

**OFFICIAL STATEMENT**

**Dated: January 9, 2023**

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.*

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

**CITY OF TIOGA, TEXAS**

**(A municipal corporation and political subdivision of the State of Texas located in Grayson County)**

**\$6,720,000**

**Combination Tax and Revenue Certificates of Obligation, Series 2023**

**Dated Date: February 1, 2023**

**Due: August 15, as shown on page ii**

The City of Tioga, Texas (the "City" or "Issuer") \$6,720,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an ordinance adopted by the City Council on January 9, 2023 (referred to herein as the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from February 1, 2023 (the "Dated Date"), will be payable February 15 and August 15 of each year, commencing August 15, 2023, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully-registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates, within a stated maturity, will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by U.S. Bank Trust Company, National Association, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participating members, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for (i) constructing, acquiring, installing, replacing, equipping and improving the City's wastewater system facilities consisting of a new wastewater treatment plant, sewer lines, manholes, lift stations, and force mains and (ii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Certificates maturing on August 15, 2039 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE CERTIFICATES - Redemption" herein.)

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Assured Guaranty Municipal Corp. ("AGM"). (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)



**MATURITY SCHEDULE**

(See Page ii)

*The Certificates are offered for delivery when, as and if received by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the Certificates will be available for delivery through DTC on or about February 7, 2023.*

**\$6,720,000**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023**  
**MATURITY SCHEDULE**  
**(Due August 15)**  
**Base CUSIP Number: 887772<sup>(1)</sup>**

**\$6,115,000 Serial Certificates**

<b>Stated Maturity (August 15)</b>	<b>Principal Amount</b>	<b>Interest Rate (%)</b>	<b>Initial Yield (%)</b>	<b>CUSIP Suffix<sup>(1)</sup></b>
2025	\$ 80,000	5.000	2.850	DC2
2026	165,000	5.000	2.870	DD0
2027	175,000	5.000	2.880	DE8
2028	185,000	5.000	2.900	DF5
2029	190,000	5.000	2.940	DG3
2030	200,000	5.000	2.980	DH1
2031	210,000	5.000	3.000	DJ7
2032	220,000	5.000	3.060	DK4
2033 <sup>(2)</sup>	235,000	5.000	3.090 <sup>(3)</sup>	DL2
2034 <sup>(2)</sup>	245,000	5.000	3.200 <sup>(3)</sup>	DM0
2035 <sup>(2)</sup>	255,000	5.000	3.350 <sup>(3)</sup>	DN8
2036 <sup>(2)</sup>	270,000	5.000	3.520 <sup>(3)</sup>	DP3
2037 <sup>(2)</sup>	285,000	5.000	3.570 <sup>(3)</sup>	DQ1
***	***	***	***	***
2040 <sup>(2)</sup>	320,000	4.000	4.030	DT5
2041 <sup>(2)</sup>	335,000	4.000	4.070	DU2
2042 <sup>(2)</sup>	350,000	4.000	4.100	DV0
2043 <sup>(2)</sup>	360,000	4.000	4.140	DW8
2044 <sup>(2)</sup>	375,000	4.000	4.170	DX6
2045 <sup>(2)</sup>	390,000	4.000	4.190	DY4
2046 <sup>(2)</sup>	405,000	4.000	4.230	DZ1
2047 <sup>(2)</sup>	425,000	4.125	4.270	EA5
2048 <sup>(2)</sup>	440,000	4.125	4.300	EB3

(Interest to accrue from the Dated Date)

\$605,000 4.000% Term Certificate due 8/15/2039<sup>(2)</sup>, Priced to Yield 4.000%<sup>(3)</sup>, CUSIP Suffix DS7<sup>(1)</sup>

(Interest to accrue from the from the Dated Date)

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data 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, its Financial Advisor nor the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(2)</sup> The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Certificates maturing on August 15, 2039 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE CERTIFICATES - Redemption" herein.)

<sup>(3)</sup> Yield shown to first optional redemption date of August 15, 2032.

**CITY OF TIOGA, TEXAS**  
**600 Main Street**  
**Tioga, Texas 76271**  
**(940) 437-2351**

**ELECTED OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>First Elected</u>	<u>Term Expires</u>	<u>Occupation</u>
Craig Jezek	Mayor	May 2016	05/2023	Home Builder
Kurt Hall	Council Member, Place 1	May 2017	05/2024	Safety / Security
Tommy Hunter	Council Member, Place 2	May 2016	05/2023	Insurance Adjuster
Lori Robinson	Council Member, Place 3	November 2020	05/2024	Real Estate Agent
Jamie Skaggs	Council Member, Place 4	May 2021	05/2023	Self-Employed
Heather Nesmith	Council Member, Place 5	May 2010	05/2024	Self-Employed

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Years of Service with City</u>	<u>Total Years of Service</u>
Donna Carney	City Secretary	28	28
James Hale	Director of Public Works	27	31

**CONSULTANTS AND ADVISORS**

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor	Hilltop Securities, Inc. Dallas, Texas
Certified Public Accountants	Joseph E. Madden, CPA Denison, Texas

***For Additional Information Please Contact:***

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Dallas, Texas 75270  
(214) 859-9447  
john.martin@hilltopsecurities.com

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

NONE OF THE CITY, ITS FINANCIAL ADVISOR OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Underwriter after such Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, the Rule.

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 E - Specimen Municipal Bond Insurance Policy".

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*The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.*

## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

<b>The Issuer</b>	The City of Tioga, Texas (the “City” or “Issuer”), is located in Grayson County. The city is a political subdivision of the State of Texas (the “State”) and a Type A general law municipal corporation organized and existing under the laws of the State.
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas.
<b>Security</b>	The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the City’s combined Waterworks and Sewer System (the “System”). (See “THE CERTIFICATES – Security for Payment” and “AD VALOREM TAX PROCEDURES – Debt Tax Rate Limitation” herein).
<b>Redemption Provisions</b>	The Certificates maturing on and after August 15, 2033, are subject to redemption prior to their stated maturity at the option of the City on August 15, 2032, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof within a maturity, at the redemption price of par plus accrued interest. Additionally, the Certificates maturing on August 15, 2039 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See “THE CERTIFICATES – Redemption Provisions” herein.)
<b>Tax Exemption</b>	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “Tax Matters” herein, including the alternative minimum tax on certain corporations.
<b>Use of Proceeds</b>	Proceeds from the sale of the Certificates will be used for ((i) constructing, acquiring, installing, replacing, equipping and improving the City’s wastewater system facilities consisting of a new wastewater treatment plant, sewer lines, manholes, lift stations, and force mains and (ii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith. (See “THE CERTIFICATES – Use of Certificate Proceeds” and “Sources and Uses of Funds” herein.)
<b>Bond Insurance</b>	The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Assured Guaranty Municipal Corp. (“AGM”). (See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.)
<b>Book-Entry-Only System</b>	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”), New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
<b>Ratings</b>	S&P Global Ratings (“S&P”) has assigned their credit rating of “AA” to the Certificates, at the time of delivery of the Certificates, based upon a municipal bond insurance policy to be issued by AGM. S&P has also assigned their credit rating of “A+” to the Certificates. An explanation of the significance of any rating may be obtained from S&P Global Ratings. (See “OTHER PERTINENT INFORMATION-Ratings” herein.)
<b>Qualified Tax-Exempt Obligations</b>	The City designated the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions” herein.)
<b>Payment Record</b>	The City has not defaulted in repayment of any of its bonded indebtedness.
<b>Delivery</b>	When issued, it is anticipated the Certificates will be available for delivery through DTC on or about February 7, 2023.
<b>Legality</b>	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas in substantially the form attached hereto as Appendix C.

## INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Tioga, Texas (the "City" or "Issuer"), of its \$6,720,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates").

The Issuer is a political subdivision and a Type A general law municipality of the State of Texas (the "State") and operates under the statutes and the Constitution of the State of Texas. The Certificates are being issued pursuant to the laws of the State of Texas including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended and an ordinance adopted by the City Council on January 9, 2023 (referred to herein as the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or the Financial Advisor.

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

## THE CERTIFICATES

### General

The Certificates will be dated February 1, 2023 (the "Dated Date"). The Certificates are stated to mature on August 15 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from the Dated Date on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on February 15 and August 15 of each year commencing August 15, 2023, until maturity or prior redemption. Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar, initially U.S. Bank Trust Company, National Association, Dallas, Texas, (the "Paying Agent/Registrar") at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon prior redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for any payment on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

### Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance.

### Security for Payment

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "AD VALOREM TAX PROCEDURES" herein).

### 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 taxable assessed valuation for all City purposes. Administratively, the Attorney General of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

## Redemption

Optional Redemption: The Certificates maturing on and after August 15, 2033 are subject to redemption prior to their stated maturity at the option of the City on August 15, 2032, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption: In addition, the Certificates maturing on August 15, 2039 are subject to the mandatory sinking fund redemption provisions, as further described herein by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Certificates, as set forth in the following schedule:

Term Certificates Maturing August 15, 2039	
Year	Principal Amount
8/15/2038	\$ 295,000
8/15/2039*	310,000

\* Stated Maturity

The principal amount of Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the Issuer 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, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption: At least 30 days prior to the date fixed for any such redemption, the Issuer shall cause a written notice of such redemption to be deposited in the United States mail, first class postage prepaid, addressed to each registered owner of a Certificate to be redeemed at the address shown on the registration books of the Paying Agent/Registrar on the business day of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAIL TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof, which are to be so redeemed. If such notice of redemption is given and if due provisions for such payment is made, all as provided above, the Certificates or portions thereof shall be deemed to be redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar from the funds provided for such payment.

The City reserves the right to give notice of its election or direction to redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the 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. Any Certificates subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the 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.

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, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the



Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

### **Limitation on Transfer or Exchange of Certificates**

The Paying Agent/Registrar is not required to transfer or exchange any Certificate during the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Certificates and ending with the opening of business on the next following such principal or interest payment date.

### **Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for (i) constructing, acquiring, installing, replacing, equipping and improving the City's wastewater system facilities consisting of a new wastewater treatment plant, sewer lines, manholes, lift stations, and force mains and (ii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith.

### **Payment Record**

The City has never defaulted in repayment of its bonded indebtedness.

### **Legality**

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

### **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 a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. 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. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Certificates.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. 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 take any action amending the terms of the Certificates are extinguished.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described in clauses (a) – (c) in the first paragraph of this section above to be made with amounts deposited to defease the Certificates. Because the Ordinance specifically permits the use of other investments that may be permitted by future law, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury Securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

### **Amendments to the Ordinance**

In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events

of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment.

**Defaults and Remedies**

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of principal or interest on the Certificates when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Ordinance, the failure to perform which materially, adversely affects the rights of the registered owners of the Certificates, including, but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner, 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 Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and 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 holders 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.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders may not be able to bring such a suit against the city for breach of the Certificates or Ordinance covenants. 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 holders 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 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 and may be limited by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

**Sources and Uses of Funds**

The proceeds from the sale of the Certificates will be applied as follows:

<u>Sources of Funds</u>	<u>Amount</u>
Par Amount of Certificates:	\$ 6,720,000.00
Net Premium:	268,634.40
Accrued Interest:	4,950.52
<b>Total Sources of Funds</b>	<b><u>\$ 6,993,584.92</u></b>
<u>Uses of Funds</u>	
Deposit to Project Fund:	\$ 6,800,000.00
Deposit to Debt Service Fund:	8,894.13
Costs of Issuance:	105,000.00
Bond Insurance Premium:	28,773.35
Underwriter’s Discount:	50,917.44
<b>Total Uses of Funds</b>	<b><u>\$ 6,993,584.92</u></b>

## REGISTRATION, TRANSFER AND EXCHANGE

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, principal, interest and redemption payments on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

### **Record Date**

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the last day of the month next preceding such interest payment date. (See "Special Record Date for Interest Payment" herein.)

### **Special Record Date for Interest Payment**

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

### **Registration**

The Certificates are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed certificates will be delivered and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer will 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 and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate 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 registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner not more than three (3) business days after the receipt of the Certificate to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer will be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

### **Replacement Certificates**

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold

them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit 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, 2021.

#### *Capitalization of AGM*

At September 30, 2022:

- The policyholders' surplus of AGM was approximately \$2,660 million.
- The contingency reserve of AGM was approximately \$915 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,102 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and 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 the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022).
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL with the SEC on August 4, 2022); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 (filed by AGL with the SEC on November 8, 2022).

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 RISK FACTORS**

#### **General**

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Certificates 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 absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES - Default and Remedies"). AGM may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the holders of the Certificates.

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 ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City and the Net Revenues pledged to the Certificates. 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 or the marketability (liquidity) of the Certificates.

The long-term ratings on the Certificates will be dependent in part on the financial strength of AGM and its claims-paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of AGM and of the ratings on the Certificates, whether or not subject to the

Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates. See the disclosure described in "OTHER PERTINENT INFORMATION - Ratings" herein. The obligations of AGM under the Policy are general obligations of AGM and in an event of default by AGM the remedies available may be limited by applicable bankruptcy law. Neither the City nor the Financial Advisor has made independent investigation into the claims-paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given.

### **Claims-Paying Ability and Financial Strength of Municipal Bond Insurers**

Moody's Investor Services, Inc., S&P Global Ratings and Fitch Ratings (the "Rating Agencies") have, over the last several years, downgraded and/or placed on negative watch the claims-paying 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, events over the last several years 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 Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims paying ability of any such bond insurer, particularly over the life of the Bonds.

### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Certificates is to be transferred and how the principal of, any premium, interest and redemption payments on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer, the Underwriter and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The Issuer and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, 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 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 United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. 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 rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://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 Certificates ("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 the notices be provided directly to them.

Redemption notices for the Certificates 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

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, physical Certificates will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Underwriter believes to be reliable, but neither the Issuer nor the Underwriter takes 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 Direct or Indirect 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.

### **INVESTMENT POLICIES**

Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political

subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA<sub>m</sub>" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (10) years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Political subdivisions such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing



business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

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

### **Additional Provisions**

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

### **Current Investments**

The City's deposits are primarily covered by Federal Depository Insurance Corporation (FDIC) insurance. The City entered into a depository agreement with BancorpSouth Bank. This agreement contains provisions to adequately collateralize deposits in compliance with state law.

As of September 30, 2022, the carrying amount of the City's deposits was \$2,059,084.00 and the combined bank balances were \$2,084,767. Of the combined bank balances, FDIC covered deposits of \$450,648 and deposits of \$1,634,119 were collateralized by pledged securities held by the depository bank.

## **DEFINED BENEFIT PENSION PLAN**

The City of Tioga participates as one of 895 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 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. 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. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Comprehensive Annual Financial Report

(CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the City are required to participate in TMRS. For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, "Notes to the Basic Financial Statements from the City's Annual Financial Report", Note G, Page 31.

## **AD VALOREM TAX PROCEDURES**

*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 Grayson Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

### **State Mandated Homestead Exemptions**

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction, if any, attributable to state mandated homestead exemptions.

### **Local Option Homestead Exemptions**

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

## **Local Option Freeze for the Elderly and Disabled**

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

## **Personal Property**

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

## **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.

See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

## **Other Exempt Property**

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

## **Tax Increment Financing Zones**

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

## **Tax Abatement Agreements**

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

For a discussion of how the various exemptions described above are applied by the City, see "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.

## **Temporary Exemption for Qualified Property Damaged by a Disaster**

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

## **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 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

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

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

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

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 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 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 taxable assessed valuation for all City purposes. Administratively, the Attorney General of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

#### **Issuer 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 \$52,978,200 for the 2022 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 City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM TAX PROCEDURES – 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.

#### **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 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.

**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.

**Penalties and Interest**

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

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

<sup>(a)</sup> After July, penalty remains at 12% and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action 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.

**CITY APPLICATION OF THE PROPERTY TAX CODE**

The city has established an ad valorem tax freeze on the residence homesteads of disabled persons and persons 65 years of age and older, effective in 2006.

The city does not grant an additional exemption of 20% of the market value of residence homesteads, minimum exemption of \$10,000.

The city does not tax non-business personal property.

The city does not permit split payments and discounts are not allowed.

The city does grant Article VIII, Section 1-j ("freeport property") exemptions.

The city has not entered into tax abatement agreements and has/has not adopted criteria therefor, which is a prerequisite to the execution of abatement agreements.

The city has not created a Tax Increment Reinvestment Zone.

The city does not collect an additional penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code.

### **ADDITIONAL TAX COLLECTIONS**

The city has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates.

The city also collects a one-half percent local sales and use tax to be expended for authorized economic development purposes in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended.

Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

The total local sales tax rate for the City is 8.25%.

### **TAX MATTERS**

#### **Opinion**

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

#### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are

payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

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

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

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

### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of



the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Information Reporting and Backup Withholding**

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

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

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

In the Ordinance, the City designates the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code and, in furtherance of that designation, the City covenants to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be "qualified tax-exempt."**

## **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 of Texas (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.

There are currently no COVID-19 related operating limits for any business or other establishments in the State of Texas. The Governor retains the right to impose restrictions on activities if needed 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 into this Official Statement.

To date, the City has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the City cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

## LEGAL MATTERS

The City will furnish to the Underwriters 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 the State of Texas to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel. A form of such opinion is attached hereto as Appendix C.

The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Certificates, will also be furnished. In connection with the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City. Though it may represent the Financial Advisor and the Underwriters 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 the issuance of the Certificates. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE CERTIFICATES" (except under the subcaptions "Payment Record", "Default and Remedies" and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE", "LEGAL MATTERS" (excluding the last two sentences of the second paragraph thereof), "TAX MATTERS", "OTHER PERTINENT INFORMATION- Registration and Qualification of Certificates for Sale" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Agreements"), and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fee of such firm is contingent upon 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 opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligations, because at the time of issuance of the Certificates the City will not have more than \$10,000,000 in aggregate amount of outstanding municipal securities (excluding securities offered in transactions that were exempt from the Rule) and no person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to the exemption, 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 specified events to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

### Annual Reports

The City will provide to the MSRB certain updated financial information and operating data which is customarily prepared by the City and is publicly available on an annual basis. The information to be provided is the City's audited Annual Financial Report and annual fiscal year budget. The City will update and provide this information within six months after the end of each fiscal year. If the City's audited Annual Financial Report is not available by the required time, the City will provide unaudited financial statements within six months of the end of the fiscal year commencing with the fiscal year ending in 2022 and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The City's current fiscal year end is September 30. Accordingly, the City must provide updated information by the last day of March 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 prior to the next date by which the City otherwise would be required to provide financial information and operating data. All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be

included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by Rule 15c2-12.

### **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, liquidity enhancement, credit enhancement, or a trustee though there is a paying agent/registrar. 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, any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

### **Availability of Information**

In connection with its continuing disclosure agreements entered into with respect to the Certificates, the City will file all required information and documentation with the MSRB in electronic format with identifying information in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

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 (including an official statement or other offering document), if it is available to the public on the MSRB's Internet website or has been filed with the SEC.

The foregoing information may also be obtained from: City of Tioga City Secretary, 600 Main Street, Tioga, TX 76271, Main: (940) 437-2351, FAX: (940) 437-2432

### **Limitations and Amendments**

The City has agreed to update information and to provide notices of 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 or beneficial owners of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreements 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, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorize such an

amendment) of the outstanding Certificates subject to the proposed amendment, as the case may be, consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates subject to the proposed amendment. The City may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provision 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 amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreements 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 information and data provided.

### **Compliance with Prior Agreements**

None of the City's outstanding debt has been publicly offered. Regardless, certain of the City's outstanding obligations required annual filings of financial information pursuant to their agreement with the Texas Water Development Board, the lender for those issues. For Fiscal Years ending 2017 and 2018, the City made late filings of their audited financial statements without the appropriate Material Event Notices. The City has recently filed a Notice of Late Filing with EMMA relating to 2017 and 2018 delinquent filings. In addition, the City has implemented new guidelines and will be using a different firm to assist them in future filings.

## **OTHER PERTINENT INFORMATION**

### **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, as amended 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.

### **Litigation**

The City is not a party to any pending or threatened litigation.

### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, 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 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 PERTINENT 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 fair market value. No review has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

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

### **Ratings**

S&P Global Ratings, ("S&P") has assigned their credit rating of "AA" to the Certificates, based upon a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. ("AGM") at the time of delivery of the Certificates. S&P has also assigned an underlying rating to the Certificates, without regard to credit enhancement of "A+". An explanation of the significance of such rating may be obtained from such rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Certificates.

## **Financial Advisor**

Hilltop Securities Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

## **Underwriting**

The Underwriter has agreed, subject to certain customary conditions, to purchase the Certificates at a price equal to the initial offering prices to the public, as shown on the inside cover page, less an Underwriter's Discount of \$50,917.44. The Underwriter's obligation is subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter's obligations are subject to certain conditions precedent, and will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers, and others at prices lower than such respective public offering prices and such respective public prices may be changed, from time to time, by the Underwriter.

The Underwriter provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

## **AUDITED FINANCIAL STATEMENTS**

Joseph E. Madden, CPA, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. An excerpt from the report of Joseph E. Madden, CPA relating to City's financial statements for the fiscal year ended September 30, 2022 are included in this Official Statement in Appendix D; however, Joseph E. Madden, CPA has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement.

## **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials.

Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

## **CONCLUDING STATEMENT**

The financial data and other information contained in this Official Statement 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 ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

In the Ordinance, the City Council authorized (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriter's use of this Official Statement in connection with the public offering and the sale of the Certificates in accordance with the provisions of the Rule.

## **APPENDIX A**

### **FINANCIAL INFORMATION OF THE ISSUER**

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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## FINANCIAL INFORMATION OF THE TOWN

### ASSESSED VALUATION

**TABLE 1**

2022 Actual Market Value of Taxable Property		\$ 163,124,868
Less:		
Homestead Cap Loss	\$ 10,115,174	
Productivity Loss	13,452,013	
Total Loss	\$ 23,567,187	
Assessed Value	\$ 139,557,681	
Exemptions		
Disabled/Over 65	\$ -	
Veterans Exemptions	1,333,139	
Freeport	-	
Exemptions Other	13,136,725	
Total Exemptions	\$ 14,469,864	
2022 Net Taxable Assessed Valuation		<u>\$ 125,087,817</u>

### GENERAL OBLIGATION BONDED DEBT

**TABLE 2**

<b>General Obligation Debt Principal Outstanding</b> (as of November 30, 2022):		
Outstanding Debt		\$ 1,317,000.00
The Certificates		6,720,000.00
Total Gross General Obligation Debt Outstanding:		\$ 8,037,000.00
Less: Self-Supporting General Obligation Debt		\$ 8,037,000.00
Total Net General Obligation Debt Outstanding:		<u>\$ -</u>
Ratio of Net General Obligation Debt to 2022 Net Assessed Valuation		0.00%
2022 Net Assessed Valuation		\$ 125,087,817
Population: Current Estimate -	1,192	
Per Capita 2022 Net Assessed Valuation -	\$ 104,939	
Per Capita Gross General Obligation Debt -	\$ 6,742	
Per Capita Net General Obligation Debt -	\$ -	

**OTHER OBLIGATIONS - CAPITAL LEASES AND NOTES PAYABLE**

**TABLE 3**

The City has no capital leases or notes payable outstanding at this time.

Source: City of Tioga

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

**TABLE 4**

Fisc Year 30-Sep	Existing Payments	The Certificates			Combined Debt Service	Less: Self- Supporting Debt	Net General Obligation Debt Service
		Principal	Interest	Total			
2023	\$ 143,636		\$160,067	\$ 160,067	\$ 303,703	\$ (303,703)	
2024	88,293		297,031	297,031	385,324	(385,324)	
2025	91,391	\$ 80,000	297,031	377,031	468,422	(468,422)	
2026	89,419	165,000	293,031	458,031	547,450	(547,450)	
2027	92,419	175,000	284,781	459,781	552,200	(552,200)	
2028	92,125	185,000	276,031	461,031	553,156	(553,156)	
2029	89,762	190,000	266,781	456,781	546,543	(546,543)	
2030	92,344	200,000	257,281	457,281	549,625	(549,625)	
2031	89,915	210,000	247,281	457,281	547,196	(547,196)	
2032	83,933	220,000	236,781	456,781	540,714	(540,714)	
2033	82,328	235,000	225,781	460,781	543,109	(543,109)	
2034	85,643	245,000	214,031	459,031	544,674	(544,674)	
2035	82,090	255,000	201,781	456,781	538,871	(538,871)	
2036	85,664	270,000	189,031	459,031	544,695	(544,695)	
2037	84,157	285,000	175,531	460,531	544,688	(544,688)	
2038	82,623	295,000	161,281	456,281	538,904	(538,904)	
2039	86,019	310,000	149,481	459,481	545,500	(545,500)	
2040	84,347	320,000	137,081	457,081	541,428	(541,428)	
2041	82,659	335,000	124,281	459,281	541,940	(541,940)	
2042	85,905	350,000	110,881	460,881	546,786	(546,786)	
2043		360,000	96,881	456,881	456,881	(456,881)	
2044		375,000	82,481	457,481	457,481	(457,481)	
2045		390,000	67,481	457,481	457,481	(457,481)	
2046		405,000	51,881	456,881	456,881	(456,881)	
2047		425,000	35,681	460,681	460,681	(460,681)	
2048		440,000	18,150	458,150	458,150	(458,150)	
	<u>\$ 1,794,672</u>	<u>\$ 6,720,000</u>	<u>\$ 4,657,811</u>	<u>\$ 11,377,811</u>	<u>\$ 13,172,483</u>	<u>\$ (13,172,483)</u>	<u>\$ -</u>

**TAX ADEQUACY (Includes Self-Supporting Debt)****TABLE 5**

2022 Assessed Valuation	\$	125,087,817
Maximum Annual Debt Service Requirements (Fiscal Year Ending 2028) <sup>(a)*</sup>	\$	553,156
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$	0.451239

<sup>(a)</sup> Includes general obligation self-supporting debt. (See "TABLE 7 - COMPUTATIONS OF SELF-SUPPORTING DEBT BY SOURCE"). Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

**TAX ADEQUACY (Excludes Self-Supporting Debt)****TABLE 6**

2022 Assessed Valuation	\$	125,087,817
Maximum Annual Debt Service Requirements(Fiscal Year Ending 2026) <sup>(a)*</sup>	\$	-
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$	-

<sup>(a)</sup> Excludes general obligation self-supporting debt. (See "TABLE 7 - COMPUTATIONS OF SELF-SUPPORTING DEBT BY SOURCE"). Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

**COMPUTATION OF UTILITY SYSTEM SELF-SUPPORTING DEBT****TABLE 7***(as of September 30, 2022)*

Total Revenues	\$ 942,132
Less: Operating Expenses	(618,692)
Net Available Revenue	<u>\$ 323,440</u>
Less: Revenue Bonds Debt Service Requirements	\$ 12,406
Balance Available for Other Purposes	<u>\$ 311,034</u>
Maximum Annual Debt Service for Self-Supporting Debt (2028)	\$ 553,156

Source: City of Tioga Audited Financial Statements

\* The City engaged NewGen Strategies and Solutions to conduct a rate study in anticipation of the need to finance the Project. The City subsequently implemented water and wastewater rate increases which it believes will be sufficient to pay the debt service on the City indebtedness.

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE****TABLE 8**

<u>Fiscal Year Ending 9/30</u>	<u>Existing Payments <sup>(1)</sup></u>	<u>The Certificates</u>	<u>Total</u>	<u>Bonds Unpaid at End of Year</u>	<u>Percent of Principal Retired (%)</u>
2023	\$ 97,000		\$ 97,000	\$ 7,940,000	1.21%
2024	45,000		45,000	7,895,000	1.77%
2025	50,000	\$ 80,000	130,000	7,765,000	3.38%
2026	50,000	165,000	215,000	7,550,000	6.06%
2027	55,000	175,000	230,000	7,320,000	8.92%
2028	55,000	185,000	240,000	7,080,000	11.91%
2029	55,000	190,000	245,000	6,835,000	14.96%
2030	60,000	200,000	260,000	6,575,000	18.19%
2031	60,000	210,000	270,000	6,305,000	21.55%
2032	55,000	220,000	275,000	6,030,000	24.97%
2033	55,000	235,000	290,000	5,740,000	28.58%
2034	60,000	245,000	305,000	5,435,000	32.38%
2035	70,000	255,000	325,000	5,110,000	36.42%
2036	75,000	270,000	345,000	4,765,000	40.71%
2037	75,000	285,000	360,000	4,405,000	45.19%
2038	75,000	295,000	370,000	4,035,000	49.79%
2039	80,000	310,000	390,000	3,645,000	54.65%
2040	80,000	320,000	400,000	3,245,000	59.62%
2041	80,000	335,000	415,000	2,830,000	64.79%
2042	85,000	350,000	435,000	2,395,000	70.20%
2043		360,000	360,000	2,035,000	74.68%
2044		375,000	375,000	1,660,000	79.35%
2045		390,000	390,000	1,270,000	84.20%
2046		405,000	405,000	865,000	89.24%
2047		425,000	425,000	440,000	94.53%
2048		440,000	440,000		100.00%
	<u>\$ 1,317,000</u>	<u>\$ 6,720,000</u>	<u>\$ 8,037,000</u>		

<sup>(1)</sup> Existing Payments include principal payments on revenue bonds issued to the Farmers Home Administration as well as Certificates of Obligation and Tax Note outstanding.

Year	Net Taxable Assessed Valuation	Change From Preceding Year	Change From Preceding Year	Percent
		Amount (\$)	Percent	
2018	\$ 70,651,160	7,100,763	11.17%	0.00%
2019	80,696,285	10,045,125	14.22%	0.00%
2020	94,588,060	13,891,775	17.21%	0.00%
2021	104,217,214	9,629,154	10.18%	0.00%
2022	125,087,817	20,870,603	20.03%	0.00%

Source: Grayson Central Appraisal District

ASSESSED VALUATION AND EXEMPTION HISTORY

TABLE 10

	Tax Year				
	2022	2021	2020	2019	2018
Total Market Value:	\$ 163,124,868	\$ 124,866,731	\$ 112,649,019	\$ 99,647,719	\$ 79,748,539
Less:					
Homestead Cap Loss:	\$ 10,115,174	\$ 2,054,556	\$ 2,852,174	\$ 4,493,151	\$ 2,769,553
Productivity Loss:	13,452,013	6,854,120	5,126,395	4,803,317	3,576,155
Total Loss:	\$ 23,567,187	\$ 8,908,676	\$ 7,978,569	\$ 9,296,468	\$ 6,345,708
Assessed Value	\$ 139,557,681	\$ 115,958,055	\$ 104,670,450	\$ 90,351,251	\$ 73,402,831
Exemptions:					
Disabled/Over 65	\$ -	\$ -	\$ -	\$ -	\$ -
Veterans Exemptions	1,333,139	1,336,478	830,156	907,568	827,698
Freeport	-	-	-	-	-
Exemptions Other:	13,136,725	10,404,363	9,252,234	8,747,398	1,923,973
Total Exemptions:	\$ 14,469,864	\$ 11,740,841	\$ 10,082,390	\$ 9,654,966	\$ 2,751,671
Net Taxable Value:	\$ 125,087,817	\$ 104,217,214	\$ 94,588,060	\$ 80,696,285	\$ 70,651,160

Source: Grayson County Appraisal District

PRINCIPAL TAXPAYERS 2022

TABLE 11

Name	Type of Business	Assessed Valuation	Valuation
Red Gable Homes LLC	Developer	\$ 2,764,950	2.21%
Tioga Hwy 377 Farms LLC	Tree Farm	1,788,806	1.43%
Recovery Road Properties LLC	Healthcare	2,531,956	2.02%
Snag Investments LLC	Real Estate	1,034,082	0.83%
1333-2016 Revocable Trust	Real Estate	1,031,985	0.83%
Texas-New Mexico Power Co	Utility	995,286	0.80%
Gressett Kevin and Kyle Brandon Watson	Developer	987,135	0.79%
Hilliard Terry J ETUX Rene Scott	Real Estate	851,138	0.68%
Ferns Holdings LLC	Developer	796,307	0.64%
Mathison Properties LLC	Developer	899,315	0.72%
		<u>\$ 13,680,960</u>	<u>10.94%</u>
Information based on a 2022 Net Taxable Assessed Valuation of		\$ 125,087,817	

Source: Grayson County Appraisal District

**PROPERTY TAX RATES AND COLLECTIONS**

**TABLE 12**

Tax Year	Net Taxable Valuation	Tax Rate	Tax Levy	% Collections *		Year Ended
				Current	Total	
2018	\$ 70,651,160	\$ 0.53710	\$ 370,949	96.53%	97.07%	9/30/2019
2019	80,696,285	0.52550	426,506	94.02%	95.23%	9/30/2020
2020	94,588,060	0.48030	454,151	94.19%	95.68%	9/30/2021
2021	104,217,214	0.48420	504,620	94.29%	95.14%	9/30/2022
2022	125,087,817	0.44122	551,915	(in process of collection)		9/30/2023

\* As of November 30, 2022

Source: Grayson County Appraisal District and the City.

**TAX RATE DISTRIBUTION**

**TABLE 13**

	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018
General Fund	\$ 0.43557	\$ 0.44161	\$ 0.42362	\$ 0.34067	\$ 0.47420
I & S Fund	-	-	-	-	-
TOTAL	\$ 0.43557	\$ 0.44161	\$ 0.42362	\$ 0.34067	\$ 0.47420

Source: Grayson County Appraisal District

**MUNICIPAL SALES TAX**

**TABLE 14**

Calendar Year	Total Collected	1.00%	0.50%	0.25%
		General Fund	Economic Development	Street Maintenance
2018	150,547	\$ 94,092	\$ 37,637	\$ 18,818
2019	168,043	105,027	42,011	21,005
2020	229,069	143,168	57,267	28,634
2021	275,334	172,084	68,834	34,417
2022	281,749	176,093	70,437	35,219

Source: City of Tioga

**OVERLAPPING DEBT DATA AND INFORMATION**

**TABLE 15**

<u>Taxing Body</u>	<u>As of</u>	<u>Amount</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Grayson County	11/30/2022	\$ 26,005,000	0.71%	\$ 184,636
Grayson College	11/30/2022	18,945,000	0.71%	134,510
Tioga ISD	11/30/2022	5,130,780	47.22%	2,422,754
Total Gross Overlapping Debt				\$ 2,741,899
City of Tioga	(with this issue)	8,037,000 <sup>(1)</sup>	100.00%	8,037,000
Total Direct and Overlapping Debt				<u>\$ 10,778,899</u>
Ratio of Gross Direct and Overlapping Debt to 2022 Assessed Valuation				8.62%
Ratio of Gross Direct and Overlapping Debt to 2022 Actual Value				6.61%
Per Capita Gross Direct and Overlapping Debt				\$9,042.70

Note: The above figures show Gross General Obligation Debt for the City of Tioga, Texas

The Issuer's Net General Obligation Debt is \$ -

Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 2,741,899
Ratio of Net Direct and Overlapping Debt to 2022 Assessed Valuation	2.19%
Ratio of Net Direct and Overlapping Debt to 2022 Actual Value	1.68%
Per Capita Net Direct and Overlapping Debt	\$2,300.25

<sup>(1)</sup> Includes the Certificates. (See "GENERAL OBLIGATION BONDED DEBT" herein.)

Source: City of Tioga and Municipal Advisory Council of Texas

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES**

**TABLE 16**

<u>Governmental Entity</u>	<u>2022 Valuation</u>	<u>2022 Tax Rate</u>
Grayson County	\$ 15,442,832,005	\$ 0.30410
Grayson College	17,324,145,184	0.14670
Tioga ISD	166,660,716	1.29800

Source: Municipal Advisory Council of Texas - Texas Municipal Report

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT**

**TABLE 17**

None

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
AND ANALYSIS OF CHANGES IN FUND BALANCES**

**TABLE 18**

	<b>Fiscal Year Ending September 30</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Fund Balance - Beginning of Year	\$ 808,363	\$ 666,495	\$ 738,551	\$ 760,313	\$ 781,981
<b>Revenues</b>					
Property Taxes	\$ 483,616	\$ 434,585	\$ 406,384	\$ 356,028	\$ 328,756
Penalties and Interest	3,999	4,190	4,177	4,446	5,165
Franchise Taxes	38,592	36,696	32,734	33,378	30,538
Sales and Hotel Taxes	141,555	136,860	110,836	81,735	78,438
Permits and Fees	57,574	31,539	24,708	32,661	22,429
Municipal Court Fines	87,114	62,206	70,607	54,546	66,134
Fire Department Contract	9,380	9,107	9,866	9,085	8,990
Interest Income	2,649	2,867	2,932	4,696	4,402
Miscellaneous	112,474	29,002	91,521	17,082	34,366
Grant Revenue	131,152	185,388	247,429	34,268	8,931
Other	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 1,068,105</b>	<b>\$ 932,440</b>	<b>\$ 1,001,194</b>	<b>\$ 627,925</b>	<b>\$ 588,149</b>
<b>Expenditures</b>					
<b>Current Operations:</b>					
General Government	191,335	172,248	106,974	127,968	109,321
Public Works	170,488	155,712	146,693	133,633	138,149
Public Safety	381,754	318,381	332,942	246,416	259,761
Municipal Court	49,643	39,282	34,131	27,793	25,701
Capital Outlay:	171,474	133,105	362,333	50,554	362,222
<b>Debt Service:</b>					
Principal	78,218	75,162	80,557	77,236	54,651
Interest	4,178	6,830	9,620	12,198	2,944
<b>Total Expenditures</b>	<b>\$ 1,047,090</b>	<b>\$ 900,720</b>	<b>\$ 1,073,250</b>	<b>\$ 675,798</b>	<b>\$ 952,749</b>
Excess (Deficit) of Revenues over Expenditures	\$ 21,214	\$ 31,720	\$ (72,056)	\$ (47,873)	\$ (364,600)
<b>Other Financing Sources (Uses)</b>					
Gain on Sale of Fixed Assets	\$ 63,000	\$ 12,000	\$ -	\$ 33,000	\$ 342,932
Other Financing Sources	-	98,148	-	-	-
Net Operating Transfers from Other Funds	-	-	-	(6,889)	-
<b>Total</b>	<b>\$ 63,000</b>	<b>\$ 110,148</b>	<b>\$ -</b>	<b>\$ 26,111</b>	<b>\$ 342,932</b>
Net Change in Fund Balances	\$ 84,214	\$ 141,868	\$ (72,056)	\$ (21,762)	\$ (21,668)
Fund Balance - End of Year	<u>\$ 892,577</u>	<u>\$ 808,363</u>	<u>\$ 666,495</u>	<u>\$ 738,551</u>	<u>\$ 760,313</u>

Source: The Issuer's Financial Statements.



**CASH BALANCES****TABLE 19***(As of September 30, 2022)*

Governmental Activities	\$ 791,644
Business Type Activities	537,685
<b>Total</b>	<b>\$ 1,329,329</b>

Source: City of Tioga (Unaudited.)

**WATER RATES****TABLE 20***(Effective September 12, 2022)*

<b>Residential Rates</b>		
	<u>Inside City Limits</u>	<u>Outside City Limits</u>
User Charge Per 1,000 Gallons		
First 1,000 gallons or any part thereof	\$33.00	\$66.00
1,001 - 15,000 Gallons	\$3.85 per 1000	\$7.70 per 1000
15,001 - 20,000 Gallons	\$4.35	\$8.70
20,001 - 30,000 Gallons	\$4.85	\$9.70
30,001 - 50,000 Gallons	\$5.35	\$10.70
All over 50,001 gallons	\$5.85	\$11.00
	<u>Connection Fee Developed</u>	<u>Connection Un-developed</u>
3/4 inch meter connection	\$1,250	\$2,500
1 inch meter connection	\$1,500	\$3,500
2 inch meter connection	\$1,750	\$10,000

<b>Commercial Rates</b>		
	<u>Inside City Limits</u>	<u>Outside City Limits</u>
User Charge Per 1,000 Gallons		
First 1,000 gallons or any part thereof	\$33.00	\$66.00
1,001 - 15,000 Gallons	\$3.85 per 1000	\$7.70 per 1000
15,001 - 20,000 Gallons	\$4.35	\$8.70
20,001 - 30,000 Gallons	\$4.85	\$9.70
30,001 - 50,000 Gallons	\$5.35	\$10.70
All over 50,001 gallons	\$5.85	\$11.00
	<u>Connection Fee Developed</u>	<u>Connection Un-developed</u>
3/4 inch meter connection	\$1,250	\$2,500
1 inch meter connection	\$1,500	\$3,500
2 inch meter connection	\$1,750	\$10,000

**PRINCIPAL WATER CUSTOMERS****TABLE 21**

<u>Name of Customer</u>	<u>Average Monthly Consumption (000 Gals.)</u>	<u>Average Monthly Bill (Water Only)</u>
Healing Springs	450,107	\$ 2,628.00
Tioga IAS	97,393	541.00
Dell Hendricks	81,570	448.00
Kevin Gressett	69,352	377.00
Carlos Garcia	15,857	87.00
Brad Weiss	12,725	78.00
Tioga Housing Authority	12,166	73.00
Kalpanaben Patel	11,147	69.00
Diane Hubble	6,240	50.00
Sudenlink	2,708	36.00
	<u>759,265</u>	<u>\$ 4,387.00</u>

Source: City of Tioga

**SEWER RATES****TABLE 22***(Effective December 12, 2022)***Residential Rates**

	Per Month	
First 1,000 gallons or any part thereof	\$34.16	
1,001 - 25,000 gallons (cap at 25,000 gallons)	\$4.94	
	<u>Connection Fee Developed</u>	<u>Connection Fee Un-developed</u>
For each connection		
\$1,256.00		

**Commerical Rates**

	Per Month	
First 1,000 gallons or any part thereof	\$34.16	
1,001 - 25,000 gallons	\$4.94	
over 25,000 gallons (no cap)		
	<u>Connection Fee Developed</u>	<u>Connection Fee Un-developed</u>
For each connection		
	\$1,250	

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF TIOGA AND GRAYSON COUNTY, TEXAS**

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**INFORMATION REGARDING THE CITY OF TIOGA  
AND GRAYSON COUNTY, TEXAS**

**GENERAL**

The City of Tioga, Texas is located in Grayson County. It is part of the Sherman-Denison Metropolitan Area.

Grayson County (the "County") is located in north Texas. The County, established in 1846, is located in the north part of the state and adjoins the southern border of the State of Oklahoma. Lake Texoma comprises much of the County's northern border. The County currently occupies a land area of 933 square miles and serves a population of approximately 135,543 according to the most recent U.S. Census. Major cities in the County include Denison, Whitesboro and Van Alstyne.



**POPULATION TRENDS**

---

<u>Year</u>	City of Tioga	<u>Grayson County</u>
2022 Estimate	1,192	139,336
2020 Census	1,142	135,543
2010 Census	803	120,877
2000 Census	754	110,595

Source: United States Census Bureau and Municipal Advisory Council of Texas.

**LEADING EMPLOYERS**

<u>Employer</u>	<u>Principal Line of Business</u>	<u>Approximate Number of Employees</u>
Tioga ISD	School	119
Healing Springs	Rehab Facility	44
Clarks of Tioga	Restaurant	30
City of Tioga	Municipal Government	11
Gressett's Carpet	Flooring Store	10
Geno's Pizza	Restaurant	6
Garcia's Carwash	Auto Detailing	5
US Post Office	Postal Service	5
Dollar General	Retail	10
Triangle Valero	Gas Station	4

Sources: The Issuer.

## EMPLOYMENT STATISTICS

---

	<b>Grayson County</b>		<b>State of Texas</b>	
	October 2022	October 2021	October 2022	October 2021
Total Civilian Labor Force	67,332	66,014	14,462,593	14,150,421
Total Employed	65,040	63,361	13,932,379	13,313,648
Total Unemployed	2,292	2,653	530,214	836,773

Source: Texas Workforce Commission

## UNEMPLOYMENT RATES

---

	October 2022	October 2021
	Grayson County	3.4
State of Texas	3.8	4.8
United States of America	3.4	3.7

Source: Texas Workforce Commission



**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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**Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the  
Certificates, assuming no material changes in facts or law.*

**\$6,720,000 CITY OF TIOGA, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES  
2023**

---

AS BOND COUNSEL FOR THE CITY OF TIOGA, TEXAS, (the "Issuer") in connection with the issuance of the Certificates of Obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are not subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a pledge of the surplus revenues from the operation of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates.



IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

**APPENDIX D**

**EXCERPTS FROM THE CITY OF TIOGA AUDITED FINANCIAL STATEMENTS FOR  
THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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**CITY OF TIOGA, TEXAS**

**Audited Financial Statements**

**September 30, 2022**

**Joseph E. Madden**  
*Certified Public Accountant*

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## Independent Auditor's Report

December 12, 2022

The Honorable Mayor and  
Members of the City Council  
City of Tioga, Texas

I have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, and each major fund of the City of Tioga, Texas, (City) as of and for the year then ended September 30, 2022, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units and each major fund, and the aggregate remaining fund information of the City of Tioga, Texas, as of September 30, 2022, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report, dated December 12, 2022, on my consideration of the internal control over financial reporting of the City of Tioga, Texas, and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Joseph E. Madden  
Certified Public Accountant

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Tioga, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2022**

As management of the City of Tioga, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5.1 million (net assets). Of this amount, \$1.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$920 thousand this fiscal year. Governmental Activities net assets increased by \$205 thousand and Business-type Activities net assets increased by \$716 thousand.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$893 thousand, an increase of \$84 thousand. Of this amount, \$802 thousand is unreserved and available for spending subject to the City's self-imposed limitations.
- The City's total debt decreased by \$129 thousand during the fiscal year. The City's bonded debt decreased by \$51 thousand.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the city is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

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

**City of Tioga, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2022**

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, public services and operations, public works and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system's activity are reported here.
- **Component units** – The City includes two separate legal entities in its report - the industrial development fund (TIDCO) and the economic development fund (TEDCO). Although legally separate, these "component units" are organized exclusively for the purposes of benefiting and accomplishing public purposes of and to act on behalf of the City and the specific purposes for which the Corporation is organized.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

The City maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund.

**Proprietary funds** – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has only one proprietary fund which is used to account for the City's water and sewer system financial activities.

**Reporting the City's Fiduciary Responsibilities**

The Mayor is the trustee, or fiduciary, for the Roark Memorial Trust created November 18, 1976. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements.

**Government-Wide Financial Analysis**

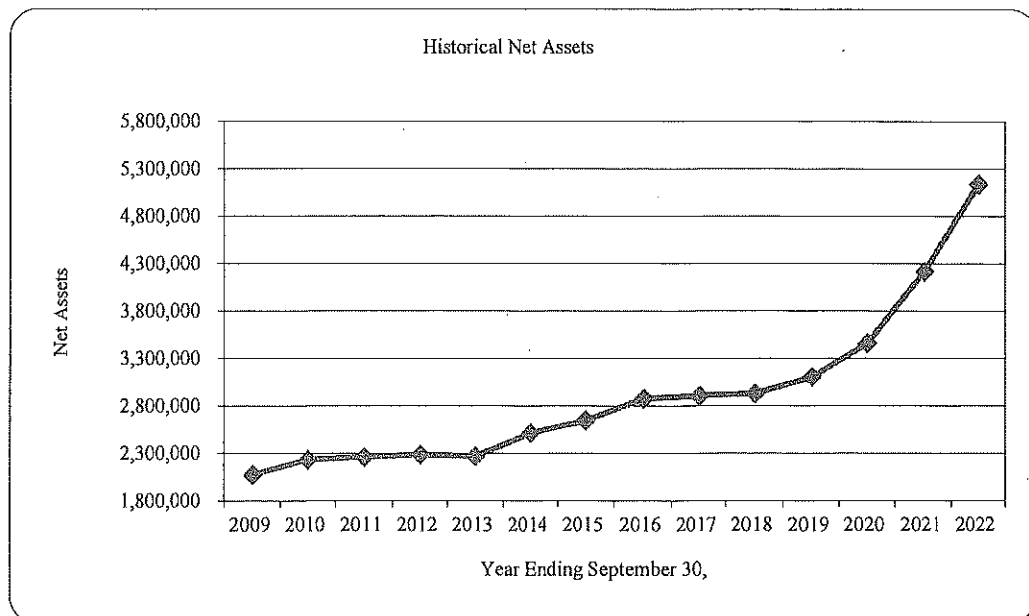
As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Tioga, assets exceeded liabilities by \$5.1 million as of September 30, 2022.

**City of Tioga, Texas  
Management's Discussion and Analysis  
September 30, 2022**

**City of Tioga's Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 921,836	\$ 899,450	\$ 1,319,245	\$ 1,064,306	\$ 2,241,081	\$ 1,963,756
Capital Assets	1,212,639	1,169,911	3,450,199	3,035,712	4,662,838	4,205,623
<b>Total Assets</b>	<b>2,134,475</b>	<b>2,069,361</b>	<b>4,769,444</b>	<b>4,100,018</b>	<b>6,903,919</b>	<b>6,169,379</b>
Current Liabilities	83,795	171,235	154,944	148,565	238,739	319,800
Noncurrent Liabilities	-	52,000	1,528,000	1,581,000	1,528,000	1,633,000
<b>Total Liabilities</b>	<b>83,795</b>	<b>223,235</b>	<b>1,682,944</b>	<b>1,729,565</b>	<b>1,766,739</b>	<b>1,952,800</b>
Invested in Capital Assets, Net of Related Debt	892,576	1,143,749	1,803,789	1,334,342	2,696,365	2,478,091
Restricted Net Assets	90,079	90,153	730,567	564,652	820,646	654,805
Unrestricted Net Assets	1,068,025	612,224	552,144	471,459	1,620,169	1,083,683
<b>Total Net Assets</b>	<b>\$ 2,050,680</b>	<b>\$ 1,846,126</b>	<b>\$ 3,086,500</b>	<b>\$ 2,370,453</b>	<b>\$ 5,137,180</b>	<b>\$ 4,216,579</b>

The largest portion of the City's net assets (52%) reflects its investment in capital assets (e.g. land, buildings, equipment, improvements, infrastructure and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



**Analysis of the City's Operations**

The City's general revenues increased when compared to the prior year by \$86 thousand or 11.3%. The following table provides a summary of the City's operations for the year ended September 30, 2022:

**City of Tioga, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2022**

**Changes in Net Assets**  
**Governmental Activities**

	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>
<b>Program Revenues</b>			
Charges for Services	\$ 144,688	\$ 93,745	\$ 50,943
Operating Grants and Contributions	9,308	9,107	201
Capital Grants and Contribution	131,152	185,388	(54,236)
<b>General Revenues</b>			
Property Taxes	483,610	433,915	49,695
Penalties and Interest	3,999	4,190	(191)
Franchise Taxes	38,592	36,696	1,896
Sales Taxes	141,555	136,860	4,695
Interest Income	2,649	2,867	(218)
Other	175,143	139,152	35,991
<b>Total Revenues</b>	<u>1,130,696</u>	<u>1,041,920</u>	<u>88,776</u>
<b>Expenses</b>			
General Government	248,187	223,168	25,019
Public Works	185,099	172,237	12,862
Public Safety	439,012	372,275	66,737
Municipal Court	49,738	39,355	10,383
Interest on Long-Term Debt	4,178	6,830	(2,652)
<b>Total Expenses</b>	<u>926,214</u>	<u>813,865</u>	<u>112,349</u>
Increase in Net Assets Before Transfers	204,482	228,055	(23,573)
Transfers	--	--	-
<b>Increase/(Decrease) in Net Assets</b>	204,482	228,055	(23,573)
Net Assets - Beginning	<u>1,846,126</u>	<u>1,618,071</u>	<u>228,055</u>
<b>Net Assets - Ending</b>	<u>\$ 2,050,608</u>	<u>\$ 1,846,126</u>	<u>\$ 204,482</u>

**Capital Assets**

At the end of the fiscal year 2022, the City had \$4.6 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, infrastructure, and water and sewer lines.

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

- Equipment \$162,832
- Water/Sewer System Improvements \$543,123

Prior to GASB 34, cities were not required to capitalize infrastructure assets, as they had no value to anyone other than the City itself. With the implementation of GASB 34, infrastructure assets are being capitalized on a prospective approach. Therefore, the amount listed above as infrastructure only represents the amount of assets put in service since October 1, 2003.

**City of Tioga, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2022**

The following table provides a summary of the City's capital assets for the year ended September 30, 2022.

	<b>Capital Assets at Year-End</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Activities</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Land and Improvements	\$ 212,322	\$ 213,322	\$ 5,564	\$ 5,564	\$ 217,886	\$ 218,886
Buildings and Improvements	64,210	69,396	--	--	64,210	69,396
Water System	--	--	1,875,147	1,943,454	1,875,147	1,943,454
Sewer System	--	--	1,449,883	953,885	1,449,883	953,885
Equipment	381,459	291,758	54,195	63,439	435,654	355,197
Infrastructure	554,648	595,435	--	--	554,648	595,435
<b>Totals</b>	<b>\$ 1,212,639</b>	<b>\$ 1,169,911</b>	<b>\$ 3,384,789</b>	<b>\$ 2,966,342</b>	<b>\$ 4,597,428</b>	<b>\$ 4,136,253</b>

**Debt**

At the year-end, the City had \$1.58 million in bonded debt outstanding as compared to \$1.63 million at the end of the prior fiscal year, a decrease of 3% as shown in the following table. The entire amount of bonded debt is backed by the full faith and credit of the City.

	<b>Outstanding Debt</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Activities</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Certificates of Obligation	\$ --	\$ --	\$ 1,465,000	\$ 1,510,000	\$ 1,465,000	\$ 1,510,000
Revenue Bonds	--	--	116,000	122,000	116,000	122,000
<b>Totals</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 1,581,000</b>	<b>\$ 1,632,000</b>	<b>\$ 1,581,000</b>	<b>\$ 1,632,000</b>

**Economic Factors and Next Year's Budgets and Rates**

In the 2022-2023 budget, General Fund revenues and transfers are budgeted to decrease 4.5% from the 2021-2022 actual revenues with property taxes making up about 61% of the total. Ad valorem tax revenues are determined by two major factors: the total assessed property value established by the Grayson County Appraisal District and the tax rate set by the City Council. The following table shows the changes in property values and tax rates:

<b>Year Ending</b>	<b>Market Value (after Exemptions)</b>	<b>Change From Prior Year</b>	<b>Tax Rate (Per \$100)</b>	<b>Change From Prior Year</b>
9/30/2022	\$ 88,443,663	9.0%	\$ 0.484206	0.8%
9/30/2021	81,161,921	0.6%	0.480339	-8.5%
9/30/2020	80,696,285	13.9%	0.524690	-2.3%
9/30/2019	70,861,295	30.9%	0.537071	-0.7%
9/30/2018	54,114,102	16.1%	0.540992	0.0%

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Secretary at: City of Tioga, PO Box 206, Tioga, TX 76271.

## BASIC FINANCIAL STATEMENTS



**CITY OF TIOGA, TEXAS**  
**STATEMENT OF NET ASSETS**  
September 30, 2022  
(With Comparative Totals for September 30, 2021)

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	
			2022	2021
<b>Assets</b>				
Cash and Cash Equivalents	\$ 791,644	\$ 537,685	\$ 1,329,329	\$ 1,217,378
Receivables:				
Sales Taxes	24,722	--	24,722	24,102
Property Taxes	15,391	--	15,391	14,927
Accounts	--	50,993	50,993	52,544
Restricted Cash and Cash Equivalents	90,079	730,567	820,646	654,805
Capital Assets				
Non-Depreciable	212,322	5,564	217,886	218,886
Depreciable (Net)	1,000,317	3,379,225	4,379,542	3,917,367
Bond Issuance Cost, Net	--	65,410	65,410	69,370
<b>Total Assets</b>	<u>2,134,475</u>	<u>4,769,444</u>	<u>6,903,919</u>	<u>6,169,379</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	13,869	16,752	30,621	91,585
Customer Deposits	--	58,186	58,186	56,036
Accrued Interest Payable	--	9,449	9,449	10,146
Noncurrent Liabilities				
Due Within One Year				
Accumulated Vacation Leave Payable	17,926	17,557	35,483	32,815
Loans Payable	52,000	--	52,000	78,218
Bonds Payable	--	8,000	8,000	6,000
Certificates of Obligations	--	45,000	45,000	45,000
Due in More Than One Year				
Bonds Payable	--	108,000	108,000	116,000
Certificates of Obligations	--	1,420,000	1,420,000	1,465,000
Loans Payable	--	--	--	52,000
<b>Total Liabilities</b>	<u>83,795</u>	<u>1,682,944</u>	<u>1,766,739</u>	<u>1,952,800</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	892,576	1,803,789	2,696,365	2,478,091
Restricted For:				
Debt Service	90,079	730,567	820,646	654,805
Unrestricted	1,068,025	552,144	1,620,169	1,083,683
<b>Total Net Assets</b>	<u>\$ 2,050,680</u>	<u>\$ 3,086,500</u>	<u>\$ 5,137,180</u>	<u>\$ 4,216,579</u>

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

<b>Component Units</b>	
<b>Totals</b>	
<b>2022</b>	<b>2021</b>
\$ 514,511	\$ 437,594
24,553	24,102
--	--
--	--
--	--
49,928	49,928
35,742	39,519
--	--
<u>624,734</u>	<u>551,143</u>
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
--	--
<u>85,670</u>	<u>89,447</u>
--	--
<u>539,064</u>	<u>461,696</u>
<u>\$ 624,734</u>	<u>\$ 551,143</u>

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

**CITY OF TIOGA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2022  
(With Comparative Totals for September 30, 2021)

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General Government	\$ 248,187	\$ 57,574	\$ --	\$ --
Public Works	185,099	--	--	131,152
Public Safety	439,012	--	9,380	--
Municipal Court	49,738	87,114	--	--
Interest on Long-Term Debt	4,178	--	--	--
<b>Total Governmental Activities</b>	<u>926,214</u>	<u>144,688</u>	<u>9,380</u>	<u>131,152</u>
<b>Business-type Activities</b>				
Water and Sewer	791,806	1,019,876	--	480,862
<b>Total Business-type Activities</b>	<u>791,806</u>	<u>1,019,876</u>	<u>--</u>	<u>480,862</u>
<b>Total Primary Government</b>	<u>\$ 1,718,020</u>	<u>\$ 1,164,564</u>	<u>\$ 9,380</u>	<u>\$ 612,014</u>
<b>Component Units</b>				
Industrial Development	\$ 5,501	\$ --	\$ --	\$ --
Economic Development	62,237	--	--	--
<b>Total Component Units</b>	<u>\$ 67,738</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**General Revenues**

Property Taxes  
Penalties and Interest  
Franchise Taxes  
Sales & Hotel Taxes  
Interest Income  
Other

Transfers

**Total General Revenues and Transfers**

**Change in Net Assets**

Net Assets - Beginning

Net Assets - Ending

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

Net (Expenses)/Revenue and Changes in Net Assets					
Primary Government				Component Units	
Governmental Activities	Business-type Activities	Totals		Totals	
		2022	2021	2022	2021
\$ (190,613)	\$ --	\$ (190,613)	\$ (191,629)	\$ --	\$ --
(53,947)	--	(53,947)	13,151	--	--
(429,632)	--	(429,632)	(363,168)	--	--
37,376	--	37,376	22,851	--	--
(4,178)	--	(4,178)	(6,830)	--	--
<u>(640,994)</u>	<u>--</u>	<u>(640,994)</u>	<u>(525,625)</u>	<u>--</u>	<u>--</u>
--	708,932	708,932	527,251	--	--
--	708,932	708,932	527,251	--	--
<u>\$ (640,994)</u>	<u>\$ 708,932</u>	<u>\$ 67,938</u>	<u>\$ 1,626</u>	<u>\$ --</u>	<u>\$ --</u>
\$ --	\$ --	\$ --	\$ --	\$ (5,501)	\$ (26,214)
--	--	--	--	(62,237)	(39,629)
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (67,738)</u>	<u>\$ (65,843)</u>
\$ 483,610	\$ --	\$ 483,610	\$ 433,915	\$ --	\$ --
3,999	--	3,999	4,190	--	--
38,592	--	38,592	36,696	--	--
141,555	--	141,555	136,860	141,198	136,810
2,649	910	3,559	3,815	56	327
175,143	6,205	181,348	144,135	75	--
--	--	--	--	--	--
<u>845,548</u>	<u>7,115</u>	<u>852,663</u>	<u>759,611</u>	<u>141,329</u>	<u>137,137</u>
204,554	716,047	920,601	761,237	73,591	71,294
<u>1,846,126</u>	<u>2,370,453</u>	<u>4,216,579</u>	<u>3,455,342</u>	<u>551,143</u>	<u>479,849</u>
<u>\$ 2,050,680</u>	<u>\$ 3,086,500</u>	<u>\$ 5,137,180</u>	<u>\$ 4,216,579</u>	<u>\$ 624,734</u>	<u>\$ 551,143</u>

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

**CITY OF TIOGA, TEXAS**  
**BALANCE SHEET**  
**Governmental Funds**  
**September 30, 2022**  
(With Comparative Totals for September 30, 2021)

	General	Totals	
		2022	2021
<b>Assets</b>			
Cash and Cash Equivalents	\$ 791,644	\$ 791,644	\$ 770,269
Receivables:			
Sales Taxes	24,722	24,722	24,102
Property Taxes	15,391	15,391	14,927
Restricted Cash and Cash Equivalents	90,079	90,079	90,153
<b>Total Assets</b>	<u>\$ 921,836</u>	<u>\$ 921,836</u>	<u>\$ 899,451</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ 13,869	\$ 13,869	\$ 76,162
Deferred Revenue	15,391	15,391	14,927
<b>Total Liabilities</b>	<u>29,260</u>	<u>29,260</u>	<u>91,089</u>
<b>Fund Balances</b>			
Reserved For:			
Debt Service	90,079	90,079	90,153
Unreserved	802,497	802,497	718,209
<b>Total Fund Balances</b>	<u>892,576</u>	<u>892,576</u>	<u>808,362</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 921,836</u>	<u>\$ 921,836</u>	<u>\$ 899,451</u>

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

**CITY OF TIOGA, TEXAS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to Statement of Net Assets**  
**For the Year Ended September 30, 2022**  
**(With Comparative Totals for September 30, 2021)**

	<b>2022</b>	<b>2021</b>
<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 892,576</b>	<b>\$ 808,362</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	1,212,639	1,169,910
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	15,391	14,927
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Loans Payable	(52,000)	(130,218)
Compensated Absences	(17,926)	(16,855)
<b>Net Assets of Governmental Activities</b>	<b>\$ 2,050,680</b>	<b>\$ 1,846,126</b>

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

**CITY OF TIOGA, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**Year Ended September 30, 2022**  
**(With Comparative Totals for the Year Ending September 30, 2021)**

	General	Totals	
	Fund	2022	2021
<b>Revenues</b>			
Property Taxes	\$ 483,816	\$ 483,816	\$ 434,584
Penalties and Interest	3,999	3,999	4,190
Franchise Taxes	38,592	38,592	36,696
Sales & Hotel Taxes	141,555	141,555	136,860
Permits and Fees	57,574	57,574	31,539
Municipal Court Fines	87,114	87,114	62,206
Fire Department Contract	9,380	9,380	9,107
Interest Income	2,649	2,649	2,867
Miscellaneous	112,474	112,474	29,002
Grant Revenue	131,152	131,152	185,388
<b>Total Revenues</b>	<u>1,068,304</u>	<u>1,068,304</u>	<u>932,439</u>
<b>Expenditures</b>			
Current Operations:			
General Government	191,335	191,335	172,248
Public Works	170,488	170,488	155,712
Public Safety	381,754	381,754	318,381
Municipal Court	49,643	49,643	39,282
Capital Outlay	171,474	171,474	133,105
Debt Service:			
Principal	78,218	78,218	75,162
Interest	4,178	4,178	6,830
<b>Total Expenditures</b>	<u>1,047,090</u>	<u>1,047,090</u>	<u>900,720</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	21,214	21,214	31,719
<b>Other Financing Sources (Uses)</b>			
Gain on Sale of Fixed Assets	63,000	63,000	12,000
Other Financing Sources	--	--	98,148
<b>Total Other Financing Sources (Uses)</b>	<u>63,000</u>	<u>63,000</u>	<u>110,148</u>
<b>Net Change in Fund Balances</b>	84,214	84,214	141,867
Fund Balance - Beginning	<u>808,362</u>	<u>808,362</u>	<u>666,495</u>
<b>Fund Balance - Ending</b>	<u>\$ 892,576</u>	<u>\$ 892,576</u>	<u>\$ 808,362</u>

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

**CITY OF TIOGA, TEXAS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended September 30, 2022**  
**(With Comparative Totals for the Year Ending September 30, 2021)**

	<b>2022</b>	<b>2021</b>
<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 84,214</b>	<b>\$ 141,867</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$171,474) exceeded depreciation (\$127,745) in the current period.	43,729	12,472
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	205	(669)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. The details of this amount are as follows:		
Debt Issued	--	--
Principal Repayments	78,218	75,162
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,812)	(777)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 204,554</b>	<b>\$ 228,055</b>

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



**CITY OF TIOGA, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Governmental Funds**  
**Year Ended September 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property Taxes	\$ 460,000	\$ 480,000	\$ 483,816	\$ 3,816
Penalties and Interest	4,000	4,000	3,999	(1)
Franchise Taxes	40,000	40,000	38,592	(1,408)
Sales & Hotel Taxes	132,000	132,000	141,555	9,555
Permits and Fees	25,000	55,000	57,574	2,574
Municipal Court Fines	60,000	70,000	87,114	17,114
Fire Department Contract	9,000	9,000	9,380	380
Interest Income	3,000	3,000	2,649	(351)
Miscellaneous	11,100	12,100	112,474	100,374
Grant Revenue	347,800	347,800	131,152	(216,648)
<b>Total Revenues</b>	<u>1,091,900</u>	<u>1,152,900</u>	<u>1,068,304</u>	<u>(84,596)</u>
<b>Expenditures</b>				
Current Operations:				
General Government	173,850	208,150	191,335	16,815
Public Works	251,153	256,153	170,488	85,665
Public Safety	409,370	596,145	381,754	214,391
Municipal Court	49,860	57,488	49,643	7,845
Capital Outlay	347,000	347,000	171,474	175,526
Debt Service:				
Principal	--	--	78,218	(78,218)
Interest	--	--	4,178	(4,178)
<b>Total Expenditures</b>	<u>1,231,233</u>	<u>1,464,936</u>	<u>1,047,090</u>	<u>417,846</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(139,333)	(312,036)	21,214	333,250
<b>Other Financing Sources (Uses)</b>				
Gain on Sale of Fixed Assets	--	--	63,000	
Other Financing Sources	--	--	--	
<b>Total Other Financing Sources (Uses)</b>	--	--	63,000	
<b>Net Change in Fund Balances</b>	<u>\$ (139,333)</u>	<u>\$ (312,036)</u>	84,214	<u>\$ 396,250</u>
Fund Balance - Beginning			<u>808,362</u>	
<b>Fund Balance - Ending</b>			<u>\$ 892,576</u>	

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

**CITY OF TIOGA, TEXAS**  
**STATEMENT OF NET ASSETS**  
**Proprietary Funds**  
**September 30, 2022**  
(With Comparative Totals for September 30, 2021)

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 537,685	\$ 447,110
Accounts Receivable	50,993	52,544
<b>Total Current Assets</b>	<b>588,678</b>	<b>499,654</b>
<b>Noncurrent Assets</b>		
Restricted Cash and Cash Equivalents	730,567	564,652
<b>Capital Assets</b>		
Land	5,564	5,564
Water Distribution System, Net	1,875,147	1,943,454
Sewer System, Net	435,395	482,520
Vehicles and Equipment, Net	54,195	63,439
Construction in Progress	1,014,488	471,365
Bond Issue Costs, Net	65,410	69,370
<b>Total Noncurrent Assets</b>	<b>4,180,766</b>	<b>3,600,364</b>
<b>Total Assets</b>	<b>4,769,444</b>	<b>4,100,018</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	16,752	15,423
Customer Deposits	58,186	56,036
<b>Total Current Liabilities</b>	<b>74,938</b>	<b>71,459</b>
<b>Current Liabilities Payable From Restricted Assets</b>		
Accrued Interest Payable	9,449	10,146
Bonds Payable - Current Portion	8,000	6,000
Certificates of Obligation - Current Portion	45,000	45,000
<b>Total Current Liabilities Payable From Restricted Assets</b>	<b>62,449</b>	<b>61,146</b>
<b>Noncurrent Liabilities</b>		
Accumulated Vacation Leave Payable	17,557	15,960
Long Term Liabilities - Net of Current	1,528,000	1,581,000
<b>Total Noncurrent Liabilities</b>	<b>1,545,557</b>	<b>1,596,960</b>
<b>Total Liabilities</b>	<b>1,682,944</b>	<b>1,729,565</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	1,803,789	1,334,342
Restricted For:		
Debt Service	730,567	564,652
Unrestricted	552,144	471,459
<b>Total Net Assets</b>	<b>\$ 3,086,500</b>	<b>\$ 2,370,453</b>

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

**CITY OF TIOGA, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**Proprietary Funds**  
**Year Ended September 30, 2022**  
**(With Comparative Totals for the Year Ending September 30, 2021)**

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>		
Utility Charges	\$ 942,132	\$ 775,683
<b>Operating Expenses</b>		
Personnel Expenses	275,967	242,673
Trash Collection	137,367	138,665
State Fees and Permits	4,690	3,457
Materials and Supplies	55,996	49,965
Office Supplies and Postage	13,736	9,853
Repairs and Maintenance	21,444	23,794
Vehicle and Backhoe Expenses	11,509	10,870
Utilities and Telephone	58,621	54,474
Water Samples and Testing	10,920	8,773
Insurance	15,733	14,237
Professional Fees	11,153	5,037
Other Expenses	1,556	5,084
Depreciation and Amortization	135,642	136,919
<b>Total Operating Expenses</b>	<u>754,334</u>	<u>703,801</u>
<b>Operating Income (Loss)</b>	<u>187,798</u>	<u>71,882</u>
<b>Nonoperating Revenues (Expenses)</b>		
Tap Fees	83,950	26,250
Interest Income	910	948
Interest Expense	<u>(37,473)</u>	<u>(39,519)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>47,387</u>	<u>(12,321)</u>
<b>Income (Loss) Before Contributions and Transfers</b>	235,185	59,561
Capital Contributions	480,862	473,621
Transfers In/(Out)	<u>--</u>	<u>--</u>
<b>Change In Net Assets</b>	716,047	533,182
Total Net Assets - Beginning	2,370,453	1,837,271
<b>Total Net Assets - Ending</b>	<u>\$ 3,086,500</u>	<u>\$ 2,370,453</u>

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

**CITY OF TIOGA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**Year Ended September 30, 2022**  
**(With Comparative Totals for the Year Ending September 30, 2021)**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Receipts From Customers	\$ 1,029,783	\$ 794,003
Payments to Suppliers	(341,395)	(327,527)
Payments to Employees	(274,370)	(238,639)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>414,018</u>	<u>227,837</u>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Transfers to Other Funds	--	--
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>--</u>	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of Fixed Assets	(550,130)	(541,297)
Capital Contributions	480,862	473,621
Grant Revenues	--	--
Principal Payments on Debt	(51,000)	(51,000)
Interest Payments on Debt	(38,170)	(40,210)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(158,438)</u>	<u>(158,886)</u>
<b>Cash Flows from Investing Activities</b>		
Interest Income	910	948
<b>Net Cash Provided by Investing Activities</b>	<u>910</u>	<u>948</u>
<b>Net Increase in Cash and Cash Equivalents</b>	256,490	69,899
Cash and Cash Equivalents - Beginning	<u>1,011,762</u>	<u>941,863</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 1,268,252</u>	<u>\$ 1,011,762</u>
<b>Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income/(Loss)	\$ 187,798	\$ 71,882
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	135,642	136,919
Tap Fees	83,950	26,250
Change in Assets and Liabilities:		
Accounts Receivable	1,551	(9,365)
Accounts Payable and Accrued Expenses	1,330	(3,317)
Customer Deposits	2,150	1,435
Accrued Vacation Leave Payable	1,597	4,033
Total Adjustments	<u>226,220</u>	<u>155,955</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 414,018</u>	<u>\$ 227,837</u>

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

**CITY OF TIoga, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**September 30, 2022**

	<b>Private Purpose Trust</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 23,203
<b>Total Current Assets</b>	23,203
<b>Total Assets</b>	23,203
<b>Liabilities</b>	--
<b>Net Assets</b>	
Restricted For:	
Cemetery Maintenance	23,203
Unrestricted	--
<b>Total Net Assets</b>	\$ 23,203

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

**CITY OF TIOGA, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**Year Ended September 30, 2022**

	<b>Private Purpose Trust</b>
<b>Additions</b>	
Interest	\$ --
<b>Total Additions</b>	--
<b>Deductions</b>	
Cemetery Maintenance	--
<b>Total Deductions</b>	--
<b>Change In Net Assets</b>	--
Total Net Assets - Beginning	23,203
<b>Total Net Assets - Ending</b>	\$ 23,203

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

**CITY OF TIoga, TEXAS**  
**STATEMENT OF NET ASSETS**  
**Component Units**  
**September 30, 2022**

	<u>Industrial Development</u>	<u>Economic Development</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 322,888	\$ 191,624
Sales Tax Receivable	12,276	12,276
<b>Total Current Assets</b>	<u>335,164</u>	<u>203,900</u>
<b>Capital Assets</b>		
Land and Land Improvements	<u>--</u>	<u>85,670</u>
<b>Total Assets</b>	<u>335,164</u>	<u>289,570</u>
<b>Liabilities</b>		
Long-Term Liabilities		
Current	--	--
Non-Current	<u>--</u>	<u>--</u>
<b>Total Liabilities</b>	<u>--</u>	<u>--</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	--	85,670
Unrestricted	<u>335,164</u>	<u>203,900</u>
<b>Total Net Assets</b>	<u>\$ 335,164</u>	<u>\$ 289,570</u>

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

**CITY OF TIOGA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
 Component Units  
 For the Year Ended September 30, 2022

Function/Program Activities	Program Revenues		Component Units		Net (Expenses)/Revenues and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Industrial Development		Economic Development
<b>Component Units</b>						
Industrial Development	\$ 5,501	\$ --	\$ --	\$ (5,501)	\$ --	\$ (5,501)
Economic Development	62,237	--	--	--	(62,237)	(62,237)
<b>Total Component Units</b>	<u>\$ 67,738</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (5,501)</u>	<u>\$ (62,237)</u>	<u>\$ (67,738)</u>
		<b>General Revenues</b>				
			Sales Taxes	\$ 70,599	\$ 70,599	\$ 141,198
			Interest Income	31	25	56
			Other Income	75	--	75
			<b>Total General Revenues</b>	<u>70,705</u>	<u>70,624</u>	<u>141,329</u>
			<b>Change in Net Assets</b>	65,204	8,387	73,591
			Net Assets - Beginning	269,960	281,183	551,143
			<b>Net Assets - Ending</b>	<u>\$ 335,164</u>	<u>\$ 289,570</u>	<u>\$ 624,734</u>

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



**City of Tioga, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Tioga, Texas, (the "City") was incorporated in 1906. The City is a municipal corporation governed by an elected mayor and five-member council and provides such services as authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its inhabitants.

The accompanying financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds; subject to this same limitation. The City has not elected to follow subsequent private-sector guidance. The more significant accounting and reporting policies and practices used by the City are described below.

**Financial Statement Presentation**

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

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City's General Fund and Debt Services Fund are similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by GASB 34.

GASB 34 also requires supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

**Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. A discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City.

The Tioga Volunteer Fire Department is not included within the reporting entity of the City. The City provides some funding to the organization, maintains title and insurance on equipment. All of these expenditures are recorded as a separate function in the General Fund of the City. This organization is outside the reporting entity of the City as the City does not appoint management and has no fiscal control over the funds of the Tioga Volunteer Fire Department.

The Tioga Cemetery Association (Cemetery Association) is involved with the Roark Memorial Trust (Trust), which has been created for the perpetual care and maintenance of the Tioga Cemetery. The Co-Trustees of the Trust are the Mayor of the City and the President of Point Bank (or its successors). Since the Mayor has been named as a Co-Trustee, the accounting transactions of the Trust have been included in the City's financial statements. According to an agreement between the City and the Cemetery Association dated November 18, 1976, the Cemetery Association is responsible for administering the interest proceeds for the care and maintenance of the cemetery. The agreement also requires the Cemetery Association to submit an annual accounting of the transactions to the City.

**City of Tioga, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2022**

The transactions of the Tioga Economic Development Corporation (TEDCO) and the Tioga Industrial Development Corporation (TIDCO) are included in these financial statements as discretely presented component units of the primary government. The City Council is responsible for appointing board members to both of the Corporations and has overall fiscal responsibility for the Corporations. The Corporations were formed after the citizens approved the 4A and 4B sales taxes. The proceeds from the 4A sales tax are to be used for the industrial development of the City and the proceeds from the 4B sales tax are to be used for the community and economic development of the City.

The financial statements are formatted to allow the user to clearly distinguish between primary government and its discretely presented component units.

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the reporting entity. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The effect of interfund activity has been removed from these statements. Governmental activities which are partially supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of net assets present information on all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. This statement also demonstrates the degree to which the direct expenses of a given activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All non-major funds are aggregated and presented in a single column. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to aid financial management and demonstrate legal compliance.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The City maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Debt Service fund. Both are treated as major funds since these are the only governmental funds the City maintains. A budgetary comparison statement has also been provided for the General fund.

Proprietary funds are maintained for enterprise and internal service operations of the City. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Water and Sewer fund is the only enterprise fund the City maintains.

**City of Tioga, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2022**

**Basis of Accounting and Measurement Focus**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectively within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the fiscal year-end except investment income which is recorded as earned. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, accrued interest on long-term debt, as well as expenditures related compensated absences, are recorded only when the payment is due.

The revenues susceptible to accrual in governmental funds are ad valorem franchise taxes, sales taxes, interest earned, certain charges for services and intergovernmental revenues, if such revenues are both measurable and available as previously defined. Licenses and permits and municipal court fines are recognized when payment is received. The deferred revenues account is utilized in governmental funds to record earned amounts which are unavailable to liquidate liabilities of the current period (i.e., not collectible within 60 days).

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

The City reports the following governmental funds:

- The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
  
- The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The City reports the following proprietary fund:

- The Water and Sewer Enterprise Fund is used to account for the rendering of water and sewer services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operation, maintenance, debt service, and billing and collecting.

**Encumbrances**

The City does not utilize an encumbrance accounting system; therefore, encumbrances have not been recorded in these financial statements. At year end, a review disclosed no material commitments that required disclosure as encumbrances.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, cash with fiscal agent and short-term investments with original maturities of one year or less from the date of acquisition.

**Capital Assets and Depreciation**

Capital assets, which include land, buildings, infrastructure, improvements, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**City of Tioga, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2022**

Interest has not been capitalized for business-type activity assets during construction period as such amounts are not material.

Assets capitalized have an original cost of \$500 or more and a useful life of at least two years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25 to 50 years
Infrastructure/Improvements	15 to 50 years
Equipment	5 to 20 years

**Bond Issuance Costs**

In governmental fund types, bond issuance costs are recognized in the current period. For proprietary fund type, bond issuance costs are amortized over the term of the bonds using the straight-line method.

**Accumulated Vacation and Sick Leave**

City employees are granted vacation and sick leave in varying amounts. Upon termination, an employee is reimbursed for accumulated vacation. Accumulated vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements in accordance with GASB Interpretation No. 6.

**Long-Term Debt**

General Obligation Bonds issued for general government capital projects that are to be repaid from tax revenues of the City are recorded in the government-wide statement of net assets. Revenue Bonds issued for Proprietary Fund assets that are to be repaid by the Proprietary Fund are recorded in the Proprietary Fund.

Revenue Bonds have been issued to fund capital projects of Proprietary Funds. Such bonds are to be repaid from the net revenues of the Proprietary Fund. To date, Revenue Bonds have been issued for water and sewage purposes.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, issuance costs, as well as bond premiums and discounts, are recognized when incurred.

**Property Tax Revenues**

The City's ad valorem property tax is levied each October 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property located in the City. Certain properties of religious, educational and charitable organizations, as well as the Federal government and the State of Texas, are exempt from taxation. The assessed value of the certified roll (after exemptions), upon which the levy for the 2021-2022 fiscal year was based, was \$88,443,663.

The tax rate assessed for the year ended September 30, 2022, to finance general fund operations was \$0.4842060 per \$100 valuation.

Taxes are due on October 1<sup>st</sup> and become delinquent by February 1<sup>st</sup> following the October 1<sup>st</sup> levy date. Delinquent real property taxes are expected to be collected as the delinquent amounts form a lien against the related property until paid.

**Budget**

The budget for 2021-2022 was formally adopted by the City Council at an advertised public meeting on September 13, 2021. If needed, the budget is amended by the City Council.

**Interfund Transactions**

Numerous interfund transactions occur during the fiscal year because the City primarily utilizes one operating account for its financial transactions (pooled cash system). These transactions are short-term; therefore, no interfund receivables and payables are recorded at September 30, 2022.

**City of Tioga, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2022**

**NOTE B – CASH AND INVESTMENTS**

**Deposits**

The City's deposits are primarily covered by Federal Depository Insurance Corporation (FDIC) insurance. The City entered into a depository agreement with BancorpSouth Bank. This agreement contains provisions to adequately collateralize deposits in compliance with state law.

As of September 30, 2022, the carrying amount of the City's deposits was \$2,059,084 and the combined bank balances were \$2,084,767. Of the combined bank balances, FDIC covered deposits of \$450,648 and deposits of \$1,634,119 were collateralized by pledged securities held by the depository bank (Category 2).

The City's cash held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 – Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 – Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 – Deposits which are not collateralized or insured.

Based on these categories the City's deposits are category 2.

**Restricted Cash**

The Debt Service Fund and the Enterprise Fund must restrict cash for bond requirements in accordance with their respective bond ordinances. The ordinances require an interest and sinking account for the accumulation of revenues to pay the next maturing interest and principal installments. A reserve account has been established in accordance with the debt ordinances. The specific requirements are as follows:

	<b>Enterprise Fund</b>
Interest and Sinking Requirement	\$ 88,469
Reserve Requirement	12,714
<b>Total Required</b>	101,183
Actual Amounts Reserved	393,000
<b>Excess/(Under) Reserves</b>	<b>\$ 291,817</b>

**Investments**

Statutes authorize the City to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by Chapter 2256 Public Funds Investment and Chapter 2257 Collateral for Public Funds of the Government Code.

To comply with the reporting requirements of GASB Statement No. 3, *Investments (including Repurchase Agreements), and Reverse Purchase Agreements*, the City's investments are classified under three categories to indicate the credit risk assumed by the City at September 30, 2022. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreement will decline. Market risk is not disclosed in this note.

**City of Tioga, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2022**

Similar to cash deposits, investments can be categorized according to three levels of risk:

- Category 1 - Investments that are insured, registered or held by the City or by its agent in the City's name.
- Category 2 - Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the City's name.
- Category 3 - Uninsured and unregistered investments held by the counterparty, its trust or its agent, but not in the City's name.

As of September 30, 2022, the City did not hold any investments that would need to be categorized in one of the above categories.

**NOTE C - BOND ISSUANCE COSTS**

The Enterprise Fund incurred bond issuance costs related to several bond issues. The following table summarizes the amortization activity in the Enterprise Fund as of September 30, 2022:

	Series 1993	Series 2000A	Series 2016	Totals
Issuance Costs	\$ 6,093	\$ 30,763	\$ 69,558	\$ 106,414
Accumulated Amortization	4,418	22,559	14,027	41,004
<b>Net Bond Issuance Costs</b>	<b>\$ 1,675</b>	<b>\$ 8,204</b>	<b>\$ 55,531</b>	<b>\$ 65,410</b>
Bond Life (Years)	40	30	25	
Yearly Amortization Expense	\$ 152	\$ 1,025	\$ 2,782	\$ 3,960

**NOTE D - PROPERTY AND EQUIPMENT**

The following is a summary of the changes in capital assets for the year ended September 30, 2022:

	Balance at 9/30/2021	Additions	Retirements	Balance at 9/30/2022
<b>Governmental Activities</b>				
<b>Capital Assets not Being Depreciated</b>				
Land & Improvements	\$ 213,322	\$ --	\$ 1,000	\$ 212,322
<b>Capital Assets Being Depreciated</b>				
Buildings & Improvements	242,355	2,752	873	244,234
Vehicles and Equipment	856,577	112,576	--	969,153
Public Safety Equipment	207,192	50,256	--	257,448
Furniture and Office Equipment	44,496	1,900	476	45,920
Infrastructure	892,235	3,990	--	896,225
<b>Total Capital Assets</b>	<b>2,456,177</b>	<b>171,474</b>	<b>2,349</b>	<b>2,625,302</b>
Accumulated Depreciation	1,286,267	127,745	1,349	1,412,663
<b>Net Capital Assets</b>	<b>\$ 1,169,910</b>	<b>\$ 43,729</b>	<b>\$ 1,000</b>	<b>\$ 1,212,639</b>

**City of Tioga, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2022**

	<u>Balance at</u> <u>9/30/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>9/30/2022</u>
<b>Business-Type Activities</b>				
<b>Capital Assets not Being Depreciated</b>				
Land	\$ 5,564	\$ --	\$ --	\$ 5,564
<b>Capital Assets Being Depreciated</b>				
Water Distribution System	2,901,987	--	--	2,901,987
Sewer Distribution System	1,871,631	--	--	1,871,631
Vehicles and Equipment	233,582	7,005	--	240,587
Construction in Progress	471,365	543,123	--	1,014,488
<b>Total Capital Assets Being Depreciated</b>	<u>5,478,565</u>	<u>550,128</u>	<u>--</u>	<u>6,028,693</u>
Accumulated Depreciation	<u>2,517,786</u>	<u>131,592</u>	<u>--</u>	<u>2,649,378</u>
<b>Total Capital Assets Being Depreciated, net</b>	<u>2,960,779</u>	<u>418,536</u>	<u>--</u>	<u>3,379,315</u>
<b>Business-Type Activities Capital Assets, net</b>	<u>\$ 2,966,343</u>	<u>\$ 418,536</u>	<u>\$ --</u>	<u>\$ 3,384,879</u>
<b>Discretely Presented Component Units</b>				
<b>Capital Assets not Being Depreciated</b>				
Land & Improvements	\$ 49,928	\$ --	\$ --	\$ 49,928
<b>Capital Assets Being Depreciated</b>				
Buildings & Improvements	58,045	--	--	58,045
Accumulated Depreciation	<u>(18,526)</u>	<u>(3,777)</u>	<u>--</u>	<u>(22,303)</u>
<b>Discretely Presented Component Units Capital Assets, net</b>	<u>\$ 89,447</u>	<u>\$ (3,777)</u>	<u>\$ --</u>	<u>\$ 85,670</u>

Depreciation expenses were charged to functions/programs of the City as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General Government	\$ 56,695	Water & Sewer	\$ 131,592
Public Works	14,163	<b>Total</b>	<u>\$ 131,592</u>
Public Safety	56,887		
Municipal Court	--		
<b>Total</b>	<u>\$ 127,745</u>		

**City of Tioga, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2022**

**NOTE E - LONG-TERM LIABILITIES**

Various types of long-term debt have been issued by the City for the acquisition and construction of major capital facilities and equipment. A summary of long-term debt transactions, including current portion, for the year ended September 30, 2022, is as follows:

	<u>Balance at 9/30/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 9/30/2022</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Loans and Leases	\$ 130,218	\$ --	\$ 78,218	\$ 52,000	\$ 52,000
Certificates of Obligation	--	--	--	--	--
<b>Totals - Governmental Activities</b>	<u>\$ 130,218</u>	<u>\$ --</u>	<u>\$ 78,218</u>	<u>\$ 52,000</u>	<u>\$ 52,000</u>
<b>Business Type Activities</b>					
Bonds Payable	\$ 122,000	\$ --	\$ 6,000	\$ 116,000	\$ 8,000
Certificates of Obligation	1,510,000	--	45,000	1,465,000	45,000
<b>Totals - Business-Type Activities</b>	<u>\$ 1,632,000</u>	<u>\$ --</u>	<u>\$ 51,000</u>	<u>\$ 1,581,000</u>	<u>\$ 53,000</u>

The City had the following outstanding bonds at September 30, 2022:

**Business-Type Activities**

On October 1, 1994, the City issued bonds (Series 1993) of \$110,000 for improving the water distribution system. Principal payments from \$1,000 to \$6,000 are payable on October 1<sup>st</sup> through the year 2033 with semiannual interest payments at 5.125%

\$ 58,000

On October 1, 1994, the City issued bonds (Series 1993A) of \$110,000 for improving the water distribution system. Principal payments from \$1,000 to \$6,000 are payable on October 1<sup>st</sup> through the year 2033 with semiannual interest payments at 5.125%

58,000

On December 1, 2000, the City authorized certificates of obligation (Series 2000A) in the amount of \$580,000 for construction of a water well, storage facility and related piping. Principal payments from \$5,000 to \$40,000 are payable on October 1st through the year 2031 with semiannual interest payments from 3.2% to 4.4%.

295,000

On June 16, 2016, the City authorized certificates of obligation (Series 2016) in the amount of \$1,250,000 for construction of a water well, storage facility and related piping. Principal payments from \$20,000 to \$85,000 are payable on September 15th through the year 2042 with semiannual interest payments from 0.17% to 2.13%.

1,170,000

**Total Business-Type Activities**

\$ 1,581,000



**City of Tioga, Texas**  
**Notes to the Basic Financial Statements**  
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The principal and interest requirements for the long-term debt for the next five fiscal years are as follows:

Fiscal Year Ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Totals	Principal	Interest	Totals
2023	\$ 52,000	\$ 1,690	\$ 53,690	\$ 53,000	\$ 37,149	\$ 90,149
2024	--	--	--	53,000	35,496	88,496
2025	--	--	--	58,000	33,594	91,594
2026	--	--	--	58,000	31,622	89,622
2027	--	--	--	63,000	29,622	92,622
2028 - 2032	--	--	--	404,000	128,283	532,283
2033 - 2037	--	--	--	367,000	53,885	420,885
2038 - 2042	--	--	--	525,000	13,929	538,929
2043 - 2047	--	--	--	--	--	--
<b>Total</b>	<b>\$ 52,000</b>	<b>\$ 1,690</b>	<b>\$ 53,690</b>	<b>\$ 1,581,000</b>	<b>\$ 363,578</b>	<b>\$ 1,944,578</b>

**NOTE F - CONTINGENCIES**

**Grants**

The City participates in various federal and state assisted grants, principally for the construction of water system improvements. Under the terms of these grants, the City is subject to program compliance audits by the grantor or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. If future program compliance audits result in any questioned or disallowed costs, reimbursements would be made to the grantor agencies. The amounts of expenditures that might be disallowed by the grantor agencies cannot be determined at this time; however, management believes such amounts, if any, would be immaterial.

**NOTE G - RETIREMENT PLAN**

**Plan Description**

The City provides pension benefits for all of its full-time employees who elect to participate through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The annual financial report of TMRS and other required disclosure information are available by writing the Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began or a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the City Council within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. The contribution rate for the employees is 5% and the City matching ratio is currently 1 to 1. Both of these contribution rates were adopted by the City Council. Members can retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age. A member is vested after 5 years.

**Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from

**City of Tioga, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2022**

year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2020, valuation is effective for rates beginning in January 2021).

**Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	12/31/2021
Actuarial Accrued Liability	
Contributing Member	\$ 591,778
Noncontributing Members	<u>          --</u>
Annuitants	<u>          --</u>
Total Actuarial Accrued Liability	591,778
Actuarial Value of Assets	<u>668,166</u>
Unfunded/(Overfunded) Actuarial Accrued Liability	<u>\$ (76,388)</u>
Funded Ratio	113%
Annual Covered Payroll	\$ 462,161
Net Pension Obligation (NPO) at the Beginning of Period	--
Annual Pension Cost:	
Annual Required Contribution (ARC)	\$ 40,346
Contributions Made	<u>(40,346)</u>
NPO at End of Period	<u>\$ --</u>

**NOTE H - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance through the Texas Municipal League. The City retains no risk of loss for these coverages. The City accounts for risk management issues in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

**NOTE I - SUBSEQUENT EVENTS**

There have been no events after September 30, 2022, that would require adjustments to, or disclosure in, these financial statements.

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**APPENDIX E**

**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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Financial Advisory Services  
Provided By

