also heavily damaged. The federal government later formally declared the area a disaster, providing FEMA assistance in addition to assistance received from the State. The City has since entered into a recovery period, where taxable values are recovering, school and individual homeowner construction has commenced and is ongoing, and strong City management continues to lead rebuilding efforts.

ECONOMY

Texas is divided into six distinct economic regions, as described by the State Comptroller of Public Accounts. Situated in the northern portion of the Central Corridor, which stretches from south of the Dallas-Fort Worth Metroplex to south of San Antonio, West is in close proximity to four of Texas’ major cities. The economy of the City is based primarily upon ranching and farming. Common crops in the area include wheat, maize, and cotton.

The City of West is well known for its Czechoslovakian traditions. The Texas Legislature recognized West as the “Czech Heritage Capital of Texas” and “home of the official Kolache of the Texas Legislature.” Since 1976, over 40,000 people converge in the City each Labor Day weekend for the Westfest celebration, a celebration centered on Czech tradition.

SERVICE PROVIDED BY THE CITY

The City provides water, sanitary sewer and library services. The City also has the responsibility of maintaining its streets and other public improvements, providing public safety, both police and fire protection and general administrative services.

LABOR MARKET PROFILE FOR MCLENNAN COUNTY

	Annual Averages				
	2022	2021	2020	2019	2018
Civilian Labor Force	125,445	122,192	120,347	119,193	118,175
Total Employment	121,437	116,247	112,937	115,232	113,913
Unemployment	4,008	5,945	7,410	3,961	4,262
Percent Unemployment	3.2%	4.9%	6.2%	3.3%	3.6%

Source: Texas Labor Market Information.

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APPENDIX B

EXCERPTS FROM THE CITY OF WEST, TEXAS ANNUAL FINANCIAL REPORT For the Year Ended September 30, 2022

The information contained in this APPENDIX consists of excerpts from the City of West, Texas Annual Financial Report for the Year Ended September 30, 2022, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

The information contained in this Report is provided as of the respective dates and for the periods specified herein and is subject to change without notice, and the filing of this Report does not, under any circumstances, imply that there has been no change in the affairs of the City since the specified date as of which such information is provided. The historical information set forth in this Report is not necessarily indicative of future results or performance due to various factors, including those discussed in the Official Statement.

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WILLIAM B. SANDERS

Certified Public Accountant

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Independent Auditors' Report

To the City Council
City of West, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the business-type activities of City of West, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes examining the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the business-type activities of the City of West, Texas as of September 30, 2022, and the changes in financial position and where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information:

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West, Texas' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 3, 2023 on my consideration of the City of West, Texas' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of West, Texas' internal control over financial reporting and compliance.



West, Texas
January 3, 2023

**CITY OF WEST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Within this section of the City of West, Texas (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the year ended September 30, 2022. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights:

The City's assets exceeded its liabilities by \$25,390,953 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$24,438,674. The City's financial position improved substantially during the year.

Total net position is comprised of the following:

- (1) Capital assets, net of related debt, of \$16,537,083 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net assets of \$1,324,476 are restricted by debt covenants imposed outside the City.
- (3) Unrestricted net assets of \$7,529,394 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental fund reported an ending fund balance of \$2,205,580 this year. This compares to the prior year ending fund balance of \$1,379,042 showing an increase of \$826,538 during the current year, primarily due to transfers from the Water and Sewer Fund and a prior period adjustment.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, education, and culture and recreation. Business-type activities include water solid waste management, airports, ground transportation, and others.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. The general fund is the only governmental fund currently used by the City.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement for the general fund is included in the basic financial statements. This statement demonstrates compliance with the City's adopted budget.

Proprietary funds are reported in the fund financial statements and report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization, such as water utilities, sewer service, and solid waste management. The City does not currently use internal service funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary financial and nonfinancial information following the notes to the financial statements.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$25,390,953. This is a \$952,279 increase over last year's net position of \$24,438,674. The following table provides a summary of the City's net position at September 30:

	Governmental Activities		Business-Type Activity	
	2022	2021	2022	2021
Current Assets	\$2,230,426	\$1,727,758	\$ 4,769,806	\$ 6,480,644
Note Receivable	-	-	1,125,316	1,227,661
Restricted Assets	-	-	1,324,476	1,557,374
Other Assets	204,537	58,508	87,658	27,562
Water Rights, Net	-	-	866,315	903,981
Capital Assets, Net	4,887,977	4,370,597	14,658,351	13,286,892
Total Assets	7,322,940	6,156,863	22,831,922	23,484,114
Bonds Payable	-	-	2,950,000	3,335,000
Notes Payable	59,245	59,245	1,155,200	1,183,814
Other Liabilities	112,690	373,955	397,126	284,462
Total Liabilities	171,935	433,200	4,502,326	4,803,276
Deferred Inflow of Resources	57,448	(25,976)	32,200	(8,197)
Net Position:				
Invested in Capital Assets, Net of Related Debt	4,828,732	4,311,352	11,708,351	9,951,892
Restricted			1,324,476	1,557,374
Unrestricted	2,264,825	1,438,287	5,264,569	7,179,769
Total Net Position	\$7,093,557	\$5,749,639	\$ 18,297,396	\$ 18,689,035

The City reported an increase in net position for governmental activities of \$1,343,918 and a decrease in net position of its business-type activity of \$391,639, for an overall increase in net position of \$952,279 during fiscal 2022. The reasons for this substantial increase are discussed later in this section.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net position for the years ended September 30:

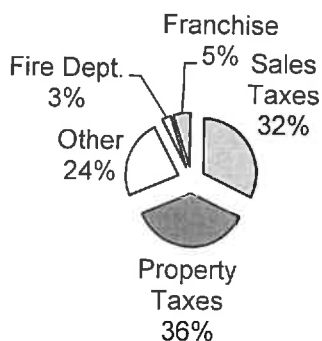
Summary of Changes in Net Position

	Governmental Activities		Business-Type Activity	
	2022	2021	2022	2021
Revenues:				
Program Revenues				
Charges for Services	\$ -	\$ -	\$ 1,575,792	\$ 1,427,414
Grants	408,284	402,429	27,020	313,127
General Revenues				
Sales Taxes	903,312	782,858	-	-
Property Taxes	1,023,831	988,584	245,000	245,000
Franchise Taxes	139,745	131,679	-	-
Fines	19,869	10,952	-	-
Other Taxes & Fees	180,499	122,255	-	-
Fire Department	76,470	36,433	-	-
Donations	-	-	-	-
Other	55,667	39,052	93,421	66,302
Total Revenues	2,807,677	2,514,242	1,941,233	2,051,843
Expenses:				
Payroll & Benefits	941,852	878,368	332,175	324,838
Utilities	105,783	100,867	129,532	115,810
Surface Water Purchased	-	-	253,048	225,858
Interest	-	7,259	148,913	123,964
Depreciation	325,472	314,098	737,829	707,478
Repairs & Maintenance	232,493	154,722	83,652	93,890
Insurance	42,038	39,334	44,370	40,785
Supplies	45,320	34,679	161,305	73,386
Gasoline	55,402	28,151	12,072	7,488
Community Subsidies	42,000	41,000	-	-
Fees	151,708	270,681	61,258	152,499
Fire Department	133,704	58,658	-	-
Grant Expenses	13,835	-	-	-
Other	69,489	25,878	53,752	43,645
Total Expenses	2,159,096	1,953,695	2,017,906	1,909,641
Change in Net Position	648,581	560,547	(76,673)	142,202
Transfers Between Funds	314,966	250,000	(314,966)	(250,000)
Prior Period Adjustments	380,371	-	-	-
Beginning Net Position	5,749,639	4,939,092	18,689,035	18,796,833
Ending Net Position	<u>\$7,093,557</u>	<u>\$5,749,639</u>	<u>\$ 18,297,396</u>	<u>\$ 18,689,035</u>

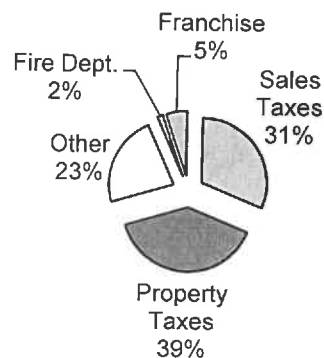
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2022.

Governmental Revenues

2022



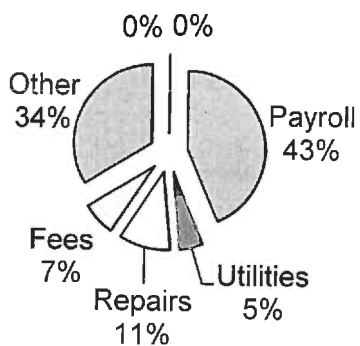
2021



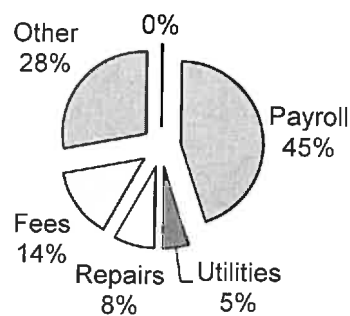
As graphically portrayed above, the City is heavily dependent on sales, property, and franchise taxes to support governmental operations. In both years, fire department generated a small amount of revenues through fundraising.

Governmental Functional Expenses

2022



2021



This graph shows the costs of governmental activities for each of the past two years, with payroll accounting for about half of the total in each year.

Financial Analysis of the City's Funds

Governmental Fund

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The governmental fund reported an ending fund balance of \$2,205,580, which is an increase of \$826,538 over the prior year, due to a large grant and a transfer from the Water & Sewer Fund.

The General Fund is the City's only governmental fund and source of day-to-day service delivery.

Proprietary Fund

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The Water and Sewer Fund is the City's only proprietary fund currently in use, and experienced a \$391,639 deficit this year, primarily due to the transfer to General Fund mentioned above.

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2022 was \$2,436,250 in revenues and \$2,582,805 in expenditures. This budget complied with financial policies approved by the City Council and maintained core City services.

Long-Term Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$2,950,000. This amount is supported by pledged revenues generated by the business-type activities of the City. During the year, we paid \$385,000 on these bond issues

Long-Term Water Needs

During fiscal 2005, the City entered into an agreement to sell the pipeline that we built in 2002 to the City of Waco, and simultaneously bought the rights to 1,000,000 gallons of water per day from Waco for the next forty years. No cash will actually trade hands in this agreement, as payments to Waco for water will be offset by payments to West for the pipeline. The City Council believes that this agreement will provide for West's long-term water needs at an economical price.

Fertilizer Plant Explosion

On April 17, 2013, a fire at the local fertilizer plant led to an explosion which claimed the lives of City Secretary Joey Pustejovsky and ten other volunteer firefighters. As a result, we have received over \$9,000,000 in federal and state grants, as well as equipment and cash donations from around the country. In addition, we filed lawsuits against the fertilizer plant and fertilizer manufacturers for negligence related to the explosion. We reached out-of-court settlements in these lawsuits in 2018, collecting over \$6,200,000.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City at P.O. Box 97, West, Texas 76691.

CITY OF WEST, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash on Hand and in Banks	\$ 1,807,077	\$ 378,471	\$ 2,185,548
Investments	228,247	4,062,396	4,290,643
Sales Taxes Receivable	160,457	-	160,457
Accounts Receivable	33,429	146,468	179,897
Delinquent Property Taxes Receivable, Net	1,216	-	1,216
Note Receivable	-	102,345	102,345
Inventory	-	80,126	80,126
Total Current Assets	<u>2,230,426</u>	<u>4,769,806</u>	<u>7,000,232</u>
Restricted Assets			
Cash in Banks		1,255,618	1,255,618
Investments		68,858	68,858
Note Receivable		1,125,316	1,125,316
Net Pension Asset	204,537	87,658	292,195
Reserved Water Rights, net of Accum. Amortization		866,315	866,315
Capital Assets:			
Land	194,129	151,098	345,227
Other Assets, Net of Accumulated Depreciation	<u>4,693,848</u>	<u>14,507,253</u>	<u>19,201,101</u>
Total Assets	<u><u>\$ 7,322,940</u></u>	<u><u>\$ 22,831,922</u></u>	<u><u>\$ 30,154,862</u></u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 54,759	\$ 195,764	\$ 250,523
Meter Deposits Payable		176,534	176,534
Note Payable	17,920	29,884	47,804
Revenue Bonds Payable		<u>365,000</u>	<u>365,000</u>
Total Current Liabilities	72,679	767,182	839,861
Long-Term Liabilities			
OPEB Payable	57,931	24,828	82,759
Note Payable	41,325	1,125,316	1,166,641
Revenue Bonds Payable		<u>2,585,000</u>	<u>2,585,000</u>
Total Long-Term Liabilities	99,256	3,735,144	3,834,400
Total Liabilities	171,935	4,502,326	4,674,261
Deferred Inflows of Resources	57,448	32,200	89,648
NET POSITION			
Invested in Capital Assets, net of Related Debt	4,828,732	11,708,351	16,537,083
Restricted		1,324,476	1,324,476
Unrestricted	<u>2,264,825</u>	<u>5,264,569</u>	<u>7,529,394</u>
Total Net Position	<u><u>7,093,557</u></u>	<u><u>18,297,396</u></u>	<u><u>25,390,953</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Governmental Activities	Business-Type Activity	Total
Governmental Activities:			
General Government	\$ 2,159,096	\$ -	\$ 2,159,096
Business-Type Activities:			
Water & Sewer	-	2,017,906	2,017,906
Program Revenues:			
Charges for Services	-	1,565,650	1,565,650
Net (Expense) Revenue	(2,159,096)	(452,256)	(2,611,352)
General Revenues:			
Property Taxes	1,023,831	245,000	1,268,831
Sales Taxes	903,312	-	903,312
Franchise Taxes	139,745	-	139,745
Interest	5,883	93,422	99,305
Grants	408,284	27,020	435,304
Fire Department	76,470	-	76,470
Other	250,152	10,141	260,293
Total General Revenues	2,807,677	375,583	3,183,260
Transfers Between Funds	314,966	(314,966)	-
Change in Net Position	963,547	(391,639)	571,908
Beginning Net Position	5,749,639	18,689,035	24,438,674
Prior Period Adjustment	380,371	-	380,371
Ending Net Position	<u>\$ 7,093,557</u>	<u>\$ 18,297,396</u>	<u>\$25,390,953</u>

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2022

ASSETS:

Cash on Hand and in Banks	\$ 1,807,077
Investments	228,247
Sales Taxes Receivable	160,457
Other Accounts Receivable	33,429
Delinquent Property Taxes Receivable, Net	1,216
Net Pension Asset	204,537
Total Assets	<u>\$2,434,963</u>

LIABILITIES AND FUND BALANCES:

LIABILITIES:

Current Liabilities:	
Accounts Payable	\$ 54,759
Note Payable	17,920
Total Current Liabilities	72,679
Long-Term Liabilities	
Note Payable	41,325
OPEB Payable	57,931
Total Long-Term Liabilities	99,256
Total Liabilities	171,935
Deferred Outflow of Resources	57,448

FUND BALANCES:

Unreserved	2,205,580
Total Liabilities and Fund Balances	<u>\$2,434,963</u>

Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Assets:

Fund Balance, Governmental Fund	\$2,205,580
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets of \$8,246,349 less accumulated depreciation of (\$3,358,372) are not financial resources and, therefore, are not reported in the funds.	4,887,977
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Net Assets of Governmental Activities	<u>\$7,093,557</u>
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The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>General</u>
Revenues:	
General Property Taxes	\$ 1,023,831
Penalty & Interest	9,446
City Sales Tax	903,312
Alcohol Device Tax	7,128
Occupation Tax	139,745
Hotel Tax	159,219
Permits	4,706
Fines	19,869
Animal Control	-
Child Safety Fees	3,614
Fire Department Revenues	76,470
Proceeds from Asset Sales	10,900
Grants	408,284
Miscellaneous	35,270
Interest	5,883
	<hr/>
Total Revenues	2,807,677
Expenditures:	
Salaries	787,643
Payroll Taxes	76,064
Benefits - Retirement	(9,652)
Benefits - Group Insurance	87,797
Utilities	85,717
Telephone	20,066
Office Supplies	8,709
Hotel Tax Disbursement	44,074
General Supplies	13,353
Postage	1,097
Street Supplies	8,999
Animal Control	6,781
Code Enforcement	1,909
Police Supplies	13,161
Repairs & Maintenance Buildings, Parks, Equipment	117,312
Repairs & Maintenance Street	115,182
Recycling	3,667
Criminal Justice Fees	5,204
Dues & Subscriptions	42,481
Election Expense	544
Legal & Professional	38,952
Travel & Training	4,520

	General
Public Works & Police Uniforms	18,689
Fire Department Expenses	133,704
Community Subsidies	42,000
Gasoline	19,218
Gasoline - Police, Ambulance	36,184
Miscellaneous	14,314
Capital Outlay	842,852
Economic Development	32,000
Insurance	42,038
Grant Expenses	13,835
Public Health District	8,062
Total Expenditures	2,676,476
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Financing Uses	131,201
Other Financing Sources - Interfund Transfers	314,966
Excess (Deficit) of Revenues Over (Under) Expenditures	446,167
Fund Balance at Beginning of Year	1,379,042
Prior Period Adjustment	380,371
Fund Balance at End of Year	\$ 2,205,580
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to the Statement of Activities	
Net Change in Fund Balance - Governmental Fund	826,538
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which which capital outlay of \$842,852 exceeded depreciation of \$325,472 during the current period.	517,380
Change in net position of governmental activities	\$ 1,343,918

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
General Property Taxes	\$ 1,032,000	\$ 1,023,831	\$ (8,169)
Penalty & Interest	30,000	9,446	(20,554)
City Sales Taxes	745,000	903,312	158,312
Alcohol Device Taxes	5,000	7,128	2,128
Franchise Taxes	142,000	139,745	(2,255)
Hotel Taxes	150,000	159,219	9,219
Permits	100,000	4,706	(95,294)
Fines	15,000	19,869	4,869
Animal Control	150	-	(150)
Child Safety Fees	-	3,614	3,614
Fire Department Revenues	-	76,470	76,470
Proceeds from Asset Sales	-	10,900	10,900
Grants	200,000	408,284	208,284
Rental Income	6,000	-	(6,000)
Miscellaneous	5,000	35,270	30,270
Interest	2,500	5,883	3,383
Total Revenues	2,432,650	2,807,677	375,027
Expenditures:			
Salaries	729,535	787,643	(58,108)
Payroll Taxes	66,560	76,064	(9,504)
Benefits - Retirement	71,410	(9,652)	81,062
Benefits - Group Insurance	133,000	87,797	45,203
Utilities	85,000	85,717	(717)
Telephone	20,000	20,066	(66)
Office Supplies	3,000	8,709	(5,709)
Hotel Tax Disbursement	60,000	44,074	15,926
General Supplies	15,000	13,353	1,647
Postage	2,800	1,097	1,703
Street Supplies	2,000	8,999	(6,999)
Animal Control	6,000	6,781	(781)
Code Enforcement	5,000	1,909	3,091
Police Supplies	7,000	13,161	(6,161)
Repairs & Maintenance	175,000	117,312	57,688
Repairs & Maintenance Street	50,000	115,182	(65,182)
Recycling	3,500	3,667	(167)
Criminal Justice Fees	8,000	5,204	2,796
Dues & Subscriptions	36,000	42,481	(6,481)
Election Expense	3,500	544	2,956

	Budget	Actual	Variance Favorable (Unfavorable)
Legal & Professional	100,000	38,952	61,048
Travel & Training	3,000	4,520	(1,520)
Public Works & Police Uniforms	5,500	18,689	(13,189)
Fire Department Expenses	32,000	133,704	(101,704)
Community Subsidies	42,000	42,000	-
Gasoline	13,000	19,218	(6,218)
Gasoline - Police	19,000	36,184	(17,184)
Miscellaneous	12,000	14,314	(2,314)
Capital Outlay	527,000	842,852	(315,852)
Economic Development	45,000	32,000	13,000
Insurance	45,000	42,038	2,962
Grant Expenses	200,000	13,835	186,165
Public Health District Fees	7,000	8,062	(1,062)
Total Expenditures	2,532,805	2,676,476	(204,719)
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	(100,155)	131,201	231,356
Interfund Transfers	-	314,966	314,966
Excess (Deficit) of Revenues Over (Under) Expenditures	(100,155)	446,167	546,322
Fund Balance at Beginning of Year	1,379,042	1,379,042	-
Prior Period Adjustment	-	380,371	380,371
Fund Balance at End of Year	\$ 1,278,887	\$ 2,205,580	\$ 926,693

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2022

	Water & Sewer Fund
ASSETS:	
Current Assets:	
Cash on Hand and in Banks	\$ 378,471
Investments	4,062,396
Accounts Receivable	146,468
Note Receivable	102,345
Inventory	80,126
Total Current Assets	<u>4,769,806</u>
Restricted Assets:	
Cash in Banks	1,255,618
Investments	68,858
Total Restricted Assets	<u>1,324,476</u>
Other Assets	
Note Receivable	1,125,316
Net Pension Asset	87,658
Reserved Water Rights, net of Accumulated Amortization	866,315
Total Other Assets	<u>2,079,289</u>
Capital Assets:	
Land	151,098
Other Capital Assets, net of Accumulated Depreciation	14,507,253
Total Capital Assets	<u>14,658,351</u>
Total Assets	<u><u>\$22,831,922</u></u>
Deferred Inflow of Resources	32,200
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 195,764
Meter Deposits Payable	176,534
Notes Payable	29,884
Revenue Bonds Payable	365,000
Total Current Liabilities	<u>767,182</u>
Long-Term Liabilities:	
OPEB Payable	24,828
Note Payable	1,125,316
Revenue Bonds Payable	2,585,000
Total Long-Term Liabilities	<u>3,735,144</u>
Total Liabilities	4,502,326
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	11,708,351
Restricted	1,324,476
Unrestricted	5,264,569
Total Net Position	<u><u>\$ 18,297,396</u></u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Water and Sewer
Operating Revenues:	
Water Sales	\$ 1,099,051
Sewer Service	383,635
Water Tap Fees	13,300
Sewer Tap Fees	4,500
Late Charges	35,525
Property Taxes	245,000
Grants	27,020
Collection Fees	29,639
Miscellaneous	10,142
	<hr/>
Total Operating Revenues	\$ 1,847,812
Cost of Water Purchased	<hr/> 253,048
Gross Profit	\$ 1,594,764
Operating Expenses:	
Salaries	274,460
Payroll Taxes	20,980
Retirement	(4,137)
Group Insurance	40,872
Utilities	115,175
Telephone	14,357
Office Supplies	2,771
Computer Supplies	520
General Supplies	116,212
Postage	6,307
Chlorine Supplies	35,494
Repairs & Maintenance	83,652
Dues & Subscriptions	17,969
Legal & Professional	13,556
Travel & Training	2,782
Public Works Uniforms	545
Laboratory Fees	16,996

	Water and Sewer
Gasoline	<u>12,072</u>
Miscellaneous	14,010
Insurance	44,370
Bad Debts	-
Grant Expenses	9,000
Interest	148,913
Amortization	40,153
Depreciation	<u>737,829</u>
Total Operating Expenses	<u>1,764,858</u>
Operating Income (Loss)	\$ (170,094)
Nonoperating Revenues (Expenses)	
Interest Income	93,421
Interfund Transfers	<u>(314,966)</u>
Net Income (Loss)	(391,639)
Beginning Net Position	<u>18,689,035</u>
Ending Net Position	<u><u>\$ 18,297,396</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Water and Sewer</u>
Cash Flows From Operating Activities:	
Cash Receipts From Customers	\$ 1,569,293
Cash Receipts From Property Taxes	245,000
Cash Payments to Vendors	(394,269)
Cash Payments to Employees	(274,460)
Cash Payments for Interest	<u>(148,913)</u>
Net Cash Flows From Operating Activities	996,651
Cash Flows From Capital and Related Financing Activities:	
Receipt of Grant	27,020
Purchases of Capital Assets	(2,109,289)
Payment of Note	(28,614)
Payment of Revenue Bonds	<u>(385,000)</u>
Net Cash Flows From Capital and Related Financing Activities	(2,495,883)
Cash Flows Used By Noncapital Financing Activities:	
Interfund Transfers	(314,966)
Cash Flows From Investing Activities:	
Interest Income	<u>93,421</u>
Net Increase (Decrease) in Cash	(1,720,777)
Cash and Equivalents, Beginning of Year	<u>7,486,120</u>
Cash and Equivalents, End of Year	<u><u>\$ 5,765,343</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies

A. Reporting Entity

For financial reporting purposes, in conformity with generally accepted accounting principles, the City of West, Texas includes all funds, account groups, and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City.

Based on the foregoing criteria, the following component unit is included in the accompanying financial statements:

Volunteer Fire Department - The City owns the Department's assets, subsidizes their operations annually, is morally responsible to fund operating deficits, and controls their facilities.

The following related organizations are not component units of the City and are excluded from the accompanying financial statements:

Volunteer Ambulance Association - The Association's expenses are financed entirely by outside sources, with the exception of the subsidy reported in the accompanying financial statements. The City is not involved in determining charges for services, funding operating deficits, or choosing its governing officials.

Community Library - The Library's expenses are financed entirely by outside sources, with the exception of occasional subsidies reported in the accompanying financial statements. The City is not involved in determining charges for services, funding operating deficits, or choosing its governing officials or employees, but does insure the building, and would assume ownership of the building if the Library ceased operations.

Hospital Authority - The City appoints four of the Authority's ten directors, but meets none of the other criteria for inclusion in the City's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of net activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed with fees charged to external customers.

Fund financial statements are provided for governmental and proprietary funds.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

C. Fund Accounting

The accounts of the City are organized into funds, each of which is considered to be a separate accounting entity. The following fund types are used by the City.

(A) Governmental Fund Type:

Governmental Funds are those through which most governmental functions typically are financed.

1. General Fund

The General fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property, sales, franchise, and other local taxes.

(B) Proprietary Fund Type:

1. Water and Sewer Fund

The Water and Sewer Fund accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

The accrual basis of accounting is used by the proprietary fund type. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

E. Budgets and Budgetary Accounting

The City adopts annual budgets for the General Fund and the Water and Sewer Fund. The annual budget for the general fund is prepared on the modified accrual basis of accounting. The budget for the Water and Sewer Fund is prepared under a basis consistent with GAAP, except that depreciation is not considered, but capital expenses and liability reductions are considered.

F. Inventory of Parts and Supplies

Inventory of parts and supplies held for consumption are recorded at cost on a first-in, first-out basis in the Water and Sewer Fund.

G. Property Taxes

Property taxes attach as enforceable liens on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent on February 1 of the following year. The City's taxes are billed and collected by the McLennan County Tax Office. City property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectibility is improbable. At September 30, 2022, this allowance is \$60,009.

H. Property, Plant, Equipment, and Infrastructure

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The costs of

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Structures	20-40 Years
Vehicles	3-5 Years
Fire Trucks	10 Years
Equipment	5-15 Years
Underground Pipes	35 Years

I. Water Reservation Rights

In 2005, the City bought the rights to purchase surface water from the City of Waco through 2045. These rights are amortized using the straight-line method over forty years.

J. Statement of Cash Flows

For the purposes of the Statement of Cash Flows of the Water and Sewer Fund, the City considers all highly liquid investments with initial maturities of three months or less when purchased to be cash equivalents.

K. Pension Coverage

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from the TMRS' fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is recorded for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Cash, Investments, and Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The *Public Funds Investment Act* and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The *Public Funds Investment Act* requires that a financial institution secure deposits made by state or

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

2. Cash, Investments, and Custodial Credit Risk (continued)

local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must at least equal the bank balances less the FDIC insurance at all times.

As of September 30, 2022, the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized. The book balances of the City's deposits were \$3,440,966, of which \$500,000 were covered by FDIC insurance and \$2,940,966 were collateralized by United States Government securities and other securities with market values of \$3,689,237, held by one of the financial institutions and one independent institution.

All amounts reported under the caption "Investments" in the City's financial statements are investments in the Local Government Investment Cooperative (LOGIC), a public funds investment pool administered by FirstSouthwest and JPMorgan Chase. LOGIC was organized in conformity with the *Interlocal Cooperation Act*, Chapter 791 of the Texas Government Code and the *Public Funds Investment Act*, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pools, and are considered Level 2 Investments.

For financial reporting purposes, LOGIC uses the fair value method to report its investments. Under the fair value method, fixed-income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. The pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services or broker-dealers also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon rates, estimated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally-recognized statistical rating organization. At September 30, 2022, the City's investments in LOGIC totaled \$4,359,501, and were rated AAA by Standard & Poor's.

3. Components of Restricted Assets

Revenue Bond Certificate Funds	\$ 226,910
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The ordinances authorizing the 2012 tax and revenue refunding bonds require that the City establish a certificate fund for the purpose of paying principal and interest on these bonds.

Disaster Recovery Funds	\$ 1,097,567
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The State of Texas requires that the City only spend these funds for disaster recovery.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

4. Changes in Capital Assets

The following is a summary of changes in capital assets used in governmental activities for the fiscal year:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022
Land	\$194,129	\$ -	\$ -	\$194,129
Streets and Bridges	1,641,255	260,953		1,902,208
Buildings and Improvements	1,447,109	211,150		1,658,259
City Park	263,765			263,765
Community Center	611,991			611,991
Street Department Equipment	1,031,867	40,313	20,004	1,052,176
Fire Department Equipment	1,712,112	323,836		2,035,948
Police Department Equipment	438,204	6,600		444,804
Office Equipment	63,065			63,065
Accumulated Depreciation	(3,032,900)	(325,472)	(20,004)	(3,338,368)
Net Capital Assets	<u>\$4,370,597</u>	<u>\$517,380</u>	<u>\$0</u>	<u>\$4,887,977</u>

Depreciation recognized during the year was \$325,472. Construction in Progress at September 30, 2022 was \$164,078, consisting of costs of building a new police station..

The following is a summary of changes in proprietary fund capital assets for the fiscal year:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022
Water System	\$ 17,996,364	\$1,962,050	\$ -	\$ 19,958,414
Sewer System	1,386,417	125,329		1,511,746
Vehicles and Equipment	854,030	21,910		875,940
Buildings	1,912,569			1,912,569
Land	151,098			151,098
Accumulated Depreciation	(9,013,586)	(737,830)		(9,751,416)
Net Capital Assets	<u>\$ 13,286,892</u>	<u>\$1,371,459</u>	<u>\$ -</u>	<u>\$14,658,351</u>

Depreciation recognized during the year was \$737,830.

Construction in Progress at September 30, 2022 was \$486,284, consisting of costs of the the Wastewater Treatment Plant Project.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

5. Changes in Long-Term Debt

The following is a summary of debt transactions for the City for the year ended September 30, 2022:

Description:	Balance September 30, 2021	Issued	Retired	Balance September 30, 2022
2012 Tax and Revenue Refunding Bonds, \$2,135,000 originally issued, with interest rate of 2.39%	650,000	-	320,000	330,000
Note Payable to City of Waco for purchase of water reservation rights, 4.35 % imputed interest rate	1,183,814	-	28,614	1,155,200
2015 Combination Tax and Revenue Certificates of Obligation, \$1,545,000 originally issued, with interest rates ranging from 3.25% to 5%	1,420,000	-	20,000	1,400,000
2021 Combination Tax and Revenue Certificates of Obligation, \$1,265,000 originally issued, with interest rates ranging from 2% to 3%	1,265,000	-	45,000	1,220,000
Note Payable for two Police vehicles, with interest at 4.232%	59,245	-	-	59,245
Total	<u>\$ 4,578,059</u>	<u>\$ -</u>	<u>\$ 413,614</u>	<u>\$ 4,164,445</u>

The annual debt requirements as of September 30, 2022, including principal and interest are as follows:

Years Ending September 30	Amount
2023	\$ 573,895
2024	306,001
2025	310,051
2026	283,478
2027	288,734
2028-32	1,432,337
2033-37	1,150,702
2038-42	730,410
2043.-46	484,490
Total Principal and Interest	5,560,098
Less Interest	<u>1,395,653</u>
Liability at September 30, 2022	<u>\$ 4,164,445</u>

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

6. Note Receivable

On September 20, 2005, the City sold a pump station and water transmission line to the City of Waco, to be paid to the City in installments of \$12,814 monthly for 18 years, and \$6,632 monthly for 22 years. Interest is imputed at 4.35% over the term of the agreement. During the first 18 years, payments of \$6,632 per month will be offset against those due to Waco for water reservation rights. For all 40 years, the payments of \$6,182 per month will be offset by the City's purchase of surface water from Waco.

7. Defined-Benefit Pension Plan

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined-benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	12
Active Employees	19
Total	42

Covered Payroll	\$ 905,393
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CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

7. Defined-Benefit Pension Plan (Continued)

Contributions

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City was 7% and totaled \$66,290 for the year, which equaled the required contributions.

Net Pension Liability (Asset)

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(continued)

7. Defined-Benefit Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public & Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance, December 31, 2020	\$ 2,655,351	\$ 2,738,934	\$ (83,583)
Changes for the year:			
Service Cost	92,078		92,078
Interest	177,018		177,018
Change of Benefit Terms			-
Differences Between Expected and Actual	(16,885)		(16,885)
Changes in Assumptions			-
Benefit Payments	(157,792)		(157,792)
Contributions - Employer		60,842	(60,842)
Contributions - Employee		45,270	(45,270)
Net Investment Income		356,353	(356,353)
Benefit Payments		(157,792)	157,792
Administrative Expense		(1,652)	1,652
Other		10	(10)
Balances, December 31, 2021	\$ 2,749,770	\$ 3,041,965	\$ (292,195)

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

7. Defined-Benefit Pension Plan (Continued)

Sensitivity Analysis:

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

	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 60,486	\$ (292,195)	\$ (586,355)

Pension Expense:

Service Cost	\$ 92,078
Interest on Total Pension Liability	177,018
Changes in Current Period Benefits	-
Employee Contributions	(45,270)
Projected Earnings on Plan Investments	(184,878)
Administrative Expense	1,652
Other Changes in Fiduciary Net Position	(10)
Recognition of Current Year Outflow (Inflow) of Liabilities	(4,159)
Recognition of Current Year Outflow (Inflow) of Assets	(34,296)
Amortization of Prior Year Outflows (Inflows) of Liabilities	5,610
Amortization of Prior Year Outflows (Inflows) of Assets	(27,217)
Total Pension Expense	<u>\$ (19,472)</u>

Schedule of Deferred Inflows/Outflows of Resources:

	Total (Inflow) or Outflow of Resources	Current Pension Expense	Deferred (Inflow)/Outflow of Resources
Difference in Expected and Actual Experience	\$ (16,885)	\$ (4,159)	\$ (12,726)
Difference in Changes in Assumptions	-	-	-
Difference in Projected and Actual Earnings	(171,475)	(34,295)	(137,180)
Totals	<u>\$ (188,360)</u>	<u>\$ (38,454)</u>	<u>\$ (149,906)</u>

Amounts currently reported as deferred outflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending December 31:

2022	\$ (28,700)
2023	(88,676)
2024	(44,553)
2025	(34,544)
thereafter	-
Total	<u>\$ (196,473)</u>

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(continued)

8. Postemployment Benefits Other Than Pensions (OPEB)

TMRS also administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Plan (SDBP). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF program is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

As of December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	2
Active employees	19
Total	30

Total OPEB Liability

The City's total OPEB liability of \$82,759 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.5% to 11.5%
Discount rate	1.84%
Retirees' share of benefit-related costs	-
Administrative expenses	Paid through the Pension Trust
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables projected on a fully generational basis with Scale UMP

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period from December 31, 2014 to December 31, 2018.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(continued)

8. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Changes in the Total OPEB Liability:

Balance, December 31, 2020	\$ 82,437
Changes for the year	
Service Cost	3,893
Interest on Total OPEB Liability	1,671
Changes of benefit terms	-
Differences between expected and actual experience	(5,691)
Changes in assumptions or other inputs	2,079
Benefit payments	(1,630)
Net changes	322
Balance, December 31, 2021	\$ 82,759
Covered Payroll	\$ 905,393
Total OPEB Liability as a Percentage of Covered Payroll	9.14%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease 84.00%	Current Discount Rate 1.84%	1% Increase 2.84%
Total OPEB Liability	\$ 97,209	\$ 82,759	\$ 70,823

OPEB Expense:

Service cost	\$ 3,893
Interest on total OPEB liability	1,671
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflow/inflows of resources:	
Differences between expected and actual experience	(3,893)
Changes in assumptions or other inputs	4,012
Total OPEB Expense	\$ 5,683

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(continued)

8. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Schedule of Outflows and Inflows - Current and Future Expense

<u>Due to Liabilities:</u>	<u>Recognition Period</u>	<u>Total (Inflow) or Outflow of Resources</u>	<u>Current OPEB Expense</u>	<u>Deferred (Inflow) Outflow</u>
Difference in expected and actual experience	5.58	\$ (5,691)	\$ (1,020)	\$ (4,671)
Change in assumptions	5.58	<u>2,079</u>	<u>373</u>	<u>1,706</u>
Total		<u>\$ (3,612)</u>	<u>\$ (647)</u>	<u>\$ (2,965)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense:

	<u>Net Deferred Outflows / (Inflows) of Resources</u>
2022	\$ (200)
2023	315
2024	1,543
2025	(165)
2026	(377)
thereafter	<u>-</u>
Total	<u>\$ 1,116</u>

9. Commitments and Contingencies

As of September 30, 2022, the City was committed to spend an additional \$425,741 on a new Police Department building, and an additional \$425,407 on the Wastewater Treatment Plant Project.

10. Prior Period Adjustments

In the year ended September 30, 2022, the Fund Balance of the General Fund was increased by \$394,571 to reflect a grant from the Texas Department of Emergency Management that was applicable to the two prior years, but received in the current year, and decreased by building permit fees of \$14,200 applicable to the previous year.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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May 2, 2023

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

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

IN REGARD to the authorization and issuance of the “City of West, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023,” dated March 15, 2023, in the principal amount of \$21,260,000 (the “Certificates”), we have examined into their issuance by the City of West, Texas (the “City”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on April 1 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

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

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

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally

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

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

payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

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

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

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

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES