**OFFICIAL STATEMENT**
**Dated June 13, 2023**

**Ratings:**
**S&P: "AA"/"A-"**
**Insurance: AGM**
**(See "BOND INSURANCE" and "OTHER INFORMATION – Ratings" herein)**

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel, interest on the Series 2023A Bonds 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 FOR THE TAX-EXEMPT OBLIGATIONS" herein, including the alternative-minimum tax on certain corporations.

**$5,800,000**
**CITY OF CLYDE, TEXAS**
**(Callahan County)**
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2023A**

**Dated Date: July 1, 2023; Interest Accrues from the Date of Initial Delivery** **Due: August 1, as shown on page 2**

**PAYMENT TERMS** . . . Interest on the $5,800,000 City of Clyde, Texas, General Obligation Refunding Bonds, Series 2023A (the "Series 2023A Bonds") will accrue from the date of the initial delivery to the underwriter shown below, will be payable February 1 and August 1 of each year commencing February 1, 2024, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Series 2023A Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Series 2023A Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Series 2023A Bonds will be made to the beneficial owners thereof**. Principal of, premium, if any, and interest on the Series 2023A Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Series 2023A Bonds (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Series 2023A Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207, Texas Government Code, as amended, and constitute direct obligations of the City of Clyde, Texas (the "City"), payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the ordinance authorizing the Series 2023A Bonds (the "Series 2023A Bond Ordinance"). See "THE OBLIGATIONS - Authority for Issuance" and "– Security and Source of Payment".

**PURPOSE** . . . Proceeds from the sale of the Series 2023A Bonds will be used to (i) refund a portion of the City's outstanding obligations described on SCHEDULE I attached hereto (the "Series 2023A Refunded Obligations") for debt service savings and (ii) pay the costs of issuance of the Series 2023A Bonds (see "PLAN OF FINANCING - Purpose").

The scheduled payment of principal of and interest on the Series 2023A Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2023A Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). See "BOND INSURANCE" and APPENDIX D – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

**CUSIP PREFIX: 189702**
**MATURITY SCHEDULE & 9 DIGIT CUSIP, See Schedule on Page 2**

**SEPARATE ISSUES** . . . The Series 2023A Bonds are being offered by the City concurrently with the "City of Clyde, Texas, General Obligation Refunding Bonds, Taxable Series 2023B (the "Taxable Series 2023B Bonds") and "City of Clyde, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2023" (the "Certificates"), under a common Official Statement, and the Series 2023A Bonds, the Taxable Series 2023B Bonds and the Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Series 2023A Bonds and the Taxable Series 2023B Bonds are hereinafter sometimes referred to collectively as the "Bonds." The Series 2023A Bonds, the Taxable Series 2023B Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

**LEGALITY** . . . The Series 2023A Bonds are offered for delivery when, as and if issued and received by the underwriter named below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see "APPENDIX C - Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

**DELIVERY** . . . It is expected that the Series 2023A Bonds will be available for delivery through the facilities of DTC on or about July 13, 2023.

**SAMCO CAPITAL**

**$5,800,000**
**CITY OF CLYDE, TEXAS**
**(Callahan County)**
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2023A**

**CUSIP [(1)]: 189702**

**MATURITY SCHEDULE**

| Maturity (August 1) | Principal Amount | Interest Rate | Initial Yield | | CUSIP Suffix [(1)] |
|---|---|---|---|---|---|
| 2025 | $ 5,000 | 5.000% | 3.630% | | FQ1 |
| 2026 | 5,000 | 5.000% | 3.500% | | FR9 |
| 2027 | 5,000 | 5.000% | 3.410% | | FS7 |
| 2028 | 5,000 | 5.000% | 3.360% | | FT5 |
| 2029 | 45,000 | 5.000% | 3.340% | | FU2 |
| 2030 | 295,000 | 5.000% | 3.270% | | FV0 |
| 2031 | 315,000 | 5.000% | 3.250% | | FW8 |
| 2032 | 330,000 | 5.000% | 3.240% | | FX6 |
| 2033 | 340,000 | 5.000% | 3.300% | | FY4 |
| 2034 | 360,000 | 5.000% | 3.350% | (2) | FZ1 |
| 2035 | 380,000 | 5.000% | 3.470% | (2) | GA5 |
| 2036 | 400,000 | 5.000% | 3.590% | (2) | GB3 |
| 2037 | 425,000 | 4.000% | 4.000% | | GC1 |
| 2038 | 440,000 | 4.000% | 4.090% | | GD9 |
| 2039 | 455,000 | 4.000% | 4.130% | | GE7 |
| 2040 | 470,000 | 4.000% | 4.170% | | GF4 |
| 2041 | 490,000 | 4.000% | 4.200% | | GG2 |
| 2042 | 510,000 | 4.000% | 4.230% | | GH0 |
| 2043 | 525,000 | 4.000% | 4.250% | | GJ6 |

**(Interest Accrues from the date of Initial Delivery)**

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(2) Yield shown is yield to first call date of August 1, 2033.

**REDEMPTION** . . . The City reserves the right, at its option, to redeem the Series 2023A Bonds having stated maturities on and after August 1, 2034, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

**OFFICIAL STATEMENT**
**Dated June 13, 2023**

**Ratings:**
**S&P: "AA"/"A-"**
**Insurance: AGM**
**(See "BOND INSURANCE" and "OTHER INFORMATION – Ratings" herein)**

**NEW ISSUE - Book-Entry-Only**

Interest on the Taxable Series 2023B Bonds (defined below) is not excludable from gross income for federal tax purposes under existing law. See "FEDERAL INCOME TAX CONSIDERATIONS FOR THE TAXABLE SERIES 2023B BONDS" herein.

**$1,240,000**
**CITY OF CLYDE, TEXAS**
**(Callahan County)**
**GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2023B**

**Dated Date: July 1, 2023;** **Due: August 1, as shown on page 2**
**Interest Accrues from the Date of Initial Delivery**

**PAYMENT TERMS** . . . Interest on the $1,240,000 City of Clyde, Texas, General Obligation Refunding Bonds, Taxable Series 2023B (the "Taxable Series 2023B Bonds") will accrue from the date of the initial delivery to the underwriter shown below, will be payable February 1 and August 1 of each year commencing February 1, 2024, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Taxable Series 2023B Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Taxable Series 2023B Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Taxable Series 2023B Bonds will be made to the beneficial owners thereof**. Principal of, premium, if any, and interest on the Taxable Series 2023B Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Taxable Series 2023B Bonds (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Taxable Series 2023B Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207, Texas Government Code, as amended, and constitute direct obligations of the City of Clyde, Texas (the "City"), payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the ordinance authorizing the Taxable Series 2023B Bonds (the "Taxable Series 2023B Bond Ordinance"). See "THE OBLIGATIONS - Authority for Issuance" and "– Security and Source of Payment".

**PURPOSE** . . . Proceeds from the sale of the Taxable Series 2023B Bonds will be used to (i) refund a portion of the City's outstanding obligations described on SCHEDULE I attached hereto (the "Taxable Series 2023B Refunded Obligations") and (ii) pay the costs of issuance of the Taxable Series 2023B Bonds (see "PLAN OF FINANCING - Purpose").

ASSURED GUARANTY MUNICIPAL

The scheduled payment of principal of and interest on the Taxable Series 2023B Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Taxable Series 2023B Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). See "BOND INSURANCE" and APPENDIX D – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

**CUSIP PREFIX: 189702**
**MATURITY SCHEDULE & 9 DIGIT CUSIP, See Schedule on Page 4**

**SEPARATE ISSUES** . . . The Taxable Series 2023B Bonds are being offered by the City concurrently with the "City of Clyde, Texas, General Obligation Refunding Bonds, Series 2023A" (the "Series 2023A Bonds") and "City of Clyde, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2023" (the "Certificates"), under a common Official Statement, and the Taxable Series 2023B Bonds, the Series 2023A Bonds and the Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Series 2023A Bonds and the Taxable Series 2023B Bonds are hereinafter sometimes referred to collectively as the "Bonds." The Taxable Series 2023B Bonds, the Series 2023A Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

**LEGALITY** . . . The Taxable Series 2023B Bonds are offered for delivery when, as and if issued and received by the underwriter named below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see "APPENDIX C - Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

**DELIVERY** . . . It is expected that the Taxable Series 2023B Bonds will be available for delivery through the facilities of DTC on or about July 13, 2023.

**SAMCO CAPITAL**

**$1,240,000**
**CITY OF CLYDE, TEXAS**
**(Callahan County)**
**GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2023B**

**CUSIP [(1)]: 189702**

**MATURITY SCHEDULE**

**$280,000 5.000% Taxable Series 2023B Term Bonds due August 1, 2033, Priced to Yield 5.110%, CUSIP Suffix[(1)] GN7**
**$960,000 5.375% Taxable Series 2023B Term Bonds due August 1, 2043, Priced to Yield 5.620%, CUSIP Suffix[(1)] GY3**

**(Interest Accrues from the date of Initial Delivery)**

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**REDEMPTION** . . . The City reserves the right, at its option, to redeem the Taxable Series 2023B Bonds having stated maturities on and after August 1, 2043, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption"). Additionally, Taxable Series 2023B Term Bonds (defined herein) maturing on August 1 in the years 2033 and 2043 are subject to mandatory sinking fund redemption in part prior to maturity at a price of par plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

**OFFICIAL STATEMENT**
**Dated June 13, 2023**

**Ratings:**
**S&P: "AA"/"A-"**
**Insurance: AGM**
**(See "BOND INSURANCE" and "OTHER INFORMATION – Ratings" herein)**

**NEW ISSUE - Book-Entry-Only**

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

# $4,130,000
# CITY OF CLYDE, TEXAS
## (Callahan County)
## COMBINATION TAX AND SURPLUS REVENUECERTIFICATES OF OBLIGATION, SERIES 2023

**Dated Date: July 1, 2023; Interest Accrues from the Date of Initial Delivery** **Due: August 1, as shown on page 2**

**PAYMENT TERMS** . . . Interest on the $4,130,000 City of Clyde, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2023 (the "Certificates"), will accrue from the date of the initial delivery to the underwriter shown below, will be payable February 1 and August 1 of each year commencing February 1, 2024, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof**. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligation of the City of Clyde, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the surplus revenues of the City's waterworks and sewer system, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance"). See "THE OBLIGATIONS – Authority for Issuance" and "– Security and Source of Payment").

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, baseball fields, softball fields, storage facilities, parking facilities and related infrastructure; (ii) acquisition of vehicles and equipment for the public works and community development departments; (iii) acquiring vehicles and equipment for and constructing and improving streets, roads, alleys, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (iv) constructing, acquiring, installing, and equipping additions, extensions and improvements to the City's waterworks and sewer system, including water storage tank, lift station, and related infrastructure improvements and rehabilitation; and (v) paying legal, fiscal and engineering fees in connection with such projects including the costs of issuing the Certificates.

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" or the "Insurer"). See "BOND INSURANCE" and APPENDIX D – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

**CUSIP PREFIX: 189702**
**MATURITY SCHEDULE & 9 DIGIT CUSIP, See Schedule on Page 6**

**SEPARATE ISSUES** . . . The Certificates are being offered by the City concurrently with the "City of Clyde, Texas, General Obligation Refunding Bonds, Series 2023A" (the "Series 2023A Bonds") and the "City of Clyde, Texas, General Obligation Refunding Bonds, Taxable Series 2023B" (the "Taxable Series 2023B Bonds"), under a common Official Statement, and the Series 2023A Bonds, the Taxable Series 2023B Bonds and the Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Series 2023A Bonds and the Taxable Series 2023B Bonds are hereinafter sometimes referred to collectively as the "Bonds." The Series 2023A Bonds, the Taxable Series 2023B Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the underwriter named below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see "APPENDIX C - Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about July 13, 2023.

**SAMCO CAPITAL**

**$4,130,000**
**CITY OF CLYDE, TEXAS**
**(Callahan County)**
**COMBINATION TAX AND SURPLUS REVENUE**
**CERTIFICATES OF OBLIGATION, SERIES 2023**

**CUSIP [(1)]: 189702**

**MATURITY SCHEDULE**

**Serial Certificates $750,000**

| Maturity (August 1) | Principal Amount | Interest Rate | Initial Yield | CUSIP Suffix [(1)] |
|---|---|---|---|---|
| 2024 | $ 25,000 | 5.000% | 3.760% | GZ0 |
| 2025 | 45,000 | 5.000% | 3.630% | HA4 |
| 2026 | 60,000 | 5.000% | 3.500% | HB2 |
| 2027 | 70,000 | 5.000% | 3.410% | HC0 |
| 2028 | 75,000 | 5.000% | 3.360% | HD8 |
| 2029 | 85,000 | 5.000% | 3.340% | HE6 |
| 2030 | 90,000 | 5.000% | 3.270% | HF3 |
| 2031 | 95,000 | 5.000% | 3.250% | HG1 |
| 2032 | 100,000 | 5.000% | 3.240% | HH9 |
| 2033 | 105,000 | 5.000% | 3.300% | HJ5 |

**Term Certificates $3,380,000**

**$225,000 5.000% Term Certificates due August 1, 2035, Priced to Yield 3.470%[(2)], CUSIP Suffix[(1)] HL0**
**$250,000 4.000% Term Certificates due August 1, 2037, Priced to Yield 4.000%, CUSIP Suffix[(1)] HN6**
**$275,000 4.000% Term Certificates due August 1, 2039, Priced to Yield 4.130%, CUSIP Suffix[(1)] HQ9**
**$450,000 4.000% Term Certificates due August 1, 2042, Priced to Yield 4.230%, CUSIP Suffix[(1)] HT3**
**$505,000 4.000% Term Certificates due August 1, 2045, Priced to Yield 4.310%, CUSIP Suffix[(1)] HW6**
**$565,000 4.125% Term Certificates due August 1, 2048, Priced to Yield 4.420%, CUSIP Suffix[(1)] HZ9**
**$1,110,000 4.250% Term Certificates due August 1, 2053, Priced to Yield 4.470%, CUSIP Suffix[(1)] JE4**

**(Interest Accrues from the date of Initial Delivery)**

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(2) Yield shown is yield to first call date of August 1, 2033.

**REDEMPTION** . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 1, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption maturities (see "THE OBLIGATIONS – Optional Redemption"). Additionally, Term Certificates (defined herein) maturing on August 1 in the years 2035, 2037, 2039, 2042, 2045, 2048, and 2053 are subject to mandatory sinking fund redemption in part prior to maturity at a price of par plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

*No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Obligations in any jurisdiction in which, 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, and is not to be construed as a representation by the Financial Advisor or the Underwriter. 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 INFORMATION" for a description of the undertaking of the City to provide certain information on a continuing basis.*

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

*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.*

*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 THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM," AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DTC.*

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

*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 their responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.*

*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.*

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

**TABLE OF CONTENTS**



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

## OFFICIAL STATEMENT SUMMARY

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

**THE CITY** ........................................ The City of Clyde (the "City") is a political subdivision and Type A general law municipal corporation of the State of Texas (the "State"), located in Callahan County, Texas. The City covers approximately 2 square miles (see "INTRODUCTION - Description of the City").

**THE OBLIGATIONS** ............................ The Series 2023A Bonds are issued as $5,800,000 General Obligation Refunding Bonds, Series 2023A. The Series 2023A Bonds are issued as serial bonds maturing on August 1 in the years 2025 through 2043, inclusive.

The Taxable Series 2023B Bonds are issued as $1,240,000 General Obligation Refunding Bonds, Taxable Series 2023B. The Taxable Series 2023B Bonds are issued as Taxable Series 2023B Term Bonds maturing on August 1 in the years 2033 and 2043.

The Certificates are issued as $4,130,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2023. The Certificates are issued as serial Certificates maturing on August 1 in the years 2024 through 2033, inclusive, and as Term Certificates maturing on August 1 in the years 2035, 2037, 2039, 2042, 2045, 2048, and 2053.

See "THE OBLIGATIONS – Description of the Obligations".

**PAYMENT OF INTEREST** .................... Interest on the Obligations accrues from the date of initial delivery and is payable on February 1, 2024, and each August 1 and February 1 thereafter until maturity or prior redemption. See "THE OBLIGATIONS – Description of the Obligations".

**AUTHORITY FOR ISSUANCE** ............. The Series 2023A Bonds are issued pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended, and an ordinance authorizing the issuance of the Series 2023A Bonds (the "Series 2023A Bond Ordinance").

The Taxable Series 2023B Bonds are issued pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended, and an ordinance authorizing the issuance of the Taxable Series 2023B Bonds (the "Taxable Series 2023B Bond Ordinance" and, together with the Series 2023A Bond Ordinance, the "Bond Ordinance").

The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance authorizing the issuance of the Certificates (the "Certificate Ordinance").

See "THE OBLIGATIONS - Authority for Issuance of the Obligations".

**SECURITY FOR THE OBLIGATIONS**.... The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Bond Ordinance.

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the surplus revenues of the City's waterworks and sewer system, as provided in the Certificate Ordinance.

See "THE OBLIGATIONS - Security and Source of Payment".

**REDEMPTION** ................................... The City reserves the right, at its option, to redeem the Series 2023A Bonds having stated maturities on and after August 1, 2034, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

The City reserves the right, at its option, to redeem the Taxable Series 2023B Bonds having stated maturities on and after August 1, 2043, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption"). Additionally, Taxable Series 2023B Term Bonds (defined herein) maturing on August 1 in the years 2033 and 2043 are subject to mandatory sinking fund redemption in part prior to maturity at a price of par plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 1, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption maturities (see "THE OBLIGATIONS – Optional Redemption"). Additionally, Term Certificates (defined herein) maturing on August 1 in the years 2035, 2037, 2039, 2042, 2045, 2048, and 2053 are subject to mandatory sinking fund redemption in part prior to maturity at a price of par plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

**TAX MATTERS FOR THE TAX-EXEMPT OB LIGATIONS** ................................. In the opinion of Bond Counsel, the interest on the Series 2023A Bonds and the Certificates (the "Tax-Exempt Obligations") 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 FOR THE TAX-EXEMPT OBLIGATIONS" herein, including the alternative-minimum tax on certain corporations.

**FEDERAL INCOME TAX CONSIDERATIONS FOR THE TAXABLE 2023B BONDS** .................... Interest on the Taxable Series 2023B Bonds is not excludable from gross income for federal tax purposes under existing law. See "FEDERAL INCOME TAX CONSIDERATIONS FOR THE TAXABLE SERIES 2023B BONDS" herein.

**USE OF PROCEEDS** ............................ Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding obligations described on SCHEDULE I attached hereto (the "Refunded Obligations") and (ii) pay the costs of issuance of the Bonds.

Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, baseball fields, softball fields, storage facilities, parking facilities and related infrastructure; (ii) acquisition of vehicles and equipment for the public works and community development departments; (iii) acquiring vehicles and equipment for and constructing and improving streets, roads, alleys, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (iv) constructing, acquiring, installing, and equipping additions, extensions and improvements to the City's waterworks and sewer system, including water storage tank, lift station, and related infrastructure improvements and rehabilitation; and (v) paying legal, fiscal and engineering fees in connection with such projects including the costs of issuing the Certificates.

See "PLAN OF FINANCING - Purpose".

**RATINGS AND INSURANCE**................. The Obligations have been rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") by virtue of the municipal bond insurance policies to be issued and delivered by Assured Guaranty Municipal Corp. at the time of delivery of the Obligations. The Obligations have been rated "A-" by S&P without regard to credit enhancement (see "BOND INSURANCE," "BOND INSURANCE RISK FACTORS" and "OTHER INFORMATION – Ratings").

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

**PAYMENT RECORD**........................... The City has never defaulted in the payment of its ad valorem tax debt.

## SELECTED FINANCIAL INFORMATION

| Fiscal Year Ended 9/30 | Estimated City Population [1] | Taxable Assessed Valuation | Per Capita Taxable Assessed Valuation | General Obligation (G.O.) Tax Debt [2] | Ratio G.O. Tax Debt to Taxable Assessed Valuation | Per Capita G.O. Tax Debt | % Total Collections |
|---|---|---|---|---|---|---|---|
| 2019 | 3,823 | $ 148,577,240 | $ 38,864 | $ 10,596,000 | 7.13% | $ 2,772 | 94.26% |
| 2020 | 3,811 | 156,484,278 | 41,061 | 10,311,000 | 6.59% | 2,706 | 100.01% |
| 2021 | 3,923 | 162,521,139 | 41,333 | 10,010,000 | 6.16% | 2,546 | 99.39% |
| 2022 | 3,923 | 166,139,289 | 42,350 | 24,060,000 | 14.48% | 6,133 | 98.07% |
| 2023 | 3,923 | 178,967,067 | 45,620 | 27,865,000 [3] | 15.57% | 7,103 | 87.20% [4] |

(1) Source: The Municipal Advisory Council of Texas.
(2) Includes self-supporting debt.
(3) Includes the Obligations and excludes the Refunded Obligations.
(4) Collections as of April 30, 2023.

For additional information regarding the City, please contact:

| | | |
|---|---|---|
| City of Clyde | | Specialized Public Finance Inc. |
| Chris McGuire | | Steven A. Adams |
| City Manager | or | Paul N. Jasin |
| 222 Oak St. | | 4925 Greenville Avenue, Suite 1350 |
| Clyde, Texas 79510 | | Dallas, Texas 75206 |
| 325-893-4234 | | 214-373-3911 |

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## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

| City Council | Length of Service | Term Expires |
|---|---|---|
| Rodger Brown<br>Mayor | 5 Years | November, 2023 |
| Paul McGuire<br>Mayor Pro Tem | 3 Years | November, 2023 |
| Tammie Coffman<br>Councilmember | 3 Years | November, 2024 |
| Thomas Martin<br>Councilmember | 2 Years | November, 2024 |
| Danny A. White<br>Councilmember | 1 Year | November, 2023 |
| James Rector<br>Councilmember | 1 Year | November, 2024 |

### SELECTED ADMINISTRATIVE STAFF

| Name | Position | Length of Time in Current Position |
|---|---|---|
| Chris McGuire | City Manager | 1 Year |
| Connie Thornton | City Secretary | 5 Years |

### CONSULTANTS AND ADVISORS

Auditors ........................................ Cameron L. Gulley, CPA
Eastland, Texas

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

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

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**OFFICIAL STATEMENT**

**RELATING TO**

**CITY OF CLYDE, TEXAS**

**$5,800,000**
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2023A**

**$1,240,000**
**GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2023B**

**$4,130,000**
**COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023**

## INTRODUCTION

This Official Statement, which includes Schedule I and the Appendices hereto, provides certain information regarding the issuance of $5,800,000 City of Clyde, Texas, General Obligation Refunding Bonds, Series 2023A (the "Series 2023A Bonds"), $1,240,000 City of Clyde, Texas, General Obligation Refunding Bonds, Taxable Series 2023B (the "Taxable Series 2023B Bonds" and, together with the Series 2023A Bonds, the "Bonds") and $4,130,000 City of Clyde, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2023 (the "Certificates" and, collectively with the Series 2023A Bonds and the Taxable Series 2023B Bonds, the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinances (defined herein), except as otherwise indicated herein.

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

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

**DESCRIPTION OF THE CITY** . . . The City is a political subdivision and Type A general law municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State. The City was incorporated in 1907. The City operates under the Aldermanic form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. An appointed City Administrator is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The City covers approximately 2 square miles. For more information regarding the City, see APPENDIX A – "General Information Regarding the City".

## PLAN OF FINANCING

**PURPOSE** . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding obligations described on SCHEDULE I attached hereto (the "Refunded Obligations") and (ii) pay the costs of issuance of the Bonds (see "– Refunded Obligations" below).

Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, baseball fields, softball fields, storage facilities, parking facilities and related infrastructure; (ii) acquisition of vehicles and equipment for the public works and community development departments; (iii) acquiring vehicles and equipment for and constructing and improving streets, roads, alleys, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (iv) constructing, acquiring, installing, and equipping additions, extensions and improvements to the City's waterworks and sewer system, including water storage tank, lift station, and related infrastructure improvements and rehabilitation; and (v) paying legal, fiscal and engineering fees in connection with such projects including the costs of issuing the Certificates.

**REFUNDED OBLIGATIONS** . . . A portion of the proceeds of the Bonds will be used to refund the Refunded Obligations. The Principal and interest due on the Refunded Obligations are to be paid on the redemption date of the Refunded Obligations as shown in Schedule I hereto, from funds to be deposited pursuant to an escrow agreement with respect to the Bonds (the "Escrow Agreement"), between the City and BOKF, NA, Dallas, Texas (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriter, together with certain other available funds of the City, the City will deposit with the Escrow Agent an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their redemption date. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and a portion of said funds will be used to purchase direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations, and such funds will not be available to pay the Obligations. Simultaneously with the issuance of the Obligations, the City will give irrevocable instructions to the paying agent for the Refunded Obligations to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from funds held under the Escrow Agreement.

Specialized Public Finance Inc., the City's financial advisor, will provide a sufficiency certificate establishing at the time of delivery of the Bonds, that funds deposited into the Escrow Fund will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. Such funds will not be available to pay the Obligations. By deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all the Refunded Obligations in accordance with State law and the ordinance authorizing the issuance of the Refunded Obligations. It is of the opinion of Bond Counsel that as a result of such deposit, and in reliance upon the sufficiency certificate. The City will have effected the defeasance of the Refunded Obligations, and the City will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Obligations.

## THE OBLIGATIONS

**DESCRIPTION OF THE OBLIGATIONS** . . . The Obligations are dated July 1, 2023. The Obligations mature on August 1 in each of the years and in the amounts shown on pages 2, 4 and 6 hereof. Interest on the Obligations will accrue from the date of the initial delivery (anticipated to be July 13, 2023), will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 1 and August 1 of each year, commencing February 1, 2024, until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS – Book-Entry-Only System" herein).

**AUTHORITY FOR ISSUANCE** . . . The Series 2023A Bonds are issued pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended, and a bond ordinance to be adopted by the City Council of the City (the "Series 2023A Bond Ordinance").

The Taxable Series 2023B Bonds are issued pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended, and a bond ordinance adopted by the City Council of the City (the "Taxable Series 2023B Bond Ordinance" and, together with the Series 2023A Bonds Ordinance, the "Bond Ordinance").

The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance adopted by the City Council of the City (the "Certificate Ordinance" and, collectively with the Bond Ordinance, the "Ordinances").

**SECURITY AND SOURCE OF PAYMENT** . . . The principal of and interest on the Bonds is payable from a direct and continuing annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property located within City, as provided in the Bond Ordinance.

The principal of and interest on the Certificates is payable from a direct and continuing annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City. Additionally, the Certificates are payable from a pledge of the surplus revenues of the City's waterworks and sewer system, as provided in the Certificate Ordinance.

**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. The City operates under the general laws of the State as authorized by Article XI, Section 4, of the Texas Constitution, which limits the maximum tax rate to $1.50 per $100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State will permit allocation of $1.00 of the $1.50 maximum tax rate for all General Obligation Debt, based on 90% tax collection.

**OPTIONAL REDEMPTION** . . . The City reserves the right, at its option, to redeem the Series 2023A Bonds having stated maturities on and after August 1, 2034 in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Series 2023A Bonds are to be redeemed, the City may select the maturities of Series 2023A Bonds to be redeemed.

The City reserves the right, at its option, to redeem the Taxable Series 2023B Bonds having stated maturities on and after August 1, 2043, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Taxable Series 2023B Bonds are to be redeemed, the City may select the maturities of Taxable Series 2023B Bonds to be redeemed.

The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 1, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption maturities. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed.

If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**MANDATORY SINKING FUND REDEMPTION** . . . The Taxable Series 2023B Bonds maturing on August 1 in the years 2033 and 2043 (the "Taxable Series 2023B Term Bonds") are subject to mandatory sinking fund redemption by lot or other customary random method prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

Taxable Series 2023B Term Bonds
Maturing August 1, 2033

| Redemption Date | Principal Amount |
|---|---|
| August 1, 2029 | $ 5,000 |
| August 1, 2030 | 65,000 |
| August 1, 2031 | 65,000 |
| August 1, 2032 | 70,000 |
| August 1, 2033 * | 75,000 |

Taxable Series 2023B Term Bonds
Maturing August 1, 2043

| Redemption Date | Principal Amount |
|---|---|
| August 1, 2034 | $ 75,000 |
| August 1, 2035 | 80,000 |
| August 1, 2036 | 85,000 |
| August 1, 2037 | 85,000 |
| August 1, 2038 | 90,000 |
| August 1, 2039 | 95,000 |
| August 1, 2040 | 105,000 |
| August 1, 2041 | 110,000 |
| August 1, 2042 | 115,000 |
| August 1, 2043 * | 120,000 |

The Certificates maturing on August 1 in the years 2035, 2037, 2039, 2042, 2045, 2048, and 2053 (the "Term Certificates") are subject to mandatory sinking fund redemption by lot or other customary random method prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

Term Certificates
Maturing August 1, 2035

| Redemption Date | Principal Amount |
|---|---|
| August 1, 2034 | $ 110,000 |
| August 1, 2035 * | 115,000 |

Term Certificates
Maturing August 1, 2037

| Redemption Date | Principal Amount |
|---|---|
| August 1, 2036 | $ 125,000 |
| August 1, 2037 * | 125,000 |

Term Certificates
Maturing August 1, 2039

| Redemption Date | Principal Amount |
|---|---|
| August 1, 2038 | $ 135,000 |
| August 1, 2039 * | 140,000 |

Term Certificates
Maturing August 1, 2042

| Redemption Date | Principal Amount |
|---|---|
| August 1, 2040 | $ 145,000 |
| August 1, 2041 | 150,000 |
| August 1, 2042 * | 155,000 |

Term Certificates
Maturing August 1, 2045

| Redemption Date | Principal Amount |
|---|---|
| August 1, 2043 | $ 160,000 |
| August 1, 2044 | 170,000 |
| August 1, 2045 * | 175,000 |

Term Certificates
Maturing August 1, 2048

| Redemption Date | Principal Amount |
|---|---|
| August 1, 2046 | $ 180,000 |
| August 1, 2047 | 190,000 |
| August 1, 2048 * | 195,000 |

Term Certificates
Maturing August 1, 2053

| Redemption Date | Principal Amount |
|---|---|
| August 1, 2049 | $ 205,000 |
| August 1, 2050 | 215,000 |
| August 1, 2051 | 220,000 |
| August 1, 2052 | 230,000 |
| August 1, 2053 * | 240,000 |

*Stated Maturity

The particular Taxable Series 2023B Term Bonds and Term Certificates to be redeemed shall be chosen by the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) at random by lot or other customary method; provided, however, that the principal amount of the Taxable Series 2023B Term Bonds and Term Certificates of a stated maturity required to be redeemed pursuant to the operation of the mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of said Taxable Series 2023B Term Bonds and Term Certificates of like maturity which, at least 45 days prior to mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Taxable Series 2023B Term Bonds and 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 City at a price not exceeding the principal amount of such Taxable Series 2023B Term Bonds and 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** . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS OR ANY PORTION THEREOF CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

**DEFEASANCE** . . . The Ordinances provide for the defeasance of the Obligations when the payment of the principal of and premium, if any, on the Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Obligations shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Obligations, 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 Ordinances provide that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (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, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has 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.

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

Upon defeasance, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Upon making such deposit in the manner described, such defeased Obligations shall no longer be deemed outstanding obligations secured by the Ordinances, but will be payable only from the funds and Defeasance Securities deposited in escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose.

**AMENDMENTS . . .** In the Ordinances, the City has reserved the right to amend the Ordinances without the consent of any holder of the Obligations for the purpose of amending or supplementing the Ordinances 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 Ordinances that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinances 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 Ordinances 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 Ordinances further provide that the holders of the Obligations aggregating in principal amount 51% of the outstanding Obligations shall have the right from time to time to approve any amendment not described above to the Ordinances 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 Obligations, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Obligations; (ii) reducing the rate of interest borne by any of the outstanding Obligations; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Obligations; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Obligations, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Obligations necessary for consent to such amendment.

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

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

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

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

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations 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 Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Obligations held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT** . . . In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, 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 Ordinances will be given only to DTC.

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

**PAYING AGENT/REGISTRAR** . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. Interest on and principal of the Obligations will be payable, and transfer functions will be performed, at the office for payment of the Paying Agent/Registrar in Dallas, Texas (the "Designated Payment/Transfer Office"). In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE AND REGISTRATION** . . . In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar will be required to make any transfer, conversion, or exchange of Obligations (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

**RECORD DATE FOR INTEREST PAYMENT**. . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of an Obligation 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.

**OBLIGATIONHOLDERS' REMEDIES** . . . The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinances provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the Obligationholders upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Obligationholders may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinances. 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 Obligations. 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 Obligationholders 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 Obligations are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity that permit the exercise of judicial discretion.

**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. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. The City has not experienced any decrease in property values or unusual tax delinquencies 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.

**SOURCES AND USES OF PROCEEDS** . . . The proceeds from the sale of the Obligations, as well as other lawfully available funds of the City, will be applied approximately as follows:

| | Series 2023A Bonds | Taxable Series 2023B Bonds | Certificates |
|---|---|---|---|
| **SOURCES OF FUNDS:** | | | |
| Par Amount | $ 5,800,000.00 | $ 1,240,000.00 | $ 4,130,000.00 |
| Reoffering Premium/Discount | 233,116.68 | (34,558.87) | (17,957.75) |
| Contribution from the City | 155,000.00 | 30,000.00 | - |
| Total Sources of Funds | $ 6,188,116.68 | $ 1,235,441.13 | $ 4,112,042.25 |
| **USES OF FUNDS:** | | | |
| Deposit to Escrow Fund | $ 6,059,462.50 | $ 1,173,068.75 | $ - |
| Deposit to Construction Fund | - | - | 4,001,000.00 |
| Underwriter's Discount | 46,306.89 | 12,448.58 | 35,767.54 |
| Costs of Issuance | 82,347.29 | 49,923.80 | 75,274.71 |
| Total Uses of Funds | $ 6,188,116.68 | $ 1,235,441.13 | $ 4,112,042.25 |

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## BOND INSURANCE

**BOND INSURANCE POLICY** . . . Concurrently with the issuance of the Obligations, AGM will issue separate Municipal Bond Insurance Policies for each series of the Obligations (each a "Bond Insurance Policy" and collectively, the "Bond Insurance Policies"). The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Obligations when due as set forth in the form of the Bond Insurance Policy included as APPENDIX D to this Official Statement.

The Bond Insurance 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 non-U.S. public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

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

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

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

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

***Capitalization of AGM*** . . . At March 31, 2023:

- The policyholders' surplus of AGM was approximately $2,742 million.

- The contingency reserve of AGM was approximately $874 million.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,092 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

***Incorporation of Certain Documents by Reference*** . . . Portions of 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, 2022 (filed by AGL with the SEC on March 1, 2023); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023).

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 Obligations 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 Obligations or the advisability of investing in the Obligations. 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 Obligations when all or a portion thereof becomes due, any owner of the Obligations 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 Obligations by the City which is recovered by the City from the obligation owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

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

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

The long-term ratings on the Obligations is 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 Obligations will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Obligations.

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. None of the City, the Financial Advisor or the Underwriter 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. See "BOND INSURANCE" herein for further information regarding AGM and the Policy, which includes further instructions for obtaining current financial information concerning AGM.

**CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . .** Moody's Investor Services, Inc., S&P, and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including AGM. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Obligations and the claims paying ability of AGM, particularly over the life of the Obligations.

## 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. Reference is made to 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 ("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 Callahan Central Appraisal District (the "Appraisal District"). Except as 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"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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.

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.

**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 market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

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

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

**FREEPORT EXEMPTIONS** . . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1,1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

**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 "AD VALOREM TAX PROCEDURES – City Application of 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 "AD VALOREM TAX PROCEDURES – City Application of 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 "AD VALOREM TAX PROCEDURES – City Application of 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 OPERATION TAX RATE LIMITATIONS**…The following terms as used in this section have the meanings provided below:

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

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

"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 of the City's tax-supported debt obligations, including the Obligations.**

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

**ISSUER AND TAXPAYER REMEDIES**…Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the 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 as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

**Property Assessment and Tax Payment** . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in either the standard edition of the Annual Energy Outlook published by the United States Energy Information Administration or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. 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's Rights in the Event of Tax Delinquencies** . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**City Application of Tax Code** . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $25,000; the disabled are also granted an exemption.

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

The City does not tax nonbusiness personal property; and the Callahan County Tax Assessor/Collector collects taxes for the City.

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

The City does tax freeport property.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy.

The City Council is considering the creation of two new tax increment financing zones at its July 2023 meeting.

**TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

| | | |
|---|---|---|
| 2022/23 Market Valuation of Taxable Property Established by Callahan County Appraisal District (excluding totally exempt property) | | $201,654,160 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Over 65 | $2,155,000 | |
| Disabled Veterans | 6,198,376 | |
| Productivity Loss | 890,310 | |
| Miscellaneous | 9,771,497 | |
| Homestead Cap | 3,671,910 | $ 22,687,093 |
| 2022/23 Net Taxable Assessed Valuation | | $178,967,067 |
| Debt Payable From Ad Valorem Taxes (as of 3/31/23): | | $ 17,000,000 (1) |
| The Series 2023A Bonds | | 5,800,000 |
| The Taxable Series 2023B Bonds | | 1,240,000 |
| The Certificates | | 4,130,000 |
| | | $ 28,170,000 |
| Less Supported Debt: | | |
| Waterworks and Sewer System General Obligation Debt (2) | | $ 9,050,000 |
| Net General Obligation Debt Payable from Ad Valorem Taxes | | $ 19,120,000 |
| Ratio Net General Obligation Debt Payable from Ad Valorem Taxes to Net Taxable Assessed Valuation | | 10.68% |

2023 Estimated Population - 3,923
Per Capita Taxable Assessed Valuation - $45,620
Per Capita Net Debt Payable from Ad Valorem Taxes - $4,874

(1) Excludes the Refunded Obligations.
(2) Includes 100% of the Combination Tax & Surplus Revenue Certificates of Obligation, Series 2013B and the Bonds.

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**TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

| | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2021 | |
| Category | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | $146,133,400 | 72.47% | $136,666,920 | 75.94% | $136,089,010 | 76.32% |
| Real, Residential, Multi-Family | 3,569,810 | 1.77% | 3,470,660 | 1.93% | 2,265,150 | 1.27% |
| Real, Vacant Platted Lots | 1,376,680 | 0.68% | 1,422,720 | 0.79% | 1,351,010 | 0.76% |
| Real, Acreage (Land Only) | 985,440 | 0.49% | 986,700 | 0.55% | 1,060,290 | 0.59% |
| Real, Farm and Ranch Improvements | 957,870 | 0.48% | 941,690 | 0.52% | 904,160 | 0.51% |
| Real, Commercial and Industrial | 26,373,530 | 13.08% | 16,613,490 | 9.23% | 16,856,800 | 9.45% |
| Real & Intangible Personal, Utilities | 5,744,100 | 2.85% | 5,463,870 | 3.04% | 4,972,970 | 2.79% |
| Tangible Personal, Business | 8,706,130 | 4.32% | 7,461,900 | 4.15% | 8,043,960 | 4.51% |
| Tangible Personal, Other | 3,356,240 | 1.66% | 3,375,950 | 1.88% | 3,366,090 | 1.89% |
| Real, Inventory | 4,750 | 0.00% | 13,650 | 0.01% | 13,650 | 0.01% |
| Special Inventory | 4,446,210 | 2.20% | 3,550,550 | 1.97% | 3,380,610 | 1.90% |
| Total Appraised Value Before Exemptions | $201,654,160 | 100.00% | $179,968,100 | 100.00% | $178,303,700 | 100.00% |
| Less: Total Exemptions/Reductions | 22,687,093 | | 13,828,811 | | 15,782,561 | |
| Taxable Assessed Value | $ 178,967,067 | | $ 166,139,289 | | $ 162,521,139 | |

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Category | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | $128,525,010 | 75.14% | $126,547,590 | 75.53% |
| Real, Residential, Multi-Family | 2,120,020 | 1.24% | 2,136,560 | 1.28% |
| Real, Vacant Platted Lots | 1,211,300 | 0.71% | 1,206,770 | 0.72% |
| Real, Acreage (Land Only) | 1,076,690 | 0.63% | 1,087,580 | 0.65% |
| Real, Farm and Ranch Improvements | 928,870 | 0.54% | 1,103,450 | 0.66% |
| Real, Commercial and Industrial | 17,380,170 | 10.16% | 16,712,480 | 9.98% |
| Real & Intangible Personal, Utilities | 4,741,930 | 2.77% | 4,350,840 | 2.60% |
| Tangible Personal, Business | 8,388,810 | 4.90% | 8,015,240 | 4.78% |
| Tangible Personal, Other | 3,225,710 | 1.89% | 2,971,290 | 1.77% |
| Real, Inventory | 15,990 | 0.01% | 15,990 | 0.01% |
| Special Inventory | 3,421,940 | 2.00% | 3,388,870 | 2.02% |
| Total Appraised Value Before Exemptions | $171,036,440 | 100.00% | $167,536,660 | 100.00% |
| Less: Total Exemptions/Reductions | 14,552,162 | | 18,959,420 | |
| Taxable Assessed Value | $ 156,484,278 | | $ 148,577,240 | |

*(The remainder of this page intentionally left blank.)*

**TABLE 3 – TAXABLE ASSESSED VALUATION**

| Fiscal Year Ended 9/30 | Estimated City Population (1) | Taxable Assessed Valuation | Per Capita Taxable Assessed Valuation | General Obligation (G.O.) Tax Debt (2) | Ratio G.O. Tax Debt to Taxable Assessed Valuation | Per Capita G.O. Tax Debt |
|---|---|---|---|---|---|---|
| 2019 | 3,823 | $ 148,577,240 | $ 38,864 | $ 10,596,000 | 7.13% | $ 2,772 |
| 2020 | 3,811 | 156,484,278 | 41,061 | 10,311,000 | 6.59% | 2,706 |
| 2021 | 3,923 | 162,521,139 | 41,333 | 10,010,000 | 6.16% | 2,546 |
| 2022 | 3,923 | 166,139,289 | 42,350 | 24,060,000 | 14.48% | 6,133 |
| 2023 | 3,923 | 178,967,067 | 45,620 | 27,865,000 (3) | 15.57% | 7,103 |

(1) Source: The Municipal Advisory Council of Texas.
(2) Includes self-supporting debt.
(3) Includes the Obligations and excludes the Refunded Obligations.

**TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY**

| Fiscal Year Ended 9/30 | Tax Rate | General Fund | Interest and Sinking Fund | Adjusted Tax Levy | % Current Collections | % Total Collections |
|---|---|---|---|---|---|---|
| 2019 | $ 0.7000 | $ 0.4000 | $ 0.3000 | $ 1,020,037 | 92.74% | 94.26% |
| 2020 | 0.7000 | 0.4021 | 0.2979 | 1,017,520 | 97.84% | 100.01% |
| 2021 | 0.7000 | 0.4064 | 0.2936 | 1,054,334 | 98.15% | 99.39% |
| 2022 | 0.7068 | 0.4132 | 0.2936 | 1,088,592 | 97.92% | 98.07% |
| 2023 | 0.7287 | 0.4132 | 0.3155 | 1,304,133 | 87.16% (1) | 87.20% (1) |

(1) Collections through April 30, 2023.

**TABLE 5 – TEN LARGEST TAXPAYERS**

| Name of Taxpayer | 2022/2023 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|---|---|---|
| Blake Fulenwider Chrysler/Dodge/Jeep LTD | $ 5,905,420 | 3.30% |
| AEP Texas | 3,057,750 | 1.71% |
| First Financial | 1,452,270 | 0.81% |
| Clyde Housing Partners LP | 1,380,000 | 0.77% |
| United Supermarkets LLC | 1,181,810 | 0.66% |
| Union Pacific Railroad | 1,069,120 | 0.60% |
| Phillip Mintz | 1,033,790 | 0.58% |
| BFAC Investments | 915,230 | 0.51% |
| McDonalds Real Estate | 861,540 | 0.48% |
| United Supermarkets LLC | 812,620 | 0.45% |
| | $ 17,669,550 | 9.87% |

Source: As reported by the Callahan Central Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 6 – TAX ADEQUACY** [(1)]

| | | |
|---|---|---|
| 2023 Total Debt Principal and Interest Requirements | $ | 921,138 |
| $0.5253 Tax Rate at 98% Collection Produces | $ | 921,312 |
| | | |
| Average Net Tax Supported Debt Annual Principal and Interest Requirements, 2023 - 2053 | $ | 1,231,561 |
| $0.7022 Tax Rate at 98% Collection Produces | $ | 1,231,573 |
| | | |
| Maximum Net Tax Supported Debt Principal and Interest Requirements, 2040 | $ | 1,392,431 |
| $0.7940 Tax Rate at 98% Collection Produces | $ | 1,392,579 |

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

**TABLE 7 - ESTIMATED OVERLAPPING DEBT**

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

| Taxing Jurisdiction | Total Funded Debt As of 3/31/2023 | Estimated % Applicable | City's Overlapping Funded Debt As of 3/31/2023 |
|---|---|---|---|
| City of Clyde | $ 19,120,000 | 100.00% | $ 19,120,000 [(1)] |
| Callahan County | 14,980,000 | 17.13% | 2,566,074 |
| Clyde CISD | 16,870,000 | 31.25% | 5,271,875 |
| | | | |
| Total Direct and Overlapping G.O. Debt | | | $ 26,957,949 |
| | | | |
| Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation | | | 15.06% |
| | | | |
| Per Capita Overlapping G.O. Debt | | | $ 6,872 |

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

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## DEBT INFORMATION

### TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Year Ending 9/30 | Outstanding Debt [1] | | | The Series 2023A Bonds | | | The Taxable Series 2023B Bonds | | | The Certificates | | | Total Debt Requirements | Less: Self-Supporting Debt | Net Total Requirements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | | | |
| 2023 | $ 305,000 | $ 1,147,344 | $ 1,452,344 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,452,344 | $ 531,206 | $ 921,138 |
| 2024 | 320,000 | 828,850 | 1,148,850 | - | 269,693 | 269,693 | - | 68,880 | 68,880 | 25,000 | 187,353 | 212,353 | 1,699,775 | 695,373 | 1,004,403 |
| 2025 | 340,000 | 812,150 | 1,152,150 | 5,000 | 256,850 | 261,850 | - | 65,600 | 65,600 | 45,000 | 177,181 | 222,181 | 1,701,781 | 684,950 | 1,016,831 |
| 2026 | 375,000 | 794,425 | 1,169,425 | 5,000 | 256,600 | 261,600 | - | 65,600 | 65,600 | 60,000 | 174,931 | 234,931 | 1,731,556 | 684,575 | 1,046,981 |
| 2027 | 415,000 | 774,925 | 1,189,925 | 5,000 | 256,350 | 261,350 | - | 65,600 | 65,600 | 70,000 | 171,931 | 241,931 | 1,758,806 | 683,375 | 1,075,431 |
| 2028 | 460,000 | 753,350 | 1,213,350 | 5,000 | 256,100 | 261,100 | - | 65,600 | 65,600 | 75,000 | 168,431 | 243,431 | 1,783,481 | 686,350 | 1,097,131 |
| 2029 | 470,000 | 729,425 | 1,199,425 | 45,000 | 255,850 | 300,850 | 5,000 | 65,600 | 70,600 | 85,000 | 164,681 | 249,681 | 1,820,556 | 693,225 | 1,127,331 |
| 2030 | 195,000 | 705,150 | 900,150 | 295,000 | 253,600 | 548,600 | 65,000 | 65,350 | 130,350 | 90,000 | 160,431 | 250,431 | 1,829,531 | 678,950 | 1,150,581 |
| 2031 | 225,000 | 696,200 | 921,200 | 315,000 | 238,850 | 553,850 | 65,000 | 62,100 | 127,100 | 95,000 | 155,931 | 250,931 | 1,853,081 | 680,950 | 1,172,131 |
| 2032 | 260,000 | 685,100 | 945,100 | 330,000 | 223,100 | 553,100 | 70,000 | 58,850 | 128,850 | 100,000 | 151,181 | 251,181 | 1,878,231 | 681,950 | 1,196,281 |
| 2033 | 295,000 | 672,300 | 967,300 | 340,000 | 206,600 | 546,600 | 75,000 | 55,350 | 130,350 | 105,000 | 146,181 | 251,181 | 1,895,431 | 676,950 | 1,218,481 |
| 2034 | 335,000 | 657,750 | 992,750 | 360,000 | 189,600 | 549,600 | 75,000 | 51,600 | 126,600 | 110,000 | 140,931 | 250,931 | 1,919,881 | 676,200 | 1,243,681 |
| 2035 | 375,000 | 641,200 | 1,016,200 | 380,000 | 171,600 | 551,600 | 80,000 | 47,569 | 127,569 | 115,000 | 135,431 | 250,431 | 1,945,800 | 679,169 | 1,266,631 |
| 2036 | 420,000 | 622,650 | 1,042,650 | 400,000 | 152,600 | 552,600 | 85,000 | 43,269 | 128,269 | 125,000 | 129,681 | 254,681 | 1,978,200 | 680,869 | 1,297,331 |
| 2037 | 465,000 | 605,850 | 1,070,850 | 425,000 | 132,600 | 557,600 | 85,000 | 38,700 | 123,700 | 125,000 | 124,681 | 249,681 | 2,001,831 | 681,300 | 1,320,531 |
| 2038 | 510,000 | 587,250 | 1,097,250 | 440,000 | 115,600 | 555,600 | 90,000 | 34,131 | 124,131 | 135,000 | 119,681 | 254,681 | 2,031,663 | 679,731 | 1,351,931 |
| 2039 | 560,000 | 561,750 | 1,121,750 | 455,000 | 98,000 | 553,000 | 95,000 | 29,294 | 124,294 | 140,000 | 114,281 | 254,281 | 2,053,325 | 677,294 | 1,376,031 |
| 2040 | 605,000 | 533,750 | 1,138,750 | 470,000 | 79,800 | 549,800 | 105,000 | 24,188 | 129,188 | 145,000 | 108,681 | 253,681 | 2,071,419 | 678,988 | 1,392,431 |
| 2041 | 635,000 | 503,500 | 1,138,500 | 490,000 | 61,000 | 551,000 | 110,000 | 18,544 | 128,544 | 150,000 | 102,881 | 252,881 | 2,070,925 | 679,544 | 1,391,381 |
| 2042 | 665,000 | 471,750 | 1,136,750 | 510,000 | 41,400 | 551,400 | 115,000 | 12,631 | 127,631 | 155,000 | 96,881 | 251,881 | 2,067,663 | 679,031 | 1,388,631 |
| 2043 | 700,000 | 438,500 | 1,138,500 | 525,000 | 21,000 | 546,000 | 120,000 | 6,450 | 126,450 | 160,000 | 90,681 | 250,681 | 2,061,631 | 672,450 | 1,389,181 |
| 2044 | 730,000 | 403,500 | 1,133,500 | - | - | - | - | - | - | 170,000 | 84,281 | 254,281 | 1,387,781 | - | 1,387,781 |
| 2045 | 770,000 | 367,000 | 1,137,000 | - | - | - | - | - | - | 175,000 | 77,481 | 252,481 | 1,389,481 | - | 1,389,481 |
| 2046 | 805,000 | 328,500 | 1,133,500 | - | - | - | - | - | - | 180,000 | 70,481 | 250,481 | 1,383,981 | - | 1,383,981 |
| 2047 | 850,000 | 288,250 | 1,138,250 | - | - | - | - | - | - | 190,000 | 63,056 | 253,056 | 1,391,306 | - | 1,391,306 |
| 2048 | 890,000 | 245,750 | 1,135,750 | - | - | - | - | - | - | 195,000 | 55,219 | 250,219 | 1,385,969 | - | 1,385,969 |
| 2049 | 935,000 | 201,250 | 1,136,250 | - | - | - | - | - | - | 205,000 | 47,175 | 252,175 | 1,388,425 | - | 1,388,425 |
| 2050 | 980,000 | 154,500 | 1,134,500 | - | - | - | - | - | - | 215,000 | 38,463 | 253,463 | 1,387,963 | - | 1,387,963 |
| 2051 | 1,030,000 | 105,500 | 1,135,500 | - | - | - | - | - | - | 220,000 | 29,325 | 249,325 | 1,384,825 | - | 1,384,825 |
| 2052 | 1,080,000 | 54,000 | 1,134,000 | - | - | - | - | - | - | 230,000 | 19,975 | 249,975 | 1,383,975 | - | 1,383,975 |
| 2053 | - | - | - | - | - | - | - | - | - | 240,000 | 10,200 | 250,200 | 250,200 | - | 250,200 |
| | $ 17,000,000 | $ 16,371,419 | $ 33,371,419 | $ 5,800,000 | $ 3,536,793 | $ 9,336,793 | $ 1,240,000 | $ 944,905 | $ 2,184,905 | $ 4,130,000 | $ 3,317,703 | $ 7,447,703 | $ 52,340,819 | $ 14,162,429 | $ 38,178,391 |

(1) Excludes the Refunded Obligations.

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION** [(1)]

| | |
|---|---|
| Debt Service Requirements, Fiscal Year Ending 9/30/2023 | $ 1,452,344 |
| Interest and Sinking Fund, 9/30/2022 | 337,145 |
| 2023 Interest and Sinking Fund Tax Levy @ 98% Collection | 528,203 |
| Less: Self-Supporting Debt | 531,206 |
| Estimated Balance, 9/30/2023 | $ (55,790) |

(1) Includes the Obligations and excludes the Refunded Obligations. Any shortage will be covered with a transfer from the General Fund.

**TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

The City has no authorized but unissued general obligation debt.

**ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT** . . . The City does not anticipate issuing additional general obligation debt within the next twelve months.

**TABLE 11 – OTHER OBLIGATIONS**

The City acquired a fifteen-year note payable to finance the purchase of a fire truck in June, 2020. Total amount financed was $500,034 at 3.69% interest payable in annual installments of $22,257. As of September 30, 2022, principal outstanding was $442,539.

The City acquired a four-year note payable to finance the purchase of police and animal control vehicles in December, 2020. Total amount financed was $157,649 at 3.49% interest payable in one annual installment of $59,040 beginning February 2021 thru February 2022 and then decreasing to $15,654 thereafter. At September 30, 2022, principal of $43,864 was outstanding.

The City acquired a six-year capital lease obligation to finance the purchase of a new backhoe in November, 2017. Total amount financed was $93,186 at 4.20% interest payable in annual installments of $1,466. As of September 30, 2022, principal outstanding was $21,393.

The City entered into a twenty-year energy savings performance contract with Performance Services to finance infrastructure improvements in December, 2021. Total amount financed was $15,469,098 at an imputed interest rate of 2.79% payable in annual installments of $1,017,223. As of September 30, 2022, principal outstanding was $15,469,098.

**PENSION FUND** . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note # K.)

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## FINANCIAL INFORMATION

**TABLE 12 – CHANGES IN NET POSITION**

| | Fiscal Year Ending September 30, | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Program Revenues: | | | | | |
| Charges for Services | $ 554,362 | $ 439,981 | $ 422,750 | $ 380,966 | $ 338,193 |
| Operating Grants | 55,983 | 176,784 | 80,686 | 40,796 | 50,362 |
| General Revenues: | | | | | |
| Taxes | 2,035,932 | 1,896,030 | 1,808,935 | 1,704,767 | 1,596,584 |
| Administrative Costs | 760,000 | 372,370 | 70,540 | 525,000 | 509,000 |
| Fines | - | - | - | - | - |
| Investment Earnings | 15,044 | 364 | 2,383 | 6,090 | 3,322 |
| Other | 30,268 | 33,505 | 277,196 | 96,157 | 31,114 |
| Total Revenues | $ 3,451,589 | $ 2,919,034 | $ 2,662,490 | $ 2,753,776 | $ 2,528,575 |
| Program Expenses: | | | | | |
| General Government | $ 519,379 | $ 471,023 | $ 487,074 | $ 494,729 | $ 467,582 |
| Senior citizens | 23,828 | 24,484 | 20,380 | 18,092 | 18,371 |
| Cemetery | 4,949 | 4,523 | 4,613 | 7,436 | 7,248 |
| Library | 129,468 | 118,436 | 112,016 | 116,920 | 102,993 |
| Police and municipal court | 1,253,566 | 1,122,233 | 1,055,479 | 1,102,578 | 959,044 |
| Fire | 169,003 | 127,247 | 122,442 | 96,856 | 88,641 |
| Parks and recreation | 139,382 | 64,789 | 88,035 | 136,096 | 136,335 |
| Clyde Lake | 148,682 | 124,555 | 101,920 | 108,523 | 90,238 |
| Code enforcement | 119,415 | 75,689 | 89,877 | 131,228 | 57,132 |
| Animal Control | 171,132 | 144,902 | 139,964 | 111,274 | 88,838 |
| Street | 472,834 | 367,595 | 322,215 | 381,213 | 334,317 |
| Interest expense on long-term debt | 457,609 | 50,668 | 52,070 | 45,120 | 39,915 |
| Total Expenses | $ 3,609,247 | $ 2,696,144 | $ 2,596,085 | $ 2,750,065 | $ 2,390,654 |
| Excess (Deficiency) before Other Resources, Uses, and Transfers | $ (157,658) | $ 222,890 | $ 66,405 | $ 3,711 | $ 137,921 |
| Other Resources Transfers In (Out) | - | - | - | (135,000) | (235,500) |
| Increase (Decrease) in Net Assets | $ (157,658) | $ 222,890 | $ 66,405 | $ (131,289) | $ (97,579) |
| Net position-beginning of year | $ 2,090,169 | $ 1,867,279 | $ 1,800,874 | $ 1,932,163 | $ 2,051,343 |
| Prior period adjustment | - | - | - | - | (21,601) |
| Net position-end of year | $ 1,932,511 | $ 2,090,169 | $ 1,867,279 | $ 1,800,874 | $ 1,932,163 |

Source: City's audited financial statements.

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**TABLE 12A – GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

| | Fiscal Year Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Revenues: | | | | | |
| Taxes: | | | | | |
| General Property Tax | $ 1,088,605 | $1,047,464 | $1,017,587 | $ 967,048 | $ 900,799 |
| General Sales Tax | 823,956 | 733,314 | 640,342 | 570,443 | 545,798 |
| Other Taxes - Franchise Tax | 112,174 | 97,985 | 139,985 | 141,246 | 123,108 |
| Penalty and Interest on Delinquent Taxes | 16,439 | 14,669 | 15,545 | 23,350 | 11,732 |
| Licenses and Permits | 59,315 | 40,321 | 55,968 | 29,360 | 16,949 |
| Administrative Cost Allocation | 760,000 | 372,370 | 70,540 | 525,000 | 509,000 |
| Charges for Services | 63,045 | 58,015 | 55,573 | 9,666 | 6,158 |
| Fines | 429,602 | 336,045 | 307,979 | 340,740 | 309,886 |
| Grants | 55,000 | 175,648 | 79,500 | 39,600 | 49,218 |
| Other Revenue | 30,268 | 33,505 | 277,196 | 96,157 | 31,114 |
| Investment Earnings | 14,936 | 354 | 2,216 | 5,707 | 2,980 |
| Total Revenues | $ 3,453,340 | $2,909,690 | $2,662,431 | $2,748,317 | $2,506,742 |
| Expenditures: | | | | | |
| General Government | $ 557,552 | $ 606,634 | $ 480,904 | $ 483,173 | $ 461,542 |
| Senior Citizens | 66,406 | 22,512 | 17,868 | 15,580 | 15,859 |
| Cemetery | 1,118 | 958 | 1,315 | 4,138 | 4,166 |
| Library | 124,100 | 113,877 | 103,630 | 119,986 | 98,227 |
| Police | 1,020,644 | 1,089,284 | 798,578 | 842,396 | 718,190 |
| Municipal Court | 290,711 | 241,541 | 246,461 | 241,578 | 230,749 |
| Fire | 106,864 | 53,857 | 49,052 | 545,248 | 62,993 |
| Parks and Recreation | 5,092,352 (1) | 57,752 | 66,653 | 121,175 | 114,666 |
| Clyde Lake | 145,805 | 175,180 | 99,916 | 108,597 | 91,334 |
| Code Enforcement | 120,037 | 76,336 | 96,149 | 129,159 | 57,882 |
| Animal Control | 170,393 | 169,552 | 128,368 | 98,552 | 80,305 |
| Streets | 314,260 | 208,608 | 160,955 | 248,171 | 186,844 |
| Debt Service: | | | | | |
| Principal | 137,992 | 145,653 | 102,144 | 97,134 | 94,605 |
| Interest and Fiscal Charges | 226,257 | 49,158 | 52,427 | 40,104 | 40,145 |
| Total Expenditures | $ 8,374,491 | $3,010,902 | $2,404,420 | $3,094,991 | $2,257,507 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (4,921,151) | $ (101,212) | $ 258,011 | $ (346,674) | $ 249,235 |
| Other Financing Sources (Uses): | | | | | |
| Transfers In | $ - | $ - | $ - | $ - | $ - |
| Transfers Out | - | - | - | (135,000) | (235,500) |
| Loan Proceeds | 15,690,432 | 157,649 | - | 500,035 | - |
| Insurance Proceeds | - | 34,065 | - | - | - |
| Total Other Sources (Uses) | $15,690,432 | $ 191,714 | $ - | $ 365,035 | $ (235,500) |
| Net Change in Fund Balances | $10,769,281 | $ 90,502 | $ 258,011 | $ 18,361 | $ 13,735 |
| Beginning Fund Balance | $ 393,226 | $ 302,724 | $ 44,713 | $ 26,352 | $ 12,617 |
| Prior Period Adjustment | | | | | |
| Ending Fund Balance | $11,162,507 (2) | $ 393,226 | $ 302,724 | $ 44,713 | $ 26,352 |

Source: City's audited financial statements.

(1) The Parks and Recreation expenditure for Fiscal Year 2022 was paid for out of the Certificates of Obligation, Series 2022 financing (the "Series 2022 CO's").

(2) Includes approximately $10,800,000 in proceeds from the Series 2022 CO's.

**TABLE 13 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, VATCS, 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 Obligations. 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. Voters of the City have approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for economic development and an additional one-half of one percent (1/2 of 1%) for property tax reduction. The sales tax for economic development is collected solely for the benefit of the Clyde Economic Development Corporation ("CEDC") and is pledged to secure payment of sales tax revenue bonds issued by CEDC.

| Fiscal Year Ended 9/30 | Total Collected [(1)] | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita |
|---|---|---|---|---|
| 2019 | $ 572,309 | 56.11% | $ 0.3852 | $150 |
| 2020 | 633,272 | 62.24% | 0.4047 | 161 |
| 2021 | 724,116 | 68.68% | 0.4456 | 185 |
| 2022 | 816,976 | 75.05% | 0.4917 | 208 |
| 2023 | 514,732 [(2)] | 39.47% | 0.2876 | 131 |

Source: Texas Comptroller of Public Accounts.

(1) Excludes collections of the one-half percent (1/2%) sales and use tax for economic development.

(2) As of March 31, 2023.

**FINANCIAL POLICIES**

*Basis of Accounting* . . . Governmental Funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for service, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations which are recognized when paid.

*General Fund Balance* . . . The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* . . . These funds are used to account for the proceeds of specific revenue sources (other than special assessments of major capital projects) that are legally restricted to expenditures for specified purposes.

*Budgetary Procedures* . . . Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund and the proprietary funds, and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis. All unencumbered budget appropriations lapse at the end of each fiscal year.

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## INVESTMENTS

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

**LEGAL INVESTMENTS** . . . Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State 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) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) where (a) the funds are invested by the City through (1) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (2) a depository institution that has its main office or branch office in the State of Texas 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 Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3(17 C.F.R. Section 240.15c3-3); (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the 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; (9) 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; (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) 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.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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 and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. 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 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 beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships 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, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) 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, (5) 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 repurchase agreement, (6) restrict the investment in non-money market 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, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

**TABLE 14 - CURRENT INVESTMENTS**

As of April 30, 2023 the City's investable funds were invested in the following categories:

| Description | Market Value | % of Portfolio |
|---|---|---|
| Bank Accounts | $ 479,619 | 100.00% |
| Total | $ 479,619 | 100.00% |

*(The remainder of this page intentionally left blank.)*

## TAX MATTERS FOR THE TAX-EXEMPT OBLIGATIONS

**OPINION** . . . On the date of initial delivery of the Series 2023A Bonds and Certificates (collectively referred to in this section as the "Tax-Exempt Obligations"), McCall, Parkhurst & Horton L.L.P., Dallas, Texas, 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 Tax-Exempt Obligations for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Tax-Exempt Obligations 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 will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Tax-Exempt Obligations. See Appendix C - Forms of Bond Counsel's Opinions.

In rendering its opinions, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate and (b) covenants of the City contained in the Obligation documents relating to certain matters, including arbitrage and the use of the proceeds of the Tax-Exempt Obligations and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the applicable Tax-Exempt Obligations to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Tax-Exempt Obligations in order for interest on the Tax-Exempt Obligations 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 Tax-Exempt Obligations to be included in gross income retroactively to the date of issuance of the Tax-Exempt Obligations. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Tax-Exempt Obligations.

Bond Counsel's opinions represent 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. 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 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 Tax-Exempt Obligations.

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

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

Under Existing Law, any owner who has purchased an Original Issue Discount Obligation 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 Obligation 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 the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation 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 Obligation was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Obligation 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 Tax-Exempt Obligations 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 Obligation 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 Obligation.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Tax-Exempt Obligations 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 Tax-Exempt Obligations 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 Tax-Exempt Obligations 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 Tax-Exempt Obligations.

**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 Tax-Exempt Obligations. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax 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 RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE TAX-EXEMPT OBLIGATIONS.

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

**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 Tax-Exempt Obligations under Federal or state law and could affect the market price or marketability of the Tax-Exempt Obligations. 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 Tax-Exempt Obligations should consult their own tax advisors regarding the foregoing matters.

**STATE, LOCAL AND FOREIGN TAXES** . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Tax-Exempt Obligations 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 Tax-Exempt Obligations 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.

## FEDERAL INCOME TAX CONSIDERATIONS FOR THE TAXABLE SERIES 2023B BONDS

**CERTAIN FEDERAL INCOME TAX CONSIDERATIONS** . . . General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Taxable Series 2023B Bonds and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Taxable Series 2023B Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Taxable Series 2023B Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Taxable Series 2023B Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Taxable Series 2023B Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Taxable Series 2023B Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF TAXABLE SERIES 2023B BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION PROSPECTIVE HOLDERS OF THE TAXABLE SERIES 2023B BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAXABLE SERIES 2023B BONDS BEFORE DETERMINING WHETHER TO PURCHASE TAXABLE SERIES 2023B BONDS. THE SUMMARY IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE TAXABLE SERIES 2023B BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

**INFORMATION REPORTING AND BACKUP WITHHOLDING** . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Taxable Series 2023B Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

**CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS** . . . Periodic Interest Payments and Original Issue Discount. The Taxable Series 2023B Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Taxable Series 2023B Bonds or any original issue discount accruing on the Taxable Series 2023B Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Taxable Series 2023B Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Taxable Series 2023B Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Taxable Series 2023B Bonds. Generally, a U.S. Holder's tax basis in the

Taxable Series 2023B Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Taxable Series 2023B Bonds has been held for more than one year.

Defeasance of the Taxable Series 2023B Bonds. Defeasance of any Taxable Series 2023B Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

**STATE, LOCAL AND OTHER TAX CONSEQUENCES . . .** Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Series 2023B Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Taxable Series 2023B Bonds. PROSPECTIVE PURCHASERS OF THE TAXABLE SERIES 2023B BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

**CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS . . .** A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Taxable Series 2023B Bond, will not be subject to U.S. federal income or withholding tax in respect of such Taxable Series 2023B Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Taxable Series 2023B Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. 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 ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 14. The City will update and provide such information in the numbered tables referred to above within 12 months after the end of each fiscal year ending in and after 2023. The City will additionally provide financial statements within 12 months after the end of each fiscal year ending in or after 2023. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

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 United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, it must provide updated financial and operating data by March 31 of each year and financial statements by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

**OTHER EVENT NOTICES . . .** 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 Obligations 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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, 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. 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 (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described 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 from MSRB** . . . The City has agreed to provide the foregoing information only as described above to the MSRB.

**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 Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

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

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

**Compliance with Prior Undertakings**. . . Except as provided below, during the last five years, the City believes that it has complied in all material respects with its continuing disclosure undertakings made by it in accordance with the Rule.

For Fiscal Years 2018, 2019, 2020 and 2022, the City filed its audited financial statements and annual financial information after the required March 31st date for such continuing disclosure undertakings. Such documents and late notices have since been filed.

## OTHER INFORMATION

**RATINGS . . .** S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned its municipal bond rating of "AA" (stable outlook) to the Obligations with the understanding that upon issuance and delivery of the Obligations, the Policy insuring the timely payment of the principal and interest on the Obligations will be issued by AGM. S&P has also assigned an underlying rating of "A-" to the Obligations. Such ratings reflect only the views of S&P and the City makes no representation as to the appropriateness of such ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price or marketability of the Obligations.

**LITIGATION . . .** It is the opinion of the City Attorney and City Staff that (i) there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations, and (ii) there is no pending litigation seeking to enjoin the issuance of the Obligations or the legal ability of the City to issue the Obligations.

**REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE . . .** The sale of the Obligations 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 Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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

**LEGAL OPINIONS . . .** The City will furnish to the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate, the Initial Series 2023A Bond and the Initial Taxable Series 2023B Bond and to the effect that such Obligations 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, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS FOR THE TAX-EXEMPT OBLIGATIONS" herein. Though it may represent the Underwriter from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in the issuance of the Obligations. 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 therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "PLAN OF FINANCING," "THE OBLIGATIONS" (exclusive of subcaptions "Book-Entry-Only System," "Obligationholders' Remedies" and "Sources and Uses of Proceeds"), "TAX MATTERS FOR THE TAX-EXEMPT OBLIGATIONS," "FEDERAL INCOME TAX CONSIDERATIONS FOR THE TAXABLE SERIES 2023B BONDS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Opinions" (excluding the last two sentences of the first paragraph thereof), "Registration and Qualification of Obligations for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Obligations and the legal issues 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 Obligations, such information conforms to the Ordinances. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fees of such firms are contingent upon the sale and delivery of the Obligations.

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

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

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

**UNDERWRITING** . . . The Underwriter has agreed, subject to certain conditions, to purchase the Series 2023A Bonds from the City at the purchase price of $6,004,082.86 (representing the par amount of the Series 2023A Bonds, plus a net original issue reoffering premium of $250,389.75, and less an underwriting discount of $46,306.89). The Underwriter will be obligated to purchase all of the Series 2023A Bonds if any Series 2023A Bonds are purchased. The Series 2023A Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Series 2023A Bonds into investment trusts) at prices lower than the public offering prices of such Series 2023A Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has agreed, subject to certain conditions, to purchase the Taxable Series 2023B Bonds from the City at the purchase price $1,197,034.62 (representing the par amount of the Series 2023B Bonds, less an original issue discount of $30,516.80, and less an underwriting discount of $12,448.58). The Underwriter will be obligated to purchase all of the Taxable Series 2023B Bonds if any Taxable Series 2023B Bonds are purchased. The Taxable Series 2023B Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Taxable Series 2023B Bonds into investment trusts) at prices lower than the public offering prices of such Taxable Series 2023B Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at the purchase price of $4,090,052.96 (representing the par amount of the Certificates, less a net original issue discount of $4,179.50, and less an underwriting discount of $35,767.54). The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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 their responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

**FORWARD-LOOKING STATEMENTS** . . . The statements contained in this Official Statement that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

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

The Ordinances approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Obligations by the Underwriter. This Official Statement has been approved by the City Council of the City for distribution in accordance with the provisions of the Rule.

/s/ Rodger Brown
Mayor
City of Clyde, Texas

**SCHEDULE I**

**SCHEDULE OF REFUNDED OBLIGATIONS**

**City of Clyde, Texas**
**Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013A**

**Series 2023A Refunded Obligations**

| Maturity | Coupon | Maturity |
|---|---|---|
| 08/01/2023 | 3.250% | $ 10,000 |
| 08/01/2024 | 4.000% (1) | 10,000 |
| 08/01/2025 | 4.000% (1) | 10,000 |
| 08/01/2026 | 4.000% (1) | 10,000 |
| 08/01/2027 | 4.000% (1) | 10,000 |
| 08/01/2028 | 4.000% (1) | 10,000 |
| 08/01/2029 | 4.000% (1) | 50,000 |
| 08/01/2030 | 4.500% | 300,000 |
| 08/01/2031 | 4.500% | 315,000 |
| 08/01/2032 | 4.750% (2) | 330,000 |
| 08/01/2033 | 4.750% (2) | 340,000 |
| 08/01/2034 | 4.750% (2) | 360,000 |
| 08/01/2035 | 5.000% (3) | 375,000 |
| 08/01/2036 | 5.000% (3) | 395,000 |
| 08/01/2037 | 5.000% (3) | 420,000 |
| 08/01/2038 | 5.000% (3) | 440,000 |
| 08/01/2039 | 5.000% (4) | 460,000 |
| 08/01/2040 | 5.000% (4) | 480,000 |
| 08/01/2041 | 5.000% (4) | 505,000 |
| 08/01/2042 | 5.000% (4) | 530,000 |
| 08/01/2043 | 5.000% (4) | 555,000 |
| | | $ 5,915,000 |

**Taxable Series 2023B Refunded Obligations**

| Maturity | Coupon | Maturity |
|---|---|---|
| 08/01/2030 | 4.500% | $ 60,000 |
| 08/01/2031 | 4.500% | 60,000 |
| 08/01/2032 | 4.750% (2) | 65,000 |
| 08/01/2033 | 4.750% (2) | 70,000 |
| 08/01/2034 | 4.750% (2) | 70,000 |
| 08/01/2035 | 5.000% (3) | 75,000 |
| 08/01/2036 | 5.000% (3) | 80,000 |
| 08/01/2037 | 5.000% (3) | 80,000 |
| 08/01/2038 | 5.000% (3) | 85,000 |
| 08/01/2039 | 5.000% (4) | 90,000 |
| 08/01/2040 | 5.000% (4) | 95,000 |
| 08/01/2041 | 5.000% (4) | 100,000 |
| 08/01/2042 | 5.000% (4) | 105,000 |
| 08/01/2043 | 5.000% (4) | 110,000 |
| | | $ 1,145,000 |

Redemption Date and Price: August 1, 2023, at par plus accrued interest.

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(1) Represents mandatory sinking fund installments of a Term Certificate with a stated maturity of August 1, 2029.
(2) Represents mandatory sinking fund installments of a Term Certificate with a stated maturity of August 1, 2034.
(3) Represents mandatory sinking fund installments of a Term Certificate with a stated maturity of August 1, 2038.
(4) Represents mandatory sinking fund installments of a Term Certificate with a stated maturity of August 1, 2043.

**APPENDIX A**

**GENERAL INFORMATION REGARDING THE CITY**

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## THE CITY

### LOCATION

The City of Clyde (the "City") is located in Callahan County. The City is a retail center located 15 miles east of Abilene on Interstate Highway 20.

Callahan County is located approximately 130 miles west of the City of Fort Worth and 15 miles east of the City of Abilene. The City of Baird is the County Seat. Other incorporated towns in Callahan County are Cross Plains and Putnam. Callahan County is a central Texas plains county, created in 1858 from Bosque, Bexar, and Travis Counties. The county is traversed by Interstate Highway 20, U.S. Route 283, and State Highway 36.

### POPULATION

**City of Clyde**

2010 Population - 3,713
2020 Population - 3,932

**Callahan County**

2010 Population - 13,544
2020 Population - 13,708

Source: U.S. Census Bureau.

### ECONOMY

The City of Clyde benefits from its proximity to Abilene, with many residents commuting to jobs in Abilene, and the City is located favorably on Interstate Highway 20. Local manufacturers produce steel storage tanks, pickup camper tops and aluminum portable buildings.

The County's economy is based on agriculture and mineral production. Agricultural crops include beef cattle, wheat, peanuts, grain sorghums and some irrigation of grasses for hay. The Railroad Commission of Texas reported that in 2005 there were 160,583 barrels of crude oil and 912,458 MCF of natural gas recovered in the County.

### LABOR FORCE FOR CALLAHAN COUNTY

| | March | Average Annual | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Civilian Labor Force | 6,422 | 6,279 | 6,134 | 5,942 | 5,987 |
| Total Employed | 6,183 | 6,055 | 5,850 | 5,619 | 5,802 |
| Total Unemployed | 239 | 224 | 284 | 323 | 185 |
| % Unemployed | 3.7% | 3.6% | 4.6% | 5.4% | 3.1% |

Source: Texas Labor Market Information.

### TRANSPORTATION FOR CALLAHAN COUNTY

The County is served by Interstate Highway 20, State Highway 36 and a well-developed system of farm-to-market roads. The Union Pacific Railroad passes through the City on its main line from Dallas to El Paso, and one motor freight trucking company serves the City. Commercial air service is available at Abilene Regional Airport, located approximately 15 miles west of the City.

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## APPENDIX B

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

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

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Cameron L. Gulley
CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 163
Eastland, Texas 76448
(325)669-9795
cgulley@txol.net

# INDEPENDENT AUDITOR'S REPORT

City Commission
City of Clyde, Texas
P.O. Box 1155
Clyde, Texas 79510

## Report on the Audit of the Financial Statements

***Opinions***
I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for City of Clyde, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

***Basis for Opinions***
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Change in Accounting Principle***
As described in Note I.G.3. to the financial statements, the City adopted new accounting pronouncement, GASB Statement No. 87, *Leases* during the year. My opinion is not modified with respect to this matter.

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identify during the audit.

***Required Supplementary Information***
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule for the General Fund, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Pension Contributions and Schedule of Changes in Total OPEB Liability and Related Ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedure to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***
My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated May 5, 2023, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cameron L. Gulley
Certified Public Accountant

May 5, 2023

CITY OF CLYDE
TEXAS
INCORPORATED
JULY 9, 1907

# MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of City of Clyde, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2022. Please read it in conjunction with the independent auditor's report on page 1 and the City's Basic Financial Statements which begin on page 11.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 - 12). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 13) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

**Reporting the City as a Whole**

***The Statement of Net Position and the Statement of Activities***

The analysis of the City's overall financial condition and operations begins on page 4. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as revenue sharing programs from other governments received and fees charged for utility services (program revenues), and revenues provided by the taxpayers or by the State of Texas (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the City into two activities:

Governmental activities - Most of the City's basic services are reported here, including public safety, maintenance of city streets and alleys, community services, and general administration. Property taxes, franchise and other fees, and state and federal grants finance most of these services.

Business-type activities - The City charges a fee to "customers" to help it cover all or most of the cost of services it provides in the utility waterworks, sewer, and solid waste funds.



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**Reporting the City's Most Significant Funds**

***Fund Financial Statements***

The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the City as a whole. Laws and contracts require the City to establish some funds, such as a debt service fund used to provide sources of revenues to service the City's general obligation bonds. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds - the City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Total net position of the City's governmental activities decreased from $2,090,169 to $1,932,511. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from $4,038 to $98,411 at September 30, 2022. Current assets increased by $11.3 million due to cash balances. Capital assets increased by $4.8 million due to asset additions net of depreciation expense. Long-term liabilities increased by $15.4 million due to new debt acquired net of principal retirements and changes in net pension (NPL) and other post-employment (OPEB) liabilities. Other liabilities increased by $763 thousand due to unearned federal grant receipts not expended at year-end included in cash balances plus increases in ending accounts and accrued interest payable. Changes in deferred outflows and inflows of resources were related to accruals in accordance with NPL and OPEB liabilities.

Net position of the business-type activities decreased by $188,809. Current and other assets increased by $9.6 million due to increases in cash balances and receivables. Capital assets increased by $5.8 million due to asset additions in excess of depreciation expense. Long-term liabilities increased by $15.2 million due to new debt acquired net of principal retirements and changes in net pension (NPL) and other post-employment (OPEB) liabilities. Other liabilities increased by $365 thousand due to ending accounts and accrued interest payable. Changes in deferred outflows and inflows of resources were related to accruals in accordance with NPL and OPEB liabilities.

| Table I<br>City of Clyde, Texas<br>Net Position | | | |
|---|---|---|---|
| | Governmental Activities 2022 | Governmental Activities 2021 | Variance Increase/ (Decrease) |
| Current and other assets | $ 12,393,718 | $ 1,110,969 | $ 11,282,749 |
| Capital assets | 8,179,702 | 3,362,241 | 4,817,461 |
| Deferred outflows of resources | 204,072 | 148,985 | 55,087 |
| Total assets and deferred outflows | 20,777,492 | 4,622,195 | 16,155,297 |
| Long-term liabilities | 17,187,956 | 1,741,014 | 15,446,942 |
| Other liabilities | 1,436,824 | 673,966 | 762,858 |
| Deferred inflows of resources | 220,201 | 117,046 | 103,155 |
| Total liabilities and deferred inflows | 18,844,981 | 2,532,026 | 16,312,955 |
| Net position: | | | |
| Net investment in capital assets | (8,880,200) | 2,086,131 | (10,966,331) |
| Restricted for future construction | 10,714,300 | 0 | 10,714,300 |
| Unrestricted | 98,411 | 4,038 | 94,373 |
| Total net position | $ 1,932,511 | $ 2,090,169 | $ (157,658) |
| | | | |
| | Business-type Activities 2022 | Business-type Activities 2021 | Variance Increase/ (Decrease) |
| Current and other assets | $ 10,499,232 | $ 948,529 | $ 9,550,703 |
| Capital assets | 18,812,851 | 13,006,917 | 5,805,934 |
| Deferred outflows of resources | 115,007 | 83,962 | 31,045 |
| Total assets and deferred outflows | 29,427,090 | 14,039,408 | 15,387,682 |
| Long-term liabilities | 25,126,988 | 9,974,099 | 15,152,889 |
| Other liabilities | 545,228 | 179,759 | 365,469 |
| Deferred inflows of resources | 124,096 | 65,963 | 58,133 |
| Total liabilities and deferred inflows | 25,796,312 | 10,219,821 | 15,576,491 |
| Net position: | | | |
| Net investment in capital assets | (6,245,584) | 3,453,740 | (9,699,324) |
| Restricted for debt service | 337,145 | 2,010 | 335,135 |
| Restricted for future construction | 9,519,702 | 3,767 | 9,515,935 |
| Unrestricted | 19,515 | 360,070 | (340,555) |
| Total net position | $ 3,630,778 | $ 3,819,587 | $ (188,809) |

| Table II<br>City of Clyde, Texas<br>Changes in Net Position | | | |
|---|---|---|---|
| | Governmental Activities 2022 | Governmental Activities 2021 | Variance Favorable/ (Unfavorable) |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for services | $ 554,362 | $ 439,981 | $ 114,381 |
| Operating grants and contributions | 55,983 | 176,784 | (120,801) |
| General Revenues: | | | |
| Maintenance and operations taxes | 1,099,802 | 1,064,731 | 35,071 |
| Sales and hotel/motel taxes | 823,956 | 733,314 | 90,642 |
| Franchise fees | 112,174 | 97,985 | 14,189 |
| Administrative cost allocation | 760,000 | 372,370 | 387,630 |
| Investment earnings | 15,044 | 364 | 14,680 |
| Miscellaneous and transfers | 30,268 | 33,505 | (3,237) |
| Total Revenues | 3,451,589 | 2,919,034 | 532,555 |
| Expenses: | | | |
| General government | 519,379 | 471,023 | (48,356) |
| Senior citizens | 23,828 | 24,484 | 656 |
| Cemetery | 4,949 | 4,523 | (426) |
| Library | 129,468 | 118,436 | (11,032) |
| Police and municipal court | 1,253,566 | 1,122,233 | (131,333) |
| Fire | 169,003 | 127,247 | (41,756) |
| Parks and recreation | 288,064 | 189,344 | (98,720) |
| Code enforcement and animal control | 290,547 | 220,591 | (69,956) |
| Street | 472,834 | 367,595 | (105,239) |
| Interest expense on long-term debt | 457,609 | 50,668 | (406,941) |
| Total Expenses | 3,609,247 | 2,696,144 | (913,103) |
| Increase in Net Position | (157,658) | 222,890 | (380,548) |
| Net Position - beginning of year | 2,090,169 | 1,867,279 | 222,890 |
| Net Position - end of year | $ 1,932,511 | $ 2,090,169 | $ (157,658) |

| Table II - Continued<br>City of Clyde, Texas<br>Changes in Net Position | | | |
|---|---|---|---|
| | Business-type Activities 2022 | Business-type Activities 2021 | Variance Favorable/ (Unfavorable) |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for services | $ 3,439,028 | $ 3,164,190 | $ 274,838 |
| Operating grants and contributions | 65,500 | 50,000 | 15,500 |
| Investment income | 40,468 | 167 | 40,301 |
| Miscellaneous and transfers | 22,381 | 22,065 | 316 |
| Total Revenues | 3,567,377 | 3,236,422 | 330,955 |
| Expenses: | | | |
| Water, sewer and sanitation | 2,967,917 | 2,238,524 | (729,393) |
| Interest expense | 788,269 | 469,682 | (318,587) |
| Total Expenses | 3,756,186 | 2,708,206 | (1,047,980) |
| Increase in Net Position | (188,809) | 528,216 | (717,025) |
| Net Position - beginning of year | 3,819,587 | 3,291,371 | 528,216 |
| Net Position - end of year | $ 3,630,778 | $ 3,819,587 | $ (188,809) |

The City's total revenues of its governmental activities were higher by $532,555 from last fiscal year. Charges for services were higher by $114 thousand primarily due to municipal court fines and fees. Operating grants and contributions decreased due to prior year federally-funded COVID relief grant activity. Property taxes were higher by $35 thousand due to higher taxable valuations. Sales and franchise fees were higher by approximately $105 thousand. Administrative cost allocation fees were higher by $388 thousand for fees charged to the enterprise fund.

Total expenses of the City's governmental activities increased by approximately $913 thousand from the previous year. General government, library, police and municipal court, public recreation and culture, code enforcement and animal control, and streets increased in large part due to payroll costs. Additionally, police and municipal court increased due to court fees and depreciation expense, fire increased due to non-capitalized fire equipment, public recreation and culture increased due to utilities and depreciation expense, code enforcement and animal control increased due to permits and legal fees, and streets increased due to utilities and street maintenance.

The City's total revenues of its business-type activities increased by $330,955 from the previous year. Charges for services increased by $275 thousand due to higher sales volumes. Investment income increased by $40 thousand due to higher investable cash balances.

Total expenses of the business-type activities increased by approximately $1.05 million from the previous year. The most significant cost increase was for administrative fees to the governmental funds which were higher by approximately $388 thousand. Additionally, payroll costs increased by $72 thousand, professional fees increased by $58 thousand, maintenance expenses increased by $117 thousand, water source purchases increased by $40 thousand, utilities increased by $14 thousand, sanitation fees increased by $30 thousand and interest expense increased by $319 thousand due to higher debt loads.

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of $11,178,493, an increase of $10,771,296 in the City's governmental funds from last year's fund balance of $407,197.

The City Commission did not amend its general fund budget.

The City's General Fund balance of $11,162,507 reported on pages 15 and 37 differs from the projected budgetary fund balance of ($132,411) due financing activity not incorporated in the current year's budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2022, the City had $41,626,748 invested in a broad range of capital assets including infrastructure, water treatment and wastewater disposal facilities and equipment and maintenance of City streets and alleys. This amount represents an increase of $11,237,435 from last fiscal year. This year's major additions included:

| | |
|---|---|
| Infrastructure improvements - community complex | $ 3,345,782 |
| Lake cabins | 325,517 |
| Parks and recreation building | 704,271 |
| Police department building and furnishings | 684,304 |
| Senior citizens/community center building | 45,000 |
| City hall furnishings and council equipment | 39,312 |
| City digital sign | 21,200 |
| Garbage truck equipment (3 vehicles) | 777,184 |
| Infrastructure improvements - water & sewer | 5,255,113 |
| Other equipment | 39,752 |
| Total | $ 11,237,435 |

### *Debt*

At year-end, the City had $40,036,894 in bonds and notes payable outstanding as shown below.

| | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Bonds | $ 14,990,000 | $ 695,000 | $ 9,070,000 | $ 9,315,000 |
| Notes | 486,403 | 569,395 | 15,490,491 | 39,048 |
| Total | $ 15,476,403 | $ 1,264,395 | $ 24,560,491 | $ 9,354,048 |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City should continue to maintain its financial health during the 2022-23 fiscal year. Continued infrastructure improvements begun during the 2021-22 fiscal year will continue throughout the coming fiscal year. The City will also begin servicing its own sanitation collections which should lower overall operational costs for the sanitation department. Sales tax revenues will continue to grow as new businesses continue to re-locate along the City's interstate corridor. Three new housing additions have also begun construction and should add approximately 150 new homes to the City's tax rolls. All of these new economic improvements should supplement the costs of debt service for the $31 million in debt added during the 2021-22 fiscal year.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's business office at: City of Clyde, Texas, P. O. Box 1155, Clyde, Texas 79510.

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*BASIC FINANCIAL STATEMENTS*

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

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Unit |
| ASSETS | | | | |
| Cash and cash equivalents | $ 12,344,732 | $ 9,988,792 | $ 22,333,524 | $ 520,629 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Property taxes | 36,279 | - | 36,279 | - |
| Accounts receivable | - | 412,366 | 412,366 | - |
| Other | 63,223 | - | 63,223 | 22,482 |
| Prepaid expenses | - | - | - | 39,000 |
| Internal balances | (50,516) | 50,516 | - | - |
| Deferred charges | - | 47,558 | 47,558 | - |
| Notes receivable | - | - | - | 76,600 |
| Capital assets: | | | | |
| Land | 326,528 | 10,505,776 | 10,832,304 | 17,143 |
| Construction in progress | 3,345,782 | 5,387,821 | 8,733,603 | - |
| Buildings and improvements | 3,833,986 | 1,218,361 | 5,052,347 | - |
| Machinery and equipment | 2,628,259 | 1,698,089 | 4,326,348 | - |
| Infrastructure | 5,204,791 | 7,477,355 | 12,682,146 | - |
| Less: accumulated depreciation | (7,159,644) | (7,474,551) | (14,634,195) | - |
| Net capital assets | 8,179,702 | 18,812,851 | 26,992,553 | 17,143 |
| Total assets | 20,573,420 | 29,312,083 | 49,885,503 | 675,854 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to TMRS pension | 188,372 | 106,160 | 294,532 | - |
| Deferred outflows related to TMRS OPEB | 15,700 | 8,847 | 24,547 | - |
| Total deferred outflows of resources | 204,072 | 115,007 | 319,079 | - |
| LIABILITIES | | | | |
| Accounts payable | 207,037 | 144,980 | 352,017 | - |
| Accrued liabilities and other payables | 23,687 | 15,507 | 39,194 | - |
| Accrued interest payable | 257,878 | 384,741 | 642,619 | - |
| Unearned revenue | 948,222 | - | 948,222 | - |
| Notes payable - current | 42,566 | 642,474 | 685,040 | - |
| Bonds payable - current | 55,000 | 260,000 | 315,000 | - |
| Noncurrent liabilities: | | | | |
| Notes payable - due in more than one year | 443,837 | 14,848,017 | 15,291,854 | - |
| Bonds payable - due in more than one year | 16,260,621 | 8,923,203 | 25,183,824 | - |
| Accrued compensable absences payable | 60,218 | 36,218 | 96,436 | - |
| Customer deposits | - | 233,520 | 233,520 | - |
| Net pension liability related to TMRS | 250,195 | 140,999 | 391,194 | - |
| Total OPEB liability related to TMRS | 75,519 | 42,557 | 118,076 | - |
| Total liabilities | 18,624,780 | 25,672,216 | 44,296,996 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to TMRS pension | 208,121 | 117,288 | 325,409 | - |
| Deferred inflows related to TMRS OPEB | 12,080 | 6,808 | 18,888 | - |
| Total deferred inflows of resources | 220,201 | 124,096 | 344,297 | - |
| NET POSITION | | | | |
| Net investment in capital assets | (8,880,200) | (6,245,584) | (15,125,784) | 17,143 |
| Restricted for debt service | - | 337,145 | 337,145 | - |
| Restricted for future construction | 10,714,300 | 9,519,702 | 20,234,002 | - |
| Unrestricted | 98,411 | 19,515 | 117,926 | 658,711 |
| Total net position | $ 1,932,511 | $ 3,630,778 | $ 5,563,289 | $ 675,854 |

The accompanying notes are an integral part of this statement.

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

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants & Contributions | Governmental Activities | Business-type Activities | Totals (Memo Only) Primary Govt | Component Unit |
| Governmental activities: | | | | | | | |
| General government | $ 519,379 | $ 37,863 | $ - | $ (481,516) | $ - | $ (481,516) | $ - |
| Senior citizens | 23,828 | - | - | (23,828) | - | (23,828) | - |
| Cemetery | 4,949 | 2,400 | - | (2,549) | - | (2,549) | - |
| Library | 129,468 | - | - | (129,468) | - | (129,468) | - |
| Police | 964,355 | 46,595 | 983 | (916,777) | - | (916,777) | - |
| Municipal court | 289,211 | 429,602 | - | 140,391 | - | 140,391 | - |
| Fire | 169,003 | - | - | (169,003) | - | (169,003) | - |
| Parks and recreation | 139,382 | 24,532 | 55,000 | (59,850) | - | (59,850) | - |
| Clyde lake | 148,682 | - | - | (148,682) | - | (148,682) | - |
| Code enforcement | 119,415 | - | - | (119,415) | - | (119,415) | - |
| Animal control | 171,132 | 13,370 | - | (157,762) | - | (157,762) | - |
| Street | 472,834 | - | - | (472,834) | - | (472,834) | - |
| Interest expense on long-term debt | 457,609 | - | - | (457,609) | - | (457,609) | - |
| Total governmental activities | 3,609,247 | 554,362 | 55,983 | (2,998,902) | - | (2,998,902) | - |
| Business-type activities: | | | | | | | |
| Water, sewer and sanitation | 2,242,917 | 3,439,028 | 65,500 | - | 1,261,611 | 1,261,611 | - |
| Interest expense on long-term debt | 788,269 | - | - | - | (788,269) | (788,269) | - |
| Total business-type activities | 3,031,186 | 3,439,028 | 65,500 | - | 473,342 | 473,342 | - |
| Total primary government | $ 6,640,433 | $ 3,993,390 | $ 121,483 | (2,998,902) | 473,342 | (2,525,560) | - |
| Component units: | | | | | | | |
| Clyde Economic Development Corporation | 375,358 | - | - | | | | (375,358) |
| Total component units | $ 375,358 | $ - | $ - | | | | (375,358) |
| | General revenues: | | | | | | |
| | Property taxes | | | 1,099,802 | - | 1,099,802 | - |
| | Sales taxes | | | 823,956 | - | 823,956 | 274,652 |
| | Franchise taxes | | | 112,174 | - | 112,174 | - |
| | Administrative cost allocation | | | 760,000 | (725,000) | 35,000 | (35,000) |
| | Investment income | | | 15,044 | 40,468 | 55,512 | 3,193 |
| | Other revenues | | | 30,268 | 22,381 | 52,649 | 2,400 |
| | Total general revenues | | | 2,841,244 | (662,151) | 2,179,093 | 245,245 |
| | Changes in net position | | | (157,658) | (188,809) | (346,467) | (130,113) |
| | Beginning net position | | | 2,090,169 | 3,819,587 | 5,909,756 | 805,967 |
| | Ending net position | | | $ 1,932,511 | $ 3,630,778 | $ 5,563,289 | $ 675,854 |

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| ASSETS | | | |
| Cash and cash equivalents | $ 12,328,746 | $ 15,986 | $ 12,344,732 |
| Receivables (net of allowance for uncollectibles): | | | |
| Property taxes | 36,279 | - | 36,279 |
| Other | 63,223 | - | 63,223 |
| Total assets | $ 12,428,248 | $ 15,986 | $ 12,444,234 |
| LIABILITIES | | | |
| Accounts payable | $ 207,037 | $ - | $ 207,037 |
| Accrued liabilities and other payables | 23,687 | - | 23,687 |
| Unearned revenue | 948,222 | - | 948,222 |
| Due to other funds | 50,516 | - | 50,516 |
| Total liabilities | 1,229,462 | - | 1,229,462 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 36,279 | - | 36,279 |
| Total deferred inflows of resources | 36,279 | - | 36,279 |
| FUND BALANCES | | | |
| Restricted for future construction | 10,714,300 | | 10,714,300 |
| Unassigned | 448,207 | 15,986 | 464,193 |
| Total fund balances | 11,162,507 | 15,986 | 11,178,493 |
| Total liabilities, deferred inflows of resources and fund balances | $ 12,428,248 | $ 15,986 | $ 12,444,234 |

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

| | | Primary Government |
|---|---|---|
| | Total Fund Balances - Governmental Funds | $ 11,178,493 |
| 1 | Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $10,134,208 and the accumulated depreciation was $6,771,967. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position. | 2,086,131 |
| 2 | Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase (decrease) net position. | 5,111,778 |
| 3 | Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | (387,677) |
| 4 | Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of ($250,195), a deferred resource inflow in the amount of ($208,121) and a deferred resource outflow in the amount of $188,372. This resulted in an increase/(decrease) in net position. | (269,944) |
| 5 | Included in the noncurrent assets/(liabilities) is the recognition of the City's total OPEB asset/(liability) required by GASB 75 in the amount of ($75,519), a deferred resource inflow in the amount of ($12,080) and a deferred resource outflow in the amount of $15,700. This resulted in an increase/(decrease) in net position. | (59,819) |
| 6 | Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position. | (15,726,451) |
| | Net Position of Governmental Activities | $ 1,932,511 |

The accompanying notes are an integral part of this statement.

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

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| REVENUE: | | | |
| Taxes: | | | |
| General property taxes | $ 1,088,605 | $ - | $ 1,088,605 |
| General sales and use taxes | 823,956 | - | 823,956 |
| Other taxes - franchise taxes | 112,174 | - | 112,174 |
| Penalty and interest on delinquent taxes | 16,439 | - | 16,439 |
| Licenses and permits | 59,315 | - | 59,315 |
| Administrative cost allocation | 760,000 | - | 760,000 |
| Charges for services | 63,045 | 2,400 | 65,445 |
| Fines | 429,602 | - | 429,602 |
| Grants | 55,000 | 983 | 55,983 |
| Other revenue | 30,268 | - | 30,268 |
| Investment earnings | 14,936 | 108 | 15,044 |
| Total revenues | 3,453,340 | 3,491 | 3,456,831 |
| EXPENDITURES: | | | |
| General government | 557,552 | - | 557,552 |
| Senior citizens | 66,406 | - | 66,406 |
| Cemetery | 1,118 | - | 1,118 |
| Library | 124,100 | - | 124,100 |
| Police | 1,020,644 | - | 1,020,644 |
| Police seizure training | - | 1,476 | 1,476 |
| Municipal court | 290,711 | - | 290,711 |
| Fire | 106,864 | - | 106,864 |
| Parks and recreation | 5,092,352 | - | 5,092,352 |
| Clyde lake | 145,805 | - | 145,805 |
| Code enforcement | 120,037 | - | 120,037 |
| Animal control | 170,393 | - | 170,393 |
| Streets | 314,260 | - | 314,260 |
| Debt service: | | | |
| Principal | 137,992 | - | 137,992 |
| Interest and finance charges | 226,257 | - | 226,257 |
| Total expenditures | 8,374,491 | 1,476 | 8,375,967 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (4,921,151) | 2,015 | (4,919,136) |
| OTHER FINANCING RESOURCES (USES): | | | |
| Loan proceeds | 15,690,432 | - | 15,690,432 |
| Total other financing resources (uses) | 15,690,432 | - | 15,690,432 |
| NET CHANGE IN FUND BALANCES | 10,769,281 | 2,015 | 10,771,296 |
| Fund balances - beginning | 393,226 | 13,971 | 407,197 |
| Fund balances - ending | $ 11,162,507 | $ 15,986 | $ 11,178,493 |

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | | Primary Government |
|---|---|---|
| | Net change in fund balances - total governmental funds | $ 10,771,296 |
| 1 | Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase (decrease) net position. | 5,111,778 |
| 2 | Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. | (387,677) |
| 3 | The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/21 caused the change in the ending net position to increase in the amount of $110,676. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling ($89,423). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by $39,004. The result of these changes is to increase/(decrease) the change in net position. | 60,257 |
| 4 | The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/21 caused the change in the ending net position to increase in the amount of $2,136. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling ($2,328). The City's reported TMRS total OPEB expense had to be recorded. The total OPEB expense increased/(decreased) the change in net position by ($7,163). The result of these changes is to increase/(decrease) the change in net position. | (7,355) |
| 5 | Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position. | (15,705,957) |
| | Change in net position of governmental activities | $ (157,658) |

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

| | Enterprise Fund Water, Sewer & Sanitation Fund |
|---|---|
| ASSETS: | |
| Current assets: | |
| Cash and cash equivalents | $ 9,988,792 |
| Accounts receivable (net of allowance for uncollectibles) | 412,366 |
| Due from other funds | 50,516 |
| Total current assets | 10,451,674 |
| Noncurrent assets: | |
| Deferred charges | 47,558 |
| Capital assets: | |
| Land | 10,505,776 |
| Construction in progress | 5,387,821 |
| Buildings and improvements | 1,218,361 |
| Machinery and equipment | 1,698,089 |
| Infrastructure | 7,477,355 |
| Less: accumulated depreciation | (7,474,551) |
| Net capital assets | 18,812,851 |
| Total noncurrent assets | 18,860,409 |
| Total assets | 29,312,083 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to TMRS pension | 106,160 |
| Deferred outflows related to TMRS OPEB | 8,847 |
| Total deferred outflows of resources | 115,007 |
| LIABILITIES: | |
| Current liabilities: | |
| Accounts payable | 144,980 |
| Accrued wages and withholdings | 15,507 |
| Accrued interest payable | 384,741 |
| Current portion of long-term liabilities | 902,474 |
| Total current liabilities | 1,447,702 |
| Noncurrent liabilities: | |
| Revenue bonds payable | 9,183,203 |
| Notes payable | 15,490,491 |
| Accrued compensable absences payable | 36,218 |
| Customer deposits | 233,520 |
| Net pension liability related to TMRS | 140,999 |
| Total OPEB liability related to TMRS | 42,557 |
| Less: current portion of long-term liabilities | (902,474) |
| Total noncurrent liabilities | 24,224,514 |
| Total liabilities | 25,672,216 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to TMRS pension | 117,288 |
| Deferred inflows related to TMRS OPEB | 6,808 |
| Total deferred inflows of resources | 124,096 |
| NET POSITION: | |
| Net investment in capital assets | (6,245,584) |
| Restricted for debt service | 337,145 |
| Restricted for future construction | 9,519,702 |
| Unrestricted net position | 19,515 |
| Total net position | $ 3,630,778 |

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Enterprise Fund<br>Water, Sewer & Sanitation Fund |
|---|---|
| OPERATING REVENUES: | |
| Charges for sales and services: | |
| Water sales - retail | $ 1,529,963 |
| Water sales - wholesale | 646,400 |
| Sewer charges | 602,372 |
| Sanitation charges | 587,133 |
| Penalties on accounts | 39,266 |
| Other services | 33,894 |
| Intergovernmental revenue | 65,500 |
| Other revenue | 22,381 |
| Total operating revenues | 3,526,909 |
| OPERATING EXPENSES: | |
| Personnel services - salaries and wages | 623,300 |
| Personnel services - employee benefits | 184,545 |
| Purchased professional and technical services | 77,462 |
| Administrative cost allocation | 725,000 |
| Operations, maintenance and repairs | 458,534 |
| General insurance | 41,826 |
| Supplies | 13,510 |
| Utilities | 92,548 |
| Water purchases | 39,075 |
| Landfill expenses | 435,182 |
| Depreciation | 226,363 |
| Bad debts | 11,837 |
| Other expenses | 38,735 |
| Total operating expenses | 2,967,917 |
| Operating income | 558,992 |
| NON-OPERATING REVENUES (EXPENSES): | |
| Interest revenue | 40,468 |
| Interest expense and financing costs | (788,269) |
| Total non-operating revenues (expenses) | (747,801) |
| Income before transfers | (188,809) |
| TRANSFERS IN (OUT): | |
| Transfers in | - |
| Transfers out | - |
| Net transfers in (out) | - |
| Change in net position | (188,809) |
| Net position - beginning | 3,819,587 |
| Net position - ending | $ 3,630,778 |

The accompanying notes are an integral part of this statement.

CITY OF CLYDE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Enterprise Fund<br>Water, Sewer & Sanitation Fund |
|---|---|
| Cash flows from operating activities: | |
| Cash received from customers | $ 3,397,449 |
| Cash payments to employees for services | (836,940) |
| Cash payments to other suppliers for goods and services | (1,137,141) |
| Cash payments for administrative services | (725,000) |
| Other operating cash receipts (payments) | 87,881 |
| Net cash provided by operating activities | 786,249 |
| | |
| Cash flows from non-capital financing activities: | |
| Proceeds from increased customer deposits | 3,880 |
| Net interfund borrowing activity | (50,516) |
| Net cash used for non-capital financing activities | (46,636) |
| | |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (6,032,297) |
| Proceeds from long-term debt | 15,469,098 |
| Debt service principal payments | (262,655) |
| Debt service interest and fiscal agent fee payments | (486,315) |
| Net cash provided by capital and related financing activities | 8,687,831 |
| | |
| Cash flows from investing activities: | |
| Interest and dividends on investments | 40,468 |
| Net cash provided by investing activities | 40,468 |
| | |
| Net increase in cash and cash equivalents | 9,467,912 |
| Cash and cash equivalents - beginning of year (restated) | 520,880 |
| Cash and cash equivalents - end of year | $ 9,988,792 |
| | |
| Reconciliation of operating income to net cash provided (used) by operating activities: | |
| Operating income (loss) | $ 558,992 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 226,363 |
| Change in net pension/OPEB liability and related deferred resources | (29,814) |
| Change in assets and liabilities: | |
| Decrease (increase) in receivables and prepaid expenses | (35,414) |
| Increase (decrease) in accounts payable | 65,403 |
| Increase (decrease) in accrued wages payable | 719 |
| Net cash provided (used) by operating activities | $ 786,249 |

The accompanying notes are an integral part of this statement.

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I. Summary of significant accounting policies

The City of Clyde, Texas (the "City") is a general law city in which citizens elect the mayor at large and five council members. The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The City's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Proprietary funds apply only those Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting entity

For financial reporting purposes, the City includes all funds and account groups for which the City is considered to be financially accountable. The criteria used by the City for including activities in preparing its financial statements are in conformity with GASB Statement 14, "The Financial Reporting Entity."

The accompanying financial statements present the City's primary government and component unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The Clyde Economic Development Corporation (the "CEDC") is a non-profit corporations specifically governed by sections 4A and 4B of the Development Corporation Act of 1979, Tex. Rev. Civ. Stat. Ann. Art 5190.6. The CEDC was organized exclusively for the purposes of benefitting and accomplishing public purposes of the City by promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. The CEDC does not meet the criteria for blending and is, therefore, reported discretely using a government fund type.

B. Government-wide and fund financial statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City and its component unit(s) nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, franchise fees, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include fees charged for use of the public swimming pool, fines, sanitation charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Examples include grants under the U.S. Department of Agriculture Rural Development Program. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund accounting

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

2. **Water, Sewer and Sanitation Enterprise Fund** - The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

The City reports the following non-major governmental funds:

3. **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

E. Pensions

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

F. Other Post-Employment Benefits (OPEB)

The total OPEB liability of the Texas Municipal Retirement System (the "TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

G. Other accounting policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. The City reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, and water/sewer pipe fittings. Supplies are recorded as expenditures when they are consumed.

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The City implemented GASB 87 for reporting leases during this reporting period. A right-to-use lease is defined as a contract that conveys control over another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments made over the term of the lease and the interest included in the lease payments is recorded as an expense. There were no leases material to the financial statements that were recorded during the year audited.

   In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. The City's policy does permits employees to accumulate unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

   Buildings, furniture and equipment of the City and the component units is depreciated using the straight line method over the following estimated useful lives:

| Asset: | Years |
|---|---|
| Buildings | 50 |
| Building Improvements | Various |
| Infrastructure | 30-100 |
| Vehicles | 2-15 |
| Equipment | 3-10 |
| Technology Equipment | 3 |

6. Governmental fund balances are characterized into the following categories:

*Non-spendable* fund balances include amounts that are not in spendable form (i.e. inventory or prepaid items) or amounts that are required to be maintained intact legally or contractually (i.e. principal in an endowment fund)

R*estricted* fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

*Committed* fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

*Assigned* fund balances are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

*Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

City Policies Concerning Fund Balances are as follows:

The City's Unassigned General Fund Balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the City Council.

Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action of the City Council.

When it is appropriate for fund balance to be assigned, only the City Council has the authority to assign fund balance by formal council action.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

At September 30, 2022, none of the City's fund balances were committed or assigned.

II. Stewardship, compliance, and accountability

A. Budgetary data

The City Secretary submits an annual budget to the City Council in accordance with the City Charter. In August, the City Council adopts annual fiscal year budgets for specified City funds. Budgets for the general fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget was not amended during the year.

B. Excess of expenditures over appropriations by more than $2,500:

| Department | Amt Over Budget | Variance Description |
|---|---|---|
| General government | $ 147,072 | Capital expenditures not budgeted for digital sign and council chamber equipment; payroll expenditures for insurance and retirement more than budgeted; materials and supplies more than budgeted; and professional fees more than budgeted. |
| Senior citizens | $ 48,656 | Senior citizens building purchase not budgeted. |
| Police | $ 86,773 | Police equipment and building not budgeted. |
| Municipal court | $ 36,366 | Municipal court fees higher than budgeted. |
| Parks and recreation | $ 4,502,129 | Parks and recs community center capital expenditures not budgeted. |
| Code enforcement | $ 17,560 | Permit fees and vehicle expenditures more than budgeted. |
| Animal control | $ 28,865 | Salaries and capital expenditures more than budgeted. |
| Debt service - principal | $ 67,192 | Debt service principal more than budgeted. |
| Debt service - interest | $ 217,257 | Debt service fees for new debt acquired not budgeted. |

C. Deficit fund equity

None.

III. Detailed notes on all funds

A. Deposits and investments

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

City Policies and Legal and Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2022, the City had no investments.

Additional policies and contractual provisions governing deposits and investments for the City are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2022, the City's investments in certificates of deposit and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. This included securities in securities lending transactions. All of the securities are in the City's name and held by the City or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the City limits investments to less than 5% of its total investments. The City further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments - The City limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to zero.

B. Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. Delinquent taxes receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund balances and transfers

Interfund balances at March 31, 2022 consisted of the following individual fund balances:

| Fund | Due From | Due To | Purpose | Current? |
|---|---|---|---|---|
| Enterprise Fund | $ 50,516 | | Interfund activity | Yes |
| General Fund | | 50,516 | Interfund activity | Yes |
| Total | $ 50,516 | $ 50,516 | | |

Transfers are as follows:

None.

E. Disaggregation of receivables and payables

Receivables at September 30, 2022 were as follows:

| | Property Taxes | Accounts | Other | Total Receivables |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| General Fund | $ 36,279 | | $ 63,223 | $ 99,502 |
| Business-type Activities: | | | | |
| Water, Sewer & Sanitation Fund | | $ 412,366 | | $ 412,366 |

Payables at September 30, 2022 were as follows:

| | Accounts | Salaries and Benefits | Interest | Total Payables |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| General Fund | $ 207,037 | $ 23,687 | $ 257,878 | $ 488,602 |
| Business-type Activities: | | | | |
| Water, Sewer & Sanitation Fund | $ 144,980 | $ 15,507 | $ 384,741 | $ 545,228 |

F. Capital asset activity

Capital asset activity for the City for the year ended September 30, 2022, was as follows:

| | Balance 9/30/2021 | Additions | Deletions | Balance 9/30/2022 |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Land | $ 326,528 | | | $ 326,528 |
| Construction in progress | | 3,345,782 | | 3,345,782 |
| Buildings and improvements | 2,104,029 | 1,729,957 | | 3,833,986 |
| Machinery and equipment | 2,518,192 | 110,067 | | 2,628,259 |
| Infrastructure | 5,185,459 | 19,332 | | 5,204,791 |
| Totals | 10,134,208 | 5,205,138 | | 15,339,346 |
| Less accum depreciation for: | | | | |
| Buildings and improvements | 780,265 | 60,514 | | 840,779 |
| Machinery and equipment | 1,755,431 | 154,590 | | 1,910,021 |
| Infrastructure | 4,236,271 | 172,573 | | 4,408,844 |
| Total accum depreciation | 6,771,967 | 387,677 | | 7,159,644 |
| Governmental activities capital assets, net | $ 3,362,241 | $ 4,817,461 | | $ 8,179,702 |
| Business-type activities: | | | | |
| Land | $ 10,505,776 | | | $ 10,505,776 |
| Construction in progress | 143,399 | 5,244,422 | | 5,387,821 |
| Buildings and improvements | 1,218,361 | | | 1,218,361 |
| Machinery and equipment | 920,905 | 777,184 | | 1,698,089 |
| Infrastructure | 7,466,664 | 10,691 | | 7,477,355 |
| Totals | 20,255,105 | 6,032,297 | | 26,287,402 |
| Less accum depreciation for: | | | | |
| Buildings and improvements | 806,042 | 24,300 | | 830,342 |
| Machinery and equipment | 714,505 | 40,219 | | 754,724 |
| Infrastructure | 5,727,641 | 161,844 | | 5,889,485 |
| Total accum depreciation | 7,248,188 | 226,363 | | 7,474,551 |
| Business-type activities capital assets, net | $ 13,006,917 | $ 5,805,934 | | $ 18,812,851 |

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

| | | |
|---|---|---|
| Governmental activities: | | |
| General government | $ | 26,471 |
| Senior citizens | | 2,422 |
| Cemetery | | 3,831 |
| Library | | 7,158 |
| Police | | 63,139 |
| Fire | | 74,640 |
| Parks and recreation | | 29,698 |
| Clyde lake | | 7,774 |
| Code enforcement | | 800 |
| Animal control | | 12,624 |
| Streets | | 159,120 |
| Total depreciation expense - governmental activities | $ | 387,677 |
| Business-type activities: | | |
| Water | $ | 130,053 |
| Sewer | | 96,310 |
| Total depreciation expense - business-type activities | $ | 226,363 |

G. Long-term obligations

Certificates of obligation

In October, 2010, the City issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010 in the principal amount of $1,145,000, with an interest rates ranging from 2.0% to 4.0%. Payments of principal and interest are due on February 1 and August 1 of each year through 2035. As of September 30, 2022, principal of $640,000 was outstanding.

In December, 2013, the City issued Certificates of Obligation, Series 2013A in the principal amount of $7,120,000, with interest rates ranging from 2% to 5%. Payments of principal and interest are due on February 1 and August 1 of each year through 2043. As of September 30, 2022, principal of $7,060,000 was outstanding.

In December, 2013, the City issued Certificates of Obligation, Series 2013B in the principal amount of $3,815,000, with interest rates ranging from 3% to 5.5%. Payments of principal and interest are due on February 1 and August 1 of each year through 2029. As of September 30, 2022, principal of $2,010,000 was outstanding.

In May, 2022, the City issued Combination Tax and Surplus Revenue Certificates of Obligation, Series 2022 in the principal amount of $14,350,000, with interest rates ranging from 4% to 5%. Payments of principal and interest are due on February 1 and August 1 of each year through 2052. As of September 30, 2022, principal of $14,350,000 was outstanding.

Notes payable

The City acquired a fifteen-year note payable to finance the purchase of a fire truck vehicle in June, 2020. Total amount financed was $500,034 at 3.69% interest payable in semi-annual installments of $22,257. At September 30, 2022, principal of $442,539 was outstanding.

The City acquired a four-year note payable to finance the purchase of police and animal control vehicles in December, 2020. Total amount financed was $157,649 at 3.49% interest payable in annual installments of $59,040 beginning in February, 2021 thru February, 2022 and then decreasing to $15,654 thereafter. At September 30, 2022, principal of $43,864 was outstanding.

The City acquired a six-year financing instrument (formerly known as a “capital lease obligation”) to finance the purchase of new backhoe in November, 2017. Total amount financed was $93,186 at an imputed interest rate of 4.20% payable in monthly installments of $1,466. At September 30, 2022, principal of $21,393 was outstanding.

The City acquired a twenty-year financing instrument (formerly known as a “capital lease obligation”) to finance infrastructure improvements in December, 2021. Total amount financed was $15,469,098 at an imputed interest rate of 2.79% payable in annual installments of $1,017,223. At September 30, 2022, principal of $15,469,098 was outstanding.

A summary of changes in general long-term debt for the year ended September 30, 2022 is as follows:

| Description | Amounts Outstanding 10/1/2021 | Issued | Retired | Amounts Outstanding 9/30/2022 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Certificates of obligation bonds | $ 695,000 | $ 14,350,000 | $ 55,000 | $ 14,990,000 | $ 55,000 |
| Notes payable | 569,395 | | 82,992 | 486,403 | 42,566 |
| Bond premiums | 0 | 1,340,432 | 14,811 | 1,325,621 | 0 |
| Accrued compensable absences | 49,935 | 60,218 | 49,935 | 60,218 | 0 |
| Net pension liability | 356,903 | 363,901 | 470,609 | 250,195 | 0 |
| Total OPEB liability | 69,781 | 5,738 | | 75,519 | 0 |
| Total Governmental Activities | $ 1,741,014 | $ 16,120,289 | $ 673,347 | $ 17,187,956 | $ 97,566 |
| Business-type activities: | | | | | |
| Revenue and tax bonds | $ 9,315,000 | | $ 245,000 | $ 9,070,000 | $ 260,000 |
| Notes payable | 39,048 | 15,469,098 | 17,655 | 15,490,491 | 642,474 |
| Bond premiums | 121,694 | | 8,491 | 113,203 | 0 |
| Accrued compensable absences | 28,259 | 36,218 | 28,259 | 36,218 | 0 |
| Customer deposits | 229,640 | 37,200 | 33,320 | 233,520 | 0 |
| Net pension liability | 201,134 | 205,078 | 265,213 | 140,999 | 0 |
| Total OPEB liability | 39,324 | 3,233 | | 42,557 | 0 |
| Total Business-type Activities | $ 9,974,099 | $ 15,750,827 | $ 597,938 | $ 25,126,988 | $ 902,474 |

H. Debt service requirements - bonds and notes payable

The annual debt service requirements to maturity for long-term notes payable as of September 30, 2022 are as follows:

| | Governmental Activities | | | Business-type Activities | | |
|---|---|---|---|---|---|---|
| Year Ending September 30, | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | $ 97,566 | $ 883,738 | $ 981,304 | $ 902,474 | $ 847,550 | $ 1,750,024 |
| 2024 | 104,119 | 748,098 | 852,217 | 875,963 | 855,731 | 1,731,694 |
| 2025 | 110,727 | 744,090 | 854,817 | 904,870 | 824,191 | 1,729,061 |
| 2026 | 116,741 | 739,822 | 856,563 | 937,165 | 791,371 | 1,728,536 |
| 2027 | 142,923 | 735,090 | 878,013 | 969,942 | 757,245 | 1,727,187 |
| 2028-2032 | 1,163,947 | 3,556,420 | 4,720,367 | 5,379,213 | 3,237,142 | 8,616,355 |
| 2033-2037 | 1,995,380 | 3,205,654 | 5,201,034 | 6,349,213 | 2,238,481 | 8,587,694 |
| 2038-2042 | 2,975,000 | 2,658,000 | 5,633,000 | 7,576,651 | 1,012,967 | 8,589,618 |
| 2043-2047 | 3,855,000 | 1,825,750 | 5,680,750 | 665,000 | 33,250 | 698,250 |
| 2048-2052 | 4,915,000 | 761,000 | 5,676,000 | 0 | 0 | 0 |
| | $ 15,476,403 | $ 15,857,662 | $ 31,334,065 | $ 24,560,491 | $ 10,597,928 | $ 35,158,419 |

The Texas Water Development Board requires the disclosure of the revenue and tax supported bond debt service requirements as follows:

| | Revenue and Tax Bonds Debt Service | | |
|---|---|---|---|
| Year Ending September 30, | Principal | Interest | Total |
| 2023 | $ 315,000 | $ 1,319,875 | $ 1,634,875 |
| 2024 | 330,000 | 1,173,587 | 1,503,587 |
| 2025 | 350,000 | 1,156,488 | 1,506,488 |
| 2026 | 385,000 | 1,138,362 | 1,523,362 |
| 2027 | 425,000 | 1,118,463 | 1,543,463 |
| 2028-2032 | 2,800,000 | 5,228,037 | 8,028,037 |
| 2033-2037 | 4,155,000 | 4,436,325 | 8,591,325 |
| 2038-2042 | 5,865,000 | 3,271,500 | 9,136,500 |
| 2043-2047 | 4,520,000 | 1,859,000 | 6,379,000 |
| 2048-2052 | 4,915,000 | 761,000 | 5,676,000 |
| | $ 24,060,000 | $ 21,462,637 | $ 45,522,637 |

I. Accumulated unpaid vacation and sick leave benefits

The City has the following accrued leave policy for vacation benefits (none for unused sick leave benefits):

Employees with less than fifteen (15) years of continuous service with the City are allowed to accrue a maximum amount of 160 hours (20 days) of vacation benefits with any days in excess of the maximum carryover amount to be used no later than the anniversary month of employment. Any excess days not used during the anniversary month are forfeited unless previously approved by the City Administrator.

Employees with at least fifteen (15) years of continuous service with the City are allowed to accrue a maximum amount of 200 hours (25 days) of vacation benefits with any days in excess of the maximum carryover amount to be used no later than the anniversary month of employment. Any excess days not used during the anniversary month are forfeited unless previously approved by the City Administrator.

J. Retirement Plan - Texas Municipal Retirement System

**Plan Description**

The City participates as one of approximately 900 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the board, TMRS is not fiscally dependent on the State of Texas. TMRS'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.tmrs.com.

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

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provision are adopted by the governing board of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

| | Plan Year 2021 |
|---|---|
| Employee deposit rate | 7.0% |
| Matching ratio (city to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Service retirement eligibility (expressed as age/years of service) | 60/5, 0/20 |
| Updated service credit | 100% repeating |
| Annuity increase (to retirees) | 70% of CPI repeating |

**Contributions**

The contribution rates for employees in TMRS are 7%, of employee gross earnings, and the City matching percentages are 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.06% and 13.47% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 31, 2022 were $234,490 and were equal to the required contributions.

**Net Pension Liability**

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

| | |
|---|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% per year |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2021, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2014 through December 31, 2018, first used in the December 31, 2010 valuation. Health post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2014 through 2018. And dated December 31, 2018. These assumptions were first used in the December 31, 2021 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2021 valuation. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Domestic Equity | 17.5% | 4.55% |
| International Equity | 17.5% | 6.10% |
| Core Fixed Income | 10.0% | 1.00% |
| Non-Core Fixed Income | 20.0% | 3.65% |
| Real Return | 10.0% | 4.03% |
| Real Estate | 10.0% | 5.00% |
| Absolute Return | 10.0% | 4.00% |
| Private Equity | 5.0% | 8.00% |
| Total | 100.0% | |

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

| ***Changes in the Net Pension Liability (Asset)*** | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at 12/31/2020 | $ 5,185,892 | $ 4,627,855 | $ 558,037 |
| Changes for the year: | | | |
| Service cost | 263,364 | | 263,364 |
| Interest | 353,053 | | 353,053 |
| Change in benefit terms | | | |
| Difference between expected/actual experience | 126,889 | | 126,889 |
| Changes in assumptions | | | |
| Contributions - employer | | 201,260 | (201,260) |
| Contributions - employee | | 107,873 | (107,873) |
| Net investment income | | 603,788 | (603,788) |
| Benefit payments, including refunds of employee contributions | (174,327) | (174,327) | 0 |
| Administrative expenses | | (2,791) | 2,791 |
| Other charges | | 19 | (19) |
| Net changes | 568,979 | 735,822 | (166,843) |
| Balance at 12/31/2021 | $ 5,754,871 | $ 5,363,677 | $ 391,194 |

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

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|---|---|---|---|
| Net pension liability / (asset) | $ 1,279,588 | $ 391,194 | $ (332,308) |

***Pension plan fiduciary net position***. Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.**

For the year ended September 30, 2022, the City recognized pension expense of $140,275.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual economic experience (net of current year amortization) | $ 108,269 | $ 15,957 |
| Changes in actuarial assumptions | 13,215 | |
| Differences between projected and actual investment earnings (net of current year amortization) | | 309,452 |
| Contributions subsequent to the measurement date | 173,048 | |
| Total | $ 294,532 | $ 325,409 |

$173,048 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal year ended September 30, | |
|---|---|
| 2023 | $ (8,466) |
| 2024 | $ (87,305) |
| 2025 | $ (49,873) |
| 2026 | $ (58,281) |
| 2027 | $ 0 |
| Thereafter | $ 0 |

K. OPEB - Supplemental death benefits plan

**Plan Description**

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

**Benefits Provided**

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

**Contributions**

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city.

There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the City were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.34% and 0.26% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 31, 2022 were $4,940 and were equal to the required contributions.

**Total OPEB Liability**

***Actuarial assumptions***. The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

I. Assumptions
   A. Mortality Rates — Same as for the Pension Trust Fund.
   B. Investment Return — A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
   C. Actuarial Cost Method — For the purpose of calculating an employer's actuarially determined contribution rate, the one-year term cost is used.
   D. Valuation of Assets — Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
   E. Changes in Actuarial Assumptions and Methods — There were no changes since the prior valuation.

II. Benefit Provisions
   A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
   B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
   C. Benefit Amount — The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of $7,500.

***Discount rate***. The discount rate used to measure the Total OPEB Liability was 1.84%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute.

| ***Changes in the Total OPEB Liability*** | Total OPEB Liability |
|---|---|
| Balance at 12/31/2020 | $ 109,105 |
| Changes for the year: | |
| Service cost | 10,941 |
| Interest | 2,256 |
| Change in benefit terms | |
| Difference between expected/actual experience | (4,646) |
| Changes in assumptions | 3,964 |
| Contributions - employer | |
| Contributions - employee | |
| Net investment income | |
| Benefit payments, including refunds of employee contributions | (3,544) |
| Administrative expenses | |
| Other charges | |
| Net changes | 8,971 |
| Balance at 12/31/2021 | $ 118,076 |

***Sensitivity of the total OPEB liability to changes in the discount rate***. The following shows the total OPEB liability calculated using the discount rate of 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.84%) or 1 percentage point higher (2.84%) than the current rate.

| | 1% Decrease in Discount Rate (0.84%) | Discount Rate (1.84%) | 1% Increase in Discount Rate (2.84%) |
|---|---|---|---|
| Total OPEB liability | $ 147,113 | $ 118,076 | $ 95,998 |

***OPEB plan total liability.*** Detailed information about the OPEB plan's Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.**

For the year ended September 30, 2022, the City recognized OPEB expense of $14,744.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual economic experience (net of current year amortization) | | $ 17,194 |
| Changes in actuarial assumptions | 21,207 | 1,694 |
| Differences between projected and actual investment earnings (net of current year amortization) | | |
| Contributions subsequent to the measurement date | 3,340 | |
| Total | $ 24,547 | $ 18,888 |

$3,340 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal year ended September 30, | | |
|---|---|---|
| 2023 | $ | 1,195 |
| 2024 | $ | 889 |
| 2025 | $ | 381 |
| 2026 | $ | (134) |
| 2027 | $ | (12) |
| Thereafter | $ | 0 |

L. Risk financing

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2022, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for the above-described insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

M. Health care coverage

During the year ended September 30, 2022, employees of the City were covered by a health insurance plan (the "Plan"). The City paid premiums of $238 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable October 1, 2022, and terms of coverage and premium costs are included in the contractual provision.

Latest financial statements for the Plan are available for the year ended December 31, 2021, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

N. Subsequent event

Management has evaluated subsequent events through May 5, 2023; the date which the financial statements were available for distribution. There were none noted.

O. Implementation of new GASB statements

The City implemented GASB 87, *Leases*, during the current year under audit. There were no lease liabilities which met the standard for accrual except for former capital lease liabilities which have been re-characterized as loans in the City's financial statements.

## *REQUIRED SUPPLEMENTARY INFORMATION*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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CITY OF CLYDE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| REVENUE: | | | | |
| Taxes: | | | | |
| General property taxes | $ 1,072,302 | $ 1,072,302 | $ 1,088,605 | $ 16,303 |
| General sales and use taxes | 820,000 | 820,000 | 823,956 | 3,956 |
| Other taxes - franchise taxes | 135,000 | 135,000 | 112,174 | (22,826) |
| Penalty and interest on delinquent taxes | - | - | 16,439 | 16,439 |
| Licenses and permits | 6,500 | 6,500 | 59,315 | 52,815 |
| Administrative cost allocation | 385,525 | 385,525 | 760,000 | 374,475 |
| Charges for services | 200 | 200 | 63,045 | 62,845 |
| Fines | 325,500 | 325,500 | 429,602 | 104,102 |
| Grants | 10,000 | 10,000 | 55,000 | 45,000 |
| Other revenue | 15,800 | 15,800 | 30,268 | 14,468 |
| Investment earnings | - | - | 14,936 | 14,936 |
| Total revenues | 2,770,827 | 2,770,827 | 3,453,340 | 682,513 |
| EXPENDITURES: | | | | |
| General government | 410,480 | 410,480 | 557,552 | (147,072) |
| Senior citizens | 17,750 | 17,750 | 66,406 | (48,656) |
| Cemetery | 4,450 | 4,450 | 1,118 | 3,332 |
| Library | 146,197 | 146,197 | 124,100 | 22,097 |
| Police | 933,871 | 933,871 | 1,020,644 | (86,773) |
| Municipal court | 254,345 | 254,345 | 290,711 | (36,366) |
| Fire | 129,037 | 129,037 | 106,864 | 22,173 |
| Parks and recreation | 590,223 | 590,223 | 5,092,352 | (4,502,129) |
| Clyde lake | 167,041 | 167,041 | 145,805 | 21,236 |
| Code enforcement | 102,477 | 102,477 | 120,037 | (17,560) |
| Animal control | 141,528 | 141,528 | 170,393 | (28,865) |
| Streets | 319,265 | 319,265 | 314,260 | 5,005 |
| Debt service: | | | | |
| Principal | 70,800 | 70,800 | 137,992 | (67,192) |
| Interest and finance charges | 9,000 | 9,000 | 226,257 | (217,257) |
| Total expenditures | 3,296,464 | 3,296,464 | 8,374,491 | (5,078,027) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (525,637) | (525,637) | (4,921,151) | (4,395,514) |
| OTHER FINANCING RESOURCES (USES): | | | | |
| Loan proceeds | - | - | 15,690,432 | 15,690,432 |
| Total other financing resources (uses) | - | - | 15,690,432 | 15,690,432 |
| NET CHANGE IN FUND BALANCES | (525,637) | (525,637) | 10,769,281 | 11,294,918 |
| Fund balances - beginning | 393,226 | 393,226 | 393,226 | - |
| Fund balances - ending | $ (132,411) | $ (132,411) | $ 11,162,507 | $ 11,294,918 |

CITY OF CLYDE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Plan Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| **Total Pension Liability** | | | | | | | | |
| Service cost | $ 263,364 | $ 238,918 | $ 230,376 | $ 210,871 | $ 188,116 | $ 188,372 | $ 183,540 | $ 174,225 |
| Interest (on the total pension liability) | 353,053 | 323,915 | 300,578 | 279,125 | 261,537 | 247,132 | 237,880 | 221,960 |
| Changes of benefit terms | - | - | - | - | - | - | - | - |
| Difference between expected and actual experience | 126,889 | 48,778 | (66,639) | (29,071) | 11,075 | (3,209) | (37,110) | (60,692) |
| Change of assumputions | - | - | 60,984 | - | - | - | 8,327 | - |
| Benefit payments, including refunds of employee contributions | (174,327) | (210,016) | (157,636) | (148,081) | (274,997) | (162,532) | (101,710) | (123,747) |
| **Net Change in Total Pension Liability** | 568,979 | 401,595 | 367,663 | 312,844 | 185,731 | 269,763 | 290,927 | 211,746 |
| **Total Pension Liability - Beginning** | 5,185,892 | 4,784,297 | 4,416,634 | 4,103,790 | 3,918,059 | 3,648,296 | 3,357,369 | 3,145,623 |
| **Total Pension Liability - Ending (a)** | $ 5,754,871 | $ 5,185,892 | $ 4,784,297 | $ 4,416,634 | $ 4,103,790 | $ 3,918,059 | $ 3,648,296 | $ 3,357,369 |
| **Plan Fiduciary Net Position** | | | | | | | | |
| Contributions - employer | $ 201,260 | $ 183,182 | $ 177,729 | $ 160,160 | $ 151,234 | $ 144,888 | $ 144,516 | $ 131,498 |
| Contributions - employee | 107,873 | 98,668 | 95,990 | 89,190 | 80,935 | 78,864 | 78,724 | 74,562 |
| Net investment income | 603,788 | 321,831 | 552,459 | (107,245) | 441,342 | 197,827 | 4,137 | 147,341 |
| Benefit payments, including refunds of employee contributions | (174,327) | (210,016) | (157,636) | (148,081) | (274,997) | (162,532) | (101,710) | (123,747) |
| Administrative expense | (2,791) | (2,081) | (3,119) | (2,072) | (2,286) | (2,234) | (2,520) | (1,538) |
| Other | 19 | (81) | (94) | (108) | (116) | (120) | (124) | (126) |
| **Net Change in Plan Fiduciary Net Position** | 735,822 | 391,503 | 665,329 | (8,156) | 396,112 | 256,693 | 123,023 | 227,990 |
| **Plan Fiduciary Net Position - Beginning** | 4,627,855 | 4,236,352 | 3,571,023 | 3,579,179 | 3,183,067 | 2,926,374 | 2,803,351 | 2,575,361 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 5,363,677 | $ 4,627,855 | $ 4,236,352 | $ 3,571,023 | $ 3,579,179 | $ 3,183,067 | $ 2,926,374 | $ 2,803,351 |
| **Net Pension Liability - Ending (a) - (b)** | $ 391,194 | $ 558,037 | $ 547,945 | $ 845,611 | $ 524,611 | $ 734,992 | $ 721,922 | $ 554,018 |
| **Plan Fiduciary Net Position as a Percentage of Total Pension Liability** | 93.20% | 89.24% | 88.55% | 80.85% | 87.22% | 81.24% | 80.21% | 83.50% |
| **Covered Payroll** | $ 1,541,041 | $ 1,409,546 | $ 1,371,288 | $ 1,274,143 | $ 1,156,216 | $ 1,126,627 | $ 1,124,632 | $ 1,065,175 |
| **Net Pension Liability as a Percentage of Covered Payroll** | 25.39% | 39.59% | 39.96% | 66.37% | 45.37% | 65.24% | 64.19% | 52.01% |

CITY OF CLYDE, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Fiscal Year Ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Actuarially determined contribution | $ 234,490 | $ 191,938 | $ 184,399 | $ 171,186 | $ 156,780 | $ 147,545 | $ 143,910 | $ 138,157 |
| Contributions in relation to actuarially determined contribution | (234,490) | (191,938) | (184,399) | (171,186) | (156,780) | (147,545) | (143,910) | (138,157) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 1,755,149 | $ 1,471,438 | $ 1,421,274 | $ 1,332,115 | $ 1,234,197 | $ 1,133,235 | $ 1,119,289 | $ 1,068,624 |
| Contributions as a percentage of covered payroll | 13.36% | 13.04% | 12.97% | 12.85% | 12.70% | 13.02% | 12.86% | 12.93% |

CITY OF CLYDE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Plan Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| **Total OPEB Liability** | | | | | |
| Service cost | $ 10,941 | $ 8,598 | $ 5,074 | $ 5,224 | $ 4,162 |
| Interest (on the total OPEB liability) | 2,256 | 2,910 | 3,065 | 2,765 | 2,676 |
| Changes of benefit terms | - | - | - | - | - |
| Difference between expected and actual experience | (4,646) | (18,846) | (4,690) | (2,126) | - |
| Change of assumputions | 3,964 | 15,496 | 19,104 | (5,722) | 6,219 |
| Benefit payments, including refunds of employee contributions | (3,544) | (1,128) | (1,097) | (892) | (809) |
| **Net Change in Total OPEB Liability** | 8,971 | 7,030 | 21,456 | (751) | 12,248 |
| **Total OPEB Liability - Beginning** | 109,105 | 102,075 | 80,619 | 81,370 | 69,122 |
| **Total OPEB Liability - Ending** | $ 118,076 | $ 109,105 | $ 102,075 | $ 80,619 | $ 81,370 |
| **Covered Payroll** | $ 1,541,041 | $ 1,409,546 | $ 1,371,288 | $ 1,274,143 | $ 1,156,216 |
| **Total OPEB Liability as a Percentage of Covered Payroll** | 7.66% | 7.74% | 7.44% | 6.33% | 7.04% |

Defined Benefit Pension Plan

*Changes of benefit terms.*

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

*Changes of assumptions.*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

*Changes of benefit terms.*

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

*Changes of assumptions.*

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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## APPENDIX C

## FORMS OF BOND COUNSEL'S OPINIONS

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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 Bonds, assuming no material changes in facts or law.*

**CITY OF CLYDE, TEXAS**
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2023A**
**IN THE AGGREGATE PRINCIPAL AMOUNT OF $5,800,000**

---

**AS BOND COUNSEL** for the City of Clyde, Texas (the "Issuer"), we have examined into the legality and validity of the issue of bonds described above (the "Bonds"), which bear interest from the date specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing serially on the dates specified in the text of the Bonds, all in accordance with the Ordinance adopted by the City Council of the Issuer authorizing the issuance of the Bonds (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 relating to the authorization, issuance, sale and delivery of the Bonds, including the Ordinance; certificates of officials of the Issuer; and other pertinent instruments relating to the issuance of the Bonds. We have also examined one of the executed Bonds which we found to be in due form and properly executed.

**BASED ON SAID EXAMINATION**, it is our opinion that the Bonds 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 governmental immunity and bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, the Bonds 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 Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as provided in the Ordinance.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the Ordinance, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**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 Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**WE CALL YOUR ATTENTION TO THE FACT THAT** the interest on tax-exempt obligations, such as the Bonds, is 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.

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

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds 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 Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds 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 the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

**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 Bonds, assuming no material changes in facts or law.*

**CITY OF CLYDE, TEXAS**
**GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2023B**
**IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,240,000**

**AS BOND COUNSEL** for the City of Clyde, Texas (the "Issuer"), we have examined into the legality and validity of the issue of bonds described above (the "Bonds"), which bear interest from the date specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing serially on the dates specified in the text of the Bonds, all in accordance with the Ordinance adopted by the City Council of the Issuer authorizing the issuance of the Bonds (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 relating to the authorization, issuance, sale and delivery of the Bonds, including the Ordinance; certificates of officials of the Issuer; and other pertinent instruments relating to the issuance of the Bonds. We have also examined one of the executed Bonds which we found to be in due form and properly executed.

**BASED ON SAID EXAMINATION**, it is our opinion that the Bonds 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 governmental immunity and bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, the Bonds 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 Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as provided in the Ordinance.

**IT IS FURTHER OUR OPINION** that the Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended.

**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.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, 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 Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds 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 the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

**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.*

**CITY OF CLYDE, TEXAS**
**COMBINATION TAX AND SURPLUS REVENUE**
**CERTIFICATES OF OBLIGATION, SERIES 2023**
**IN THE AGGREGATE PRINCIPAL AMOUNT OF $4,130,000**

**AS BOND COUNSEL** for the City of Clyde, Texas (the "Issuer"), we have examined into the legality and validity of the Certificates of Obligation described above (the "Certificates"), which bear interest from the date specified in the text of the Certificates, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Certificates, and maturing serially on the dates specified in the text of the Certificates, all in accordance with the Ordinance adopted by the City Council of the Issuer authorizing the issuance of the Certificates (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 relating to the authorization, issuance, sale and delivery of the Certificates, including the Ordinance; certificates of officials of the Issuer; and other pertinent instruments relating to the issuance of the Certificates. We have also examined one of the executed Certificates which we found to be in due form and properly executed.

**BASED ON SAID EXAMINATION**, it is our opinion that the Certificates have been duly authorized, issued and delivered, all 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 and governmental immunity of political subdivisions which permit the exercise of judicial discretion, the Certificates will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the 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 surplus revenues 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 bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's Waterworks and Sewer System, all as 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 individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the 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.

**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, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

**WE CALL YOUR ATTENTION TO THE FACT THAT** the interest on tax-exempt obligations, such as the Certificates, is 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.

**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.

**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 our opinions 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 certifications executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within 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.

Respectfully,

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**<u>APPENDIX D</u>**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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ASSURED GUARANTY MUNICIPAL

# MUNICIPAL BOND INSURANCE POLICY



ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer



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

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES