OFFICIAL STATEMENT

Dated November 20, 2023

Rating:
S&P: "AA-"
(See "OTHER INFORMATION-Rating" herein)

NEW ISSUE - Book-Entry-Only

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

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

$1,370,000
CITY OF CANADIAN, TEXAS
(Hemphill County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

Dated Date: November 1, 2023 **Due: February 15, as shown on the inside cover page**
Interest to Accrue from the Date of Initial Delivery

PAYMENT TERMS . . . Interest on the $1,370,000 City of Canadian, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") will accrue from the date of initial delivery to the underwriter shown below ("Date of Initial Delivery"), will be payable February 15 and August 15 of each year commencing February 15, 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. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City of Canadian, 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 surplus net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the issuance of the Certificates (the "Ordinance"). See "THE CERTIFICATES - Authority for Issuance" and "– Security and Source of Payment".

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys, bridges and sidewalks including related utility relocation, drainage, signalization, landscaping, screening walls, lighting and signage; and (ii) paying the costs of issuance of the Certificates.

CUSIP PREFIX: 136663
SEE MATURITY SCHEDULE, 9 Digit CUSIP AND REDEMPTION PROVISIONS ON THE REVERSE OF THIS PAGE

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., Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion"). 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 December 19, 2023.

SAMCO CAPITAL

CUSIP Prefix [1]: 136663

MATURITY SCHEDULE

Principal Amount	Maturity (February 15)	Interest Rate	Price or Yield	CUSIP Suffix [1]
$ 45,000	2024	5.000%	4.000%	DK4
25,000	2025	5.000%	3.950%	DL2
25,000	2026	5.000%	3.900%	DM0
30,000	2027	5.000%	3.900%	DN8
30,000	2028	5.000%	3.900%	DP3
30,000	2029	5.000%	3.930%	DQ1
35,000	2030	5.000%	3.970%	DR9
65,000	2031	5.000%	3.980%	DS7
70,000	2032	5.000%	4.000%	DT5

$225,000 5.000% Term Certificates due February 15, 2035, Priced to Yield 4.050%[2], CUSIP Suffix[1] DW8
$355,000 5.000% Term Certificates due February 15, 2039, Priced to Yield 4.350%[2], CUSIP Suffix[1] EA5
$435,000 5.000% Term Certificates due February 15, 2043, Priced to Yield 4.530%[2], CUSIP Suffix[1] EE7

(Interest Accrues from the Date of Initial Delivery)

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(2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 15, 2033, the first optional redemption date for such Certificates at a redemption price of par, plus accrued interest to the redemption date.

REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption"). Additionally, Term Certificates (defined herein) maturing on February 15 in the years 2035, 2039, and 2043 are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts described herein under "THE CERTIFICATES – Mandatory Sinking Fund Redemption".

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

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

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

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

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

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 FURNISHED BY DTC IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES.

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

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates 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 Canadian is a political subdivision and Type A General Law municipal corporation of the State, located in Hemphill County, Texas. The City covers approximately 1.8 square miles (see "INTRODUCTION - Description of the City").

THE CERTIFICATES .... The Certificates are issued as $1,370,000 Combination Tax and Revenue Certificates of Obligation, Series 2023. The Certificates are issued as serial certificates maturing February 15 in each of the years 2024 through 2032, inclusive, and as Term Certificates maturing February 15 in the years 2035, 2039, and 2043. See "THE CERTIFICATES - Description of the Certificates".

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the date of initial delivery, and is payable February 15, 2024, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

AUTHORITY FOR ISSUANCE .... The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and the ordinance authorizing the issuance of the Certificates (the "Ordinance"). See "THE CERTIFICATES - Authority for Issuance".

SECURITY FOR THE CERTIFICATES........................... The Certificates constitute direct obligations of 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 surplus net revenues of the City's Waterworks and Sewer System, as provided in the Ordinance (see "THE CERTIFICATES – Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption"). Additionally, Term Certificates (defined herein) maturing on February 15 in the years 2035, 2039, and 2043 are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts described herein under "THE CERTIFICATES – Mandatory Sinking Fund Redemption".

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

QUALIFIED TAX-EXEMPT OBLIGATIONS......................... The City has designated the Certificates as "qualified tax-exempt obligations" for financial institutions.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys, bridges and sidewalks including related utility relocation, drainage, signalization, landscaping, screening walls, lighting and signage; and (ii) paying the costs of issuance of the Certificates.

RATING .... The Certificates are rated "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). The outstanding tax supported debt of the City is rated "AA-" by S&P (see "OTHER INFORMATION - Rating").

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

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	General Purpose G.O. Tax Debt [(3)]	Ratio of General Purpose G.O. Tax Debt to Taxable Assessed Valuation	General Purpose G.O. Tax Debt Per Capita	% of Total Tax Collections
2020	2,339	$130,598,210	$ 55,835	$2,920,000	2.24%	$ 1,248	99.69%
2021	2,248	126,419,954	56,237	2,610,000	2.06%	1,161	98.63%
2022	2,248	124,185,210	55,243	2,300,000	1.85%	1,023	97.82%
2023	2,248	126,587,150	56,311	1,970,000	1.56%	876	94.96% [(5)]
2024	2,248	131,038,680	58,291	3,045,000 [(4)]	2.32%	1,355	N/A

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(1) Source: Municipal Advisory Council of Texas.
(2) As reported by the Hemphill County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes Self-Supporting Debt.
(4) Includes the Certificates.
(5) Collections as of August 31, 2023.

For additional information regarding the City, please contact:

Mr. Joe Jarosek		Mr. Vince Viaille
City Manager		Mr. Paul Jasin
City of Canadian	Or	Specialized Public Finance Inc.
6 Main Street		4925 Greenville Avenue, Suite 1350
Canadian, Texas 79014		Dallas, Texas 75206
Phone: (806) 323-6473		Phone: (214) 373-3911

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Terrill Bartlett Mayor	4 Years	May, 2025	Hardware Store Owner
Gary Prater Mayor Pro Tem	7 Years	May, 2024	Self-Employed
Ashlee Talley Councilmember	3 Years	May, 2024	Operations Manager
Wendie Cook Councilmember	5 Years	May, 2024	Executive Director, Citadel Art Museum
Jonilyn Hanes Councilmember	2 Years	May, 2025	Florist Shop Owner
Matt Cipollone Councilmember	1 Year	May, 2025	Law Enforcement

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years in Current Position
Joe Jarosek	City Manager	6 1/2 Years
Kimberly Sloat	City Secretary	10 Years

CONSULTANTS AND ADVISORS

Auditors .... Brown, Graham, & Company, P.C.
Amarillo, Texas

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

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

OFFICIAL STATEMENT

RELATING TO

$1,370,000
CITY OF CANADIAN, TEXAS
(Hemphill County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $1,370,000 City of Canadian, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, and is a Type A General Law City under State Law. The City was incorporated in 1934. The City operates under a Council/Manager form of government where the Mayor and five Councilmembers are elected for two-year staggered terms. The Council formulates operating policy for the City while the City Manager is the chief administrative officer. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, sanitation, health, parks and recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 2,339. The City covers approximately 1.8 square miles.

THE CERTIFICATES

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys, bridges and sidewalks including related utility relocation, drainage, signalization, landscaping, screening walls, lighting and signage; and (ii) paying the costs of issuance of the Certificates.

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated November 1, 2023 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from the date of initial delivery and will be payable on February 15 and August 15, commencing February 15, 2024 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and the ordinance adopted by the City Council authorizing the issuance of the Certificates ("Ordinance").

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of 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, and are additionally payable from a pledge of surplus net revenues of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt services, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of the Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificate, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates 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 Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15 in the years 2035, 2039, and 2043 (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 February 15, 2035		Term Certificates Maturing February 15, 2039		Term Certificates Maturing February 15, 2043	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
Febreuary 15, 2033	$70,000	Febreuary 15, 2036	$85,000	Febreuary 15, 2040	$100,000
Febreuary 15, 2034	75,000	Febreuary 15, 2037	85,000	Febreuary 15, 2041	105,000
Febreuary 15, 2035 *	80,000	Febreuary 15, 2038	90,000	Febreuary 15, 2042	110,000
		Febreuary 15, 2039 *	95,000	Febreuary 15, 2043 *	120,000

*Stated Maturity

The principal amount of Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of the same maturity which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (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 Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

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

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized entity, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agents for the Refunded Obligations. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligation 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 the City Council approves the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council approves the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded as being outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates 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 Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners 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 those for any other Defeasance Security will be maintained at any particular rating category.

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

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

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

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

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

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

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

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

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

Redemption proceeds and principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities 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 transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

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

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

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

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the registered owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of

Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange (i) any Certificate during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

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

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

CERTIFICATEHOLDERS' REMEDIES . . . If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

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

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, with respect to principles of governmental immunity, and with respect to general principles of equity that permit the exercise of judicial discretion.

AMENDMENTS TO THE ORDINANCE . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

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

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

SOURCES OF FUNDS:	
Par Amount of Certificates	$ 1,370,000.00
Reoffering Premium	64,100.65
Total Sources of Funds	$ 1,434,100.65
USES OF FUNDS:	
Deposit to Project Construction Fund	$ 1,340,000.00
Underwriter's Discount	21,491.86
Costs of Issuance	72,608.79
Total Uses of Funds	$ 1,434,100.65

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Infectious Disease Outbreak – COVID-19 . . . The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas (the "State"). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration was extended and is still in effect. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and the phased reopening of the State. Most recently, on March 2, 2021, the Governor issued Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the State-wide mask mandate, effective March 10, 2021. The Governor's order also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at http://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

Potential Impact of COVID-19 . . . A continued spread of COVID-19, and measures taken to prevent or reduce such spread, could adversely impact state, national and global economic activities and, accordingly, adversely impact the financial condition and performance of the City; the extent of such impact could be material.

While the effects of COVID-19 on the national, state and local levels may be temporary, it has altered the behavior of businesses and people in a manner that has had negative impacts on global and local economies. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries, including manufacturing.

While any impact on the City is currently uncertain, the City continues to monitor the impact of COVID-19 on its operations. The City cannot predict the impact COVID-19 may have on the City's financial and operating condition or an investment in the Certificates. The Certificates are secured by ad valorem tax revenues collected and assessed annually. It is unclear at this time what if any effect the COVID-19 outbreak and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency. For a review of the ad valorem tax system, see "AD VALOREM TAX PROCEDURES".

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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 Hemphill County 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. 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. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – 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. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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

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

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods 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 PROPERTY TAXATION" 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 PROPERTY TAXATION – 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 PROPERTY TAXATION – City Application of Property Tax Code" herein.

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

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 Certificates.

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

ISSUER AND TAXPAYER REMEDIES…Under certain circumstances, the 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 is set at $57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the 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.

2023 LEGISLATIVE SESSION . . . The 88th Texas Legislature began on January 10, 2023 and adjourned on May 29, 2023. The Legislature meets in regular session in odd numbered years for 140 days. During the 88th Texas Legislative Session, the Legislature considered legislation affecting ad valorem taxation procedures and exemptions, among other legislation affecting cities, counties and other political subdivisions generally.

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

On June 27, 2023, the Governor called a second special session, which adjourned sine die on July 13, 2023. The charge for the second special session included the following: (i) "Legislation to cut property-tax rates solely by reducing the school district maximum compressed tax rate in order to provide lasting property-tax relief for Texas taxpayers;" (ii) "Legislation to put Texas on a pathway to eliminate school district maintenance and operations property taxes;" (iii) "Legislation relating to providing property tax relief through the public school finance system, exemptions, limitations on appraisals and taxes and property tax administration;" and (iv) "Legislation relating to the amount of the total revenue exemption from the franchise tax and the exclusion of certain taxable entities from the requirement to file a franchise tax report."

On October 9, 2023, the Governor called a third special session, which concluded on November 7, 2023. The charge for the third special session included the following: (i) "Legislation providing education savings accounts for all Texas schoolchildren;" (ii) "Legislation to do more to reduce illegal immigration by creating a criminal offense for illegal entry into this state from a foreign nation and authorizing all licensed peace officers to remove illegal immigrants from Texas;" (iii) "Legislation to impede illegal entry into Texas by increasing the penalties for criminal conduct involving the smuggling of persons or the operation of a stash house;" (iv) "Legislation to impede illegal entry into Texas by providing more funding for the construction, operation, and maintenance of border barrier infrastructure;" (v) "Legislation concerning public safety, security, environmental quality, and property ownership in areas like the Colony Ridge development in Liberty County, Texas;" and (vi) "Legislation prohibiting COVID-19 vaccine mandates by private employers." On October 31, 2023, the Governor expanded the charge for the third special session to include: (i) "Legislation relating to primary and secondary education, including the establishment of an education savings account program, the certification, compensation, and health coverage of certain public school employees, the public school finance system, special education in public schools, measures to support the education of public school students that include certain educational grant programs, reading instruction, and early childhood education, the provision of virtual education, and public school accountability;" and (ii) "Legislation related to school safety measures and related state funding mechanisms."

On November 7, 2023, the Governor called a fourth special session. The charge for the fourth special session included the following: (i) "Legislation relating to primary and secondary education, including the establishment of an education savings account program, the certification, compensation, and health coverage of certain public school employees, the public school finance system, special education in public schools, measures to support the education of public school students that include certain educational grant programs, reading instruction, and early childhood education, the provision of virtual education, and public school accountability;" (ii) "Legislation related to school safety measures and related state funding mechanisms;" (iii) "Legislation to do more to reduce illegal immigration by creating criminal offenses for illegal entry into this state from a foreign nation and illegal reentry or presence following denial of admission, exclusion, deportation, or removal; authorizing the removal of illegal immigrants from Texas; and providing indemnification and immunity for public officials, employees, or contractors in connection with the foregoing;" and (iv) "Legislation to impede illegal entry into Texas by providing more funding for the construction, operation, and maintenance of border barrier infrastructure, and additional funding for the Department of Public Safety for border security operations, including additional overtime expenses and costs due to an increased law enforcement presence to preserve public safety and security in the Colony Ridge development in Liberty County, Texas."

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

The foregoing legislation is intended to reduce the amount of property taxes paid by homeowners and businesses and will result in an increase the State's share of the cost of funding public education. At an election held on November 7, 2023, voters approved a constitutional amendment that implements certain of the foregoing legislation.

The City is in the process of reviewing legislation that passed and can make no representation regarding the impact of such legislation at this time. Additional special sessions may be called. During this time, the Legislature may enact laws that materially change current law as it relates to property tax exemptions and procedures. The City can make no representations or predictions regarding the scope of legislation that may be considered during any additional called special session or the potential impact of such legislation at this time.

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

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

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

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

The City does not tax nonbusiness personal property; and Canadian Independent School District collects taxes for the City.

The City does permit split payments, and discounts are allowed.

The City does not tax freeport property.

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

The City has adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2023/2024 Market Valuation Established by the Hemphill County Appraisal District (excluding exempt property)	$135,369,380
Less Exemptions/Reductions at 100% Market Value:	4,330,700
2023/2024 Net Taxable Assessed Valuation	$131,038,680
City Funded Debt Payable from Ad Valorem Taxes	
General Obligation Debt (as of 10/31/2023)	$ 1,970,000
The Certificates	1,370,000
General Obligation Debt Payable from Ad Valorem Taxes	$ 3,340,000
Less: Self Supporting Debt (1)	
Waterworks and Sewer System General Obligation Debt	$ 3,340,000
General Purpose Funded Debt Payable from Taxation (as of 10/31/2023)	$ -
General Obligation Interest and Sinking Fund (as of 9/30/2023)	$ 2,262,112
Ratio General Obligation Debt to 2023/2024 Taxable Assessed Valuation	2.55%
Ratio General Purpose Funded Debt to 2023/2024 Taxable Assessed Valuation	0.00%

2023 Estimated Population - 2,248
Per Capita 2023/2024 Taxable Assessed Valuation - $58,291
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $1,486
Per Capita General Purpose Funded Debt - $0

(1) Certain ad valorem tax-supported indebtedness which was issued for water and sewer purposes is currently being paid from waterworks and sewer system revenues are considered by the City to be self-supporting debt. While the City considers such ad valorem tax-supported debt to be self-supporting, revenues and are not (except to the extent of certain limited pledges of surplus net revenues of the waterworks and sewer system, which may or may not have been fully satisfied) pledged to the payment of such debt. **The transfers of such revenues to make debt service payments on such ad valorem tax debt is discretionary and may be discontinued by the City, in whole or in part, at any time.** In the event and to the extent the City elects to discontinue such revenue transfers, the City will be required to levy ad valorem taxes or to appropriate other lawfully available funds of the City in an amount sufficient to pay the debt service on such debt.

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TABLE 2 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	General Purpose G.O. Tax Debt [(3)]	Ratio of General Purpose G.O. Tax Debt to Taxable Assessed Valuation	General Purpose G.O. Tax Debt Per Capita
2020	2,339	$ 130,598,210	$ 55,835	$ 2,920,000	2.24%	$ 1,248
2021	2,248	126,419,954	56,237	2,610,000	2.06%	1,161
2022	2,248	124,185,210	55,243	2,300,000	1.85%	1,023
2023	2,248	126,587,150	56,311	1,970,000	1.56%	876
2024	2,248	131,038,680	58,291	3,045,000 [(4)]	2.32%	1,355

(1) Source: Municipal Advisory Council of Texas.
(2) As reported by the Hemphill County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Includes the Certificates.

TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% of Total Tax Collections to Tax Levy
2019	$0.6674	$0.6004	$ 0.0670	$ 905,894	98.55%
2020	0.6861	0.6151	0.0710	896,173	99.69%
2021	0.7174	0.6462	0.0712	909,126	98.63%
2022	0.7235	0.6887	0.0348	898,466	97.82%
2023	0.7771	0.7420	0.0351	984,346	94.96% [(1)]

(1) Collections as of August 31, 2023.

TABLE 4 - TEN LARGEST TAXPAYERS

Name of Taxpayer	2023/2024 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
BNSF Railway Company	$ 3,617,470	2.76%
Enable Gas Gathering LLC	2,972,860	2.27%
SAA Properties LP	2,489,160	1.90%
John T Wright	2,027,440	1.55%
Revolution Resources II	1,868,080	1.43%
Southwestern Public Service Co	1,500,950	1.15%
Rio Canadian Rental Properties LLC	1,202,860	0.92%
Pay and Save, Inc.	1,087,130	0.83%
Keeton Energy Solutions LLC	870,780	0.66%
KJK Rental Properties LLC	829,080	0.63%
	$ 18,465,810	14.09%

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

TABLE 5 - TAX ADEQUACY [1]

2024 Net Tax Supported Debt Principal and Interest Requirements	$ 412,581
$0.3315 Tax Rate at 95% Collection Produces	$ 412,674
Average Net Tax Supported Debt Annual Principal and Interest Requirements, 2024-2043	$ 222,870
$0.1791 Tax Rate at 95% Collection Produces	$ 222,956
Maximum Annual Principal and Interest Requirements, 2027	$ 415,000
$0.3334 Tax Rate at 95% Collection Produces	$ 415,039

(1) Includes the Certificates and self-supporting debt (see Table 1 for detailed information on self-supporting debt).

TABLE 6 - 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 bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	General Purpose G.O. Debt As of 10/31/23	Estimated % Applicable	City's Overlapping Funded Debt As of 10/31/23
City of Canadian	$ 3,340,000	100.00%	$ 3,340,000 [1]
Canadian ISD	6,530,000	11.73%	765,969
Hemphill County	-	8.75%	-
Hemphill County Hospital District	12,895,000	8.75%	1,128,313
Total Direct and Overlapping G.O. Debt			$ 5,234,282
Ratio of Direct and Overlapping G.O. Debt to 2023/2024 Taxable Assessed Valuat			3.99%
Per Capita Overlapping G.O. Debt			$ 2,328

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

DEBT INFORMATION

TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Principal	Outstanding Debt Interest	Outstanding Debt Total	The Certificates (1) Principal	The Certificates (1) Interest	The Certificates (1) Total	Total Debt Service Requirements	LESS: System-Supported Debt Service	Total Tax-Supported Debt Service	% of Principal Retired
2024	$ 250,000	$ 73,800	$ 323,800	$ 45,000	$ 43,781	$ 88,781	$ 412,581	$ 412,581	-	8.83%
2025	260,000	63,600	323,600	25,000	65,625	90,625	414,225	414,225	-	
2026	270,000	53,000	323,000	25,000	64,375	89,375	412,375	412,375	-	
2027	280,000	42,000	322,000	30,000	63,000	93,000	415,000	415,000	-	
2028	290,000	30,600	320,600	30,000	61,500	91,500	412,100	412,100	-	45.06%
2029	305,000	18,700	323,700	30,000	60,000	90,000	413,700	413,700	-	
2030	315,000	6,300	321,300	35,000	58,375	93,375	414,675	414,675	-	
2031	-	-	-	65,000	55,875	120,875	120,875	120,875	-	
2032	-	-	-	70,000	52,500	122,500	122,500	122,500	-	
2033	-	-	-	70,000	49,000	119,000	119,000	119,000	-	71.71%
2034	-	-	-	75,000	45,375	120,375	120,375	120,375	-	
2035	-	-	-	80,000	41,500	121,500	121,500	121,500	-	
2036	-	-	-	85,000	37,375	122,375	122,375	122,375	-	
2037	-	-	-	85,000	33,125	118,125	118,125	118,125	-	
2038	-	-	-	90,000	28,750	118,750	118,750	118,750	-	84.13%
2039	-	-	-	95,000	24,125	119,125	119,125	119,125	-	
2040	-	-	-	100,000	19,250	119,250	119,250	119,250	-	
2041	-	-	-	105,000	14,125	119,125	119,125	119,125	-	
2042	-	-	-	110,000	8,750	118,750	118,750	118,750	-	
2043	-	-	-	120,000	3,000	123,000	123,000	123,000	-	100.00%
	$ 1,970,000	$ 288,000	$ 2,258,000	$ 1,370,000	$ 829,406	$ 2,199,406	$ 4,457,406	$ 4,457,406	$ -	

(1) Interest on the Certificates has been calculated at the rates shown on the inside cover page hereof.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not have any plans to issue additional general obligation debt in the next twelve months.

OTHER OBLIGATIONS . . . The City has no other obligations.

PENSION PLANS

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.

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The 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 for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.78% and 18.36% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were $206,357 and were equal to the required contributions.

For more detailed information concerning the retirement plans, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note # 12.

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description and Benefits Provided . . . Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other Post Employment benefit ("OPEB") and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75). The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

For more detailed information concerning the benefits, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note # 13.

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FINANCIAL INFORMATION

TABLE 9 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
REVENUES	2022	2021	2020	2019	2018
Taxes, Penalties and Interest	$ 1,369,375	$ 1,298,713	$ 1,308,585	$ 1,424,545	$ 1,435,474
Charges for Services	16,277	16,804	6,586	10,196	12,596
Fees and Permits	128,410	114,634	118,907	125,865	133,185
Grants and Donations	-	123,145	10,860	6,000	1,000
Royalties and Rents	5,425	2,171	847	1,910	2,185
Interest on Temporary Investments	21,104	19,112	27,635	38,013	12,298
Sale of Assets	-	3,250	-	-	-
Other	147,372	9,049	10,818	50,547	64,302
Total Revenues	$ 1,687,963	$ 1,586,878	$ 1,484,238	$ 1,657,076	$ 1,661,040
EXPENDITURES					
Current:					
City Council	$ 2,073	$ 2,382	$ 2,044	$ 10,100	$ 8,240
Administration	450,319	527,792	416,847	433,079	405,385
Legal	7,200	7,300	7,200	7,636	7,437
Tax Office	46,902	41,987	32,870	32,950	33,376
Elections	-	1,811	2,069	1,845	2,018
Community Service	95,494	24,954	34,164	24,316	20,160
Fire Department	-	-	-	239	45,878
Highway and Streets	450,014	302,449	210,361	311,304	343,727
Public Works	145,026	122,390	123,153	125,220	130,675
Swimming Pool	69,098	56,731	57,579	74,539	76,878
CARE Commission	-	1,361	-	-	1,241
Support Services	276,615	220,008	236,795	220,287	220,117
Maintenance Shop	127,614	116,782	117,155	115,979	107,950
Capital Outlay	343,000	14,690	29,900	44,353	58,770
Total Expenditures	$ 2,013,355	$ 1,440,637	$ 1,270,137	$ 1,401,847	$ 1,461,852
Excess (Deficiency) of Revenues over Expenditures	$ (325,392)	$ 146,241	$ 214,101	$ 255,229	$ 199,188
OTHER FINANCING SOURCES (USES)					
Operating Transfers in	$ 15,294	$ 44,221	$ 21,671	$ 1,327	$ -
Operating Transfers Out	-	-	-	-	(25,298)
Total Other Financing Sources (Uses)	$ 15,294	$ 44,221	$ 21,671	$ 1,327	$ (25,298)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$ (310,098)	$ 190,462	$ 235,772	$ 256,556	$ 173,890
Fund Balance at Beginning of Year	$ 4,659,052 (1)	$ 4,468,591 (1)	$ 4,232,817	$ 3,976,261 (1)	$ 3,802,370
Fund Balance at End of Year	$ 4,348,954	$ 4,659,053	$ 4,468,589	$ 4,232,817	$ 3,976,260

(1) Restated.

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TABLE 10 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City. Proceeds of these sales and use taxes are credited to the General Fund and are not pledged to the Certificates. Voters approved an additional sales and use tax of ½ of 1% for the Canadian-Hemphill County Economic Development Corporation (Type A) and ½ of 1% for property tax reduction. 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. Revenue from this source, for the years shown, has been:

Fiscal Year Ended 9/30	Total Collected [(1)]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita [(2)]
2019	$ 839,894	92.71%	$ 0.6184	$ 311
2020	671,235	74.90%	0.5140	287
2021	613,372	67.69%	0.4852	273
2022	697,840	77.67%	0.5619	310
2023	750,688 [(3)]	76.26%	0.5930	334

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(1) Source: Texas Comptroller of Public Accounts.
(2) Source: Municipal Advisory Council of Texas.
(3) Collections as of August 31, 2023.

FINANCIAL POLICIES

<u>Basis of Accounting</u> . . . The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met (see "APPENDIX B – Excerpts from the City of Canadian Annual Financial Report" – Note #1).

<u>General Fund</u> . . . The General Fund Balance accounts for several of the City's primary services (Public Safety, Public Works, General Administration, etc.) and is the primary operating unit of the City.

<u>Debt Service Fund</u> . . . The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds, when applicable.

<u>Budgetary Procedures</u> . . . The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In June, the City Manager submits a proposed operating budget to the City Council for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device for the General Fund, certain Special Revenue Funds, and Proprietary Funds.
6. Budgets for these funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Capital outlay provisions are included in each fund's budget.
7. Budgeted amounts are as originally adopted or as amended by the City Council.
8. An appropriation in furtherance of public improvements or public works which will not be completed within the budget year continues in force until the purpose for which it was made is accomplished. All other appropriations lapse at year end and are subject to reappropriation.

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 of Canadian. Both state law and the City's investment policies are subject to change.

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

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" 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 Texas 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.

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

Under Texas 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, and any additions and changes to market value and the ending value 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) Texas law. No person may invest City funds without express written authority from the City Council.

Under Texas 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 11 - CURRENT INVESTMENTS

As of August 31, 2023, the City's investable funds were invested in the following categories:

Description	Book Value
Bank Accounts	$ 6,545,574
	$ 6,545,574

TAX MATTERS

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the projects financed with the proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with any of aforementioned opinions of Bond Counsel. 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 holders of the Certificates may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

Under Existing Law, any owner who has purchased such Original Issue Discount Security 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 Security equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing 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 excessive passive income, foreign corporation subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount 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.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligations because the City has not issued more than $10,000,000 in aggregate amount of outstanding debt, excluding transactions exempt from Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"). Pursuant to the exemption, the City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data and timely notice of specified material events to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to investors by the MSRB through its Electronic Municipal Markets Access ("EMMA") system, free of charge at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data, which is customarily prepared by the City and is publicly available to the MSRB on an annual basis. Such information is currently provided through the City's annual audited financial statements. The City will update and provide this information within twelve months after the end of each fiscal year. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by September 30 in each subsequent year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

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

Limitations and Amendments . . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above.

The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretation of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City amends its agreement, it must 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 information and data provided.

Compliance with Prior Undertakings . . . During the last five years, the City believes that it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

Rating . . . The Certificates are rated "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). The rating reflects only the views of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Certificates.

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 Certificates or the legal ability of the City to issue the Certificates.

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

Legal Investments and Eligibility to Secure Public Funds in Texas . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PIFA, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Rating" herein). Section 271.051, Texas Local Government Code, provides that the Certificates are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the sinking funds of municipalities, school districts, and other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

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

LEGAL OPINIONS . . . The City will furnish to the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Though it may represent the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. 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 "THE CERTIFICATES" (exclusive of subcaptions "Book-Entry-Only System" and "Certificateholders' Remedies"), "TAX MATTERS" 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 Certificates 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 Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fees of such firm are contingent upon the sale and delivery of the Certificates.

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

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

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

UNDERWRITING . . . The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at the purchase price of $1,412,608.79 (representing the par amount of the Certificate, plus a reoffering premium of $64,100.65, and less an underwriting discount of $21,491.86). 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 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 its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

/s/ Terrill Bartlett
Mayor
City of Canadian, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION

The City, the county seat and principal commercial center of Hemphill County (the "County"), is located in the northeastern portion of the Texas Panhandle approximately 30 miles from the Oklahoma border on U.S. Highway 60.

POPULATION

The City's 2020 U.S. Census population was 2,339.

HEMPHILL COUNTY

The County is a north Texas panhandle county bordering Oklahoma, served by State Highways 60 and 83 and a well-developed farm-to-market road system.

The economy is based on mineral production and ranching.

AGRICULTURE

The Texas Almanac designates cattle and swine as principal sources of agricultural income. Major industries of the area include farming, ranching, oil and natural gas. A grain elevator serves area farmers.

LABOR FORCE ESTIMATES – HEMPHILL COUNTY

	August,	Annual Averages			
	2023	2022	2021	2020	2019
Civilian Labor Force	1,566	1,633	1,648	1,791	1,988
Total Employment	1,501	1,579	1,575	1,709	1,936
Total Unemployment	65	54	73	82	52
Percent Unemployment	4.2%	3.3%	4.4%	4.6%	2.6%

Source: Texas Labor Market Information.

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APPENDIX B

EXCERPTS FROM THE

CITY OF CANADIAN, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2022

The information contained in this Appendix consists of excerpts from the City of Canadian, 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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BROWN, GRAHAM & COMPANY, P.C.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor Terrill Bartlett and
Members of the City Council
City of Canadian

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canadian, (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 our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, the respective changes in financial position, the respective budgetary comparison for the General Fund and the major special revenue fund, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or 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 date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Honorable Mayor Terrill Bartlett and
Members of the City Council
Page two

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 8-14 and the pension and OPEB schedules and related notes on pages 66-70 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying *Introductory Section* and *Supplementary Information* as 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 *Supplementary Information* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Supplementary Information* as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *Introductory Section* has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

Brown, Graham, & Company, P.C.

Amarillo, Texas
March 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As city manager of the City of Canadian, Texas (the City), I offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. I encourage readers to consider the information presented here in conjunction with the financial statements of the City and additional information provided. The *Independent Auditor's Report* is on Page 5 and the basic financial statements begin on page 16.

BACKGROUND INFORMATION

The City of Canadian was incorporated in 1908, under Title 28 of the Statutes of the State of Texas. The City operates under a council-manager form of government and provides the services of public safety (code enforcement and fire), streets, culture and recreation, public works, planning and zoning, promotion and tourism, water, sewer, solid waste disposal, a golf course and various general services.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $13,727,192 (*net position*). Of this amount, $4,558,260 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. This represents approximately 118 percent of the City's annual government-wide expenses.
- The City's total net position increased $659,727. The increase is less than the prior year, mainly due to less operating and capital grants received in the business-type activities net position.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $4,341,084 or 215 percent of total General Fund expenditures.
- The assets and deferred outflows of resources of the enterprise funds (Water and Sewer, Sanitation and the Golf Course) exceed their liabilities and deferred inflows of resources at the close of the most recent fiscal year by $7,158,893 (*net position*). The enterprise funds' total net position increased $766,626.
- In accordance with GASB 68 – *Accounting and Financial Reporting for Pensions,* the City has recorded a net pension liability of $1,012,675 at September 30, 2022.
- In accordance with GASB 75 – *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, the City has recorded a total Other Post Employment Benefit (OPEB) liability of $93,207 at September 30, 2022.

USING THIS ANNUAL REPORT

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

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business (accrual basis). The *government-wide financial statements*, exhibits A-1 and A-2, include the *statement of net position* and the *statement of activities*. These statements present a long-term view of the City's financial situation and they reflect the flow of total economic resources of the City.

- The *statement of net position* presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, promotion and tourism, culture and recreation, and economic development. The business-type activities of the City include water and sewer, sanitation and a golf course.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *fund financial statements*, beginning on page 20, report the City's operations in greater detail than the *government-wide statements*. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- ***Governmental Funds:*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. The effect is that long-term assets and liabilities are not reported on the fund financial statements. Such information may be useful in evaluating a government's near-term financing requirements. They also serve as the basis for tax levies and the appropriation of budgets.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.* These reconciliations can be viewed on pages 21 and 23.

The City maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Hotel/Motel Occupancy Tax Fund, and the Debt Service Fund, which are considered to be major funds as defined by GASB Statement Nos. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) and 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34* (GASB 37), or as designated by City management.

The City adopts an annual appropriated budget for its General Fund and special revenue fund. Budgetary comparison statements have been provided for these budgeted funds beginning at page 24 to demonstrate compliance with the budget.

- ***Proprietary Funds:*** These are also known as business-type funds. The focus for proprietary funds is on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. Proprietary funds are used for activities similar to those found in the private sector. The proprietary fund statements (Exhibits D-1, D-2 and D-3) report the revenues and expenses of providing utilities (water and sewer), solid waste disposal (sanitation) and golf. These Funds account for activities that the City charges fees to users for goods and services. Generally, fees are set high enough to cover most or all of the costs of providing the goods and services.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-64 of this report.

Other information: Information about the City's pension plan, OPEB plan and cash deposits can be found on pages 66-70.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position and the Statement of Activities

The primary purpose of the *government-wide financial statements* is to report whether the City's financial condition has improved or worsened as a result of the year's activities and to report the resources available for future needs. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Other factors such as changes in the City's property tax base, strength of the local economy, utility rates and the condition of facilities must also be considered. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $13,727,192 at the close of the most recent fiscal year.

The largest portion of the City's net position (52 percent) reflects the net position of the business-type activities, while 65 percent of net position represents the City's investment in capital assets (e.g., land, buildings, equipment, furnishings, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* $4,558,260 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the government as a whole. The same situation held true for the prior fiscal year.

Net position of the City is presented in the table below:

CITY OF CANADIAN
Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 4,693,767	$ 4,990,990	$ 2,270,132	$ 2,168,187	$ 6,963,899	$ 7,159,177
Capital assets, net of accumulated depreciation	2,733,024	2,608,902	8,575,849	7,946,534	11,308,873	10,555,436
Total Assets	7,426,791	7,599,892	10,845,981	10,114,721	18,272,772	17,714,613
Deferred outflows of resources	135,547	119,468	157,856	150,231	293,403	269,699
Total assets & deferred outflows of resources	7,562,338	7,719,360	11,003,837	10,264,952	18,566,175	17,984,312
Other liabilities	4,497	7,374	107,524	94,758	112,021	102,132
Long-term liabilities	267,100	298,004	2,070,442	2,351,098	2,337,542	2,649,102
Premium on refunding bonds	17,508	22,113	147,793	186,661	165,301	208,774
Net pension liability	508,528	616,227	504,147	622,340	1,012,675	1,238,567
OPEB liability	46,805	42,206	46,402	42,624	93,207	84,830
Total liabilities	844,438	985,924	2,876,308	3,297,481	3,720,746	4,283,405
Deferred inflows of resources	149,601	58,238	968,636	575,204	1,118,237	633,442
Total liabilities & deferred inflows of resources	994,039	1,044,162	3,844,944	3,872,685	4,838,983	4,916,847
Net position:						
Net investment in capital assets	2,475,055	2,314,322	6,398,271	5,459,920	8,873,326	7,774,242
Restricted:						
Promotion and tourism	178,693	160,287	-	-	178,693	160,287
Debt service	116,913	114,627	-	-	116,913	114,627
Unrestricted	3,797,638	4,085,962	760,622	932,347	4,558,260	5,018,309
Total net position	$ 6,568,299	$ 6,675,198	$ 7,158,893	$ 6,392,267	$ 13,727,192	$ 13,067,465

The cost of all governmental activities was $1,978,556 in 2022 as compared to $1,724,801 in 2021. However, as shown in the *statement of activities* on pages 18 and 19, the amount that our taxpayers ultimately financed for these activities through City property and sales taxes was only $1,405,826 because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Governmental activities decreased the City's net position by $122,193 before transfers. This is less than the prior year due to increases in highways and streets, culture and recreation as well as support services related expenses.

Key elements of the changes in net position are as follows:

CITY OF CANADIAN

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	$ 169,987	$ 28,477	$ 1,908,945	$ 1,652,552	$ 2,078,932	$ 1,681,029
Operating grants and contributions	-	123,145	258,000	255,002	258,000	378,147
Capital grants and contributions	25,000	-	459,906	514,512	484,906	514,512
General revenues:						
Property taxes	886,404	905,264	-	-	886,404	905,264
Other taxes	626,370	550,210	3,344	1,109	629,714	551,319
Other revenues	148,602	136,543	22,703	22,091	171,305	158,634
Total revenues	1,856,363	1,743,639	2,652,898	2,445,266	4,509,261	4,188,905
Expenses:						
General government	496,881	581,710	-	-	496,881	581,710
Public safety	2,207	2,207	-	-	2,207	2,207
Public works	140,704	122,705	-	-	140,704	122,705
Highways and streets	597,599	453,129	-	-	597,599	453,129
Culture and recreation	173,430	91,883	-	-	173,430	91,883
Support services	420,727	361,949	-	-	420,727	361,949
Promotion and tourism	140,382	103,756	-	-	140,382	103,756
Debt issuance costs	-	-	-	-	-	-
Interest on long-term debt	6,626	7,462	54,530	57,434	61,156	64,896
Water and sewer	-	-	989,227	869,622	989,227	869,622
Utility administration	-	-	66,602	62,986	66,602	62,986
Sanitation	-	-	526,671	485,312	526,671	485,312
Golf course	-	-	233,948	204,967	233,948	204,967
Total expenses	1,978,556	1,724,801	1,870,978	1,680,321	3,849,534	3,405,122
Increase (decrease) in net position before transfers	(122,193)	18,838	781,920	764,945	659,727	783,783
Transfers in (out)	15,294	44,221	(15,294)	(44,221)	-	-
Change in net position	(106,899)	63,059	766,626	720,724	659,727	783,783
Net position - beginning, as previously reported	6,675,198	6,612,139	6,392,267	5,671,543	13,067,465	12,283,682
Net position - ending	$ 6,568,299	$ 6,675,198	$ 7,158,893	$ 6,392,267	$ 13,727,192	$ 13,067,465

The costliest functions of the governmental activities relate to general government, highways and streets, and support services. It costs the City $1,515,207 (77 percent of total governmental activity expenses) to provide these services, while direct charges for these services to citizens and others only amounts to $82,865. The net expense of these functions must be subsidized by the taxpayers. The business-type activities operations increased net position of the City by $781,920 before transfers during the year ended September 30, 2022. This is slightly higher than the $764,945 increase in the prior year, mainly due to an increase in water and sewer related revenue.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City's governmental funds include the General Fund, the Hotel/Motel Occupancy Tax Fund (special revenue) and the Debt Service Fund.

As of the end of the current fiscal year, the City's governmental funds reported ending fund balance of $4,642,330 a decrease of $291,666 in comparison with the prior year. Approximately 94 percent of this total amount, $4,341,084 constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was $4,348,954 of which, $4,341,084 is *unassigned*. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. *Unassigned* and *total fund balance* represents 216 and 216 percent of total General Fund expenditures, respectively. A general rule of thumb is for governments to maintain *unassigned fund balance* in the range of 30 to 100 percent of annual General Fund expenditures, however governments often accumulate higher percentages in anticipation of major projects. The fund balance of the City's General Fund decreased $310,098 during the current fiscal year.

BUDGETARY HIGHLIGHTS

Budgets reflect the same pattern as seen in the revenue and expenditures of the City. To enhance the process of developing a budget, the City utilizes goals and objectives defined by the mayor and city council, community input, long-term plans and input from various staff groups. City priorities are well defined through this process.

GASBs 34 and 37 do not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

The General Fund and Hotel/Motel Occupancy Tax Fund are considered major budgetary funds based on criteria defined in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* or as determined by management.

The following table examines the summary budget performance of the budgeted funds for the fiscal year ending September 30, 2022. Detailed budget performance is examined through the Budgetary Comparison Statements at exhibits C-1 and C-2.

CITY OF CANADIAN

Funds Expenditure Budget Performance

	Final Budget	Actual Amounts Budgetary Basis	Variance
General Fund	$ 2,067,371	$ 2,018,994	$ 48,377
Hotel/Motel Occupancy Tax Fund	111,411	109,411	2,000

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The major differences between the original budget and the final amended budget of the General Fund are briefly summarized as follows:

- $343,000 increase to capital outlay

There was also a $42,227 increase in the Occupancy Tax Fund budget which all was related to increases to expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets for business-type activities and governmental activities as of September 30, 2022, amounts to $6,398,271 and $2,475,055, respectively (net of accumulated depreciation and debt related to the financing of the capital assets). This investment in capital assets includes the following:

CITY OF CANADIAN
Capital Assets, Net of Accumulated Depreciation

	Business-type Activities		Governmental Activities	
	2022	2021	2022	2021
Buildings and improvements	$ 891,327	$ 891,327	$ 5,973,952	$ 5,630,952
Furniture and fixtures	3,640	3,640	34,535	34,535
Machinery and equipment	1,657,930	1,552,474	690,646	690,646
Transportation equipment	1,049,746	849,207	512,140	512,140
Infrastructure	10,416,787	10,416,787	-	-
Construction-in-progress	1,552,649	916,932	-	-
Land	32,464	32,464	75,000	75,000
Total, at cost	15,604,543	14,662,831	7,286,273	6,943,273
Accumulated depreciation	(7,028,694)	(6,716,297)	(4,553,249)	(4,334,371)
Total capital assets, net of accumulated depreciation	$ 8,575,849	$ 7,946,534	$ 2,733,024	$ 2,608,902

Major capital asset events during the current fiscal year included:

General	
Street Lights	$ 343,000
Water and Sewer	
Water/Sewer Line Relocation Project	$ 603,944
Red Deer Lift Station Project	$ 31,773
Sewer Machine	$ 77,664
Vehicles	$ 47,431
Sanitation	
Trash Truck	$ 193,836
Golf Course	
Rotor and Top Dresser	$ 20,000

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-term debt: At the end of the current fiscal year, the business-type activities and governmental activities of the City had total long-term debt outstanding of $2,218,235 and $284,608, respectively. Long-term debt secured by pledged property tax revenues in the business-type activities and the governmental activities at the end of the current fiscal year was $2,056,387 and $243,613, respectively.

CITY OF CANADIAN
Outstanding Debt

	Business-type Activities		Governmental Activities	
	2022	2021	2022	2021
Long-term debt:				
2019 general obligation refunding bonds	$ 2,056,387	$ 2,333,552	$ 243,613	$ 276,448
Unamortized bond premium	147,793	186,661	17,508	22,113
Accrued compensated absences	14,055	17,546	23,487	21,556
Total long-term debt	$ 2,218,235	$ 2,537,759	$ 284,608	$ 320,117

In prior years, the City issued Certificates of Obligation (CO), Series 2008 and 2010. Proceeds from the bonds totaled $5,820,000. During fiscal year 2020, the City issued $2,985,000 of Series 2019 General Obligation Refunding Bonds to advance refund $3,210,000 of the Series 2008 and 2010 Bonds. The Series 2019 Bonds were issued at a net premium of $294,160. Current year amortization of the premium was $38,868. The bonds payable and unamortized premium are recorded as noncurrent liabilities on the Statement of Net Position. For the 2022 fiscal year, the City had a tax rate of $0.034816 for the interest and sinking fund requirements that was used to make the bond payments. Repayment of the Series 2019 Refunding Bonds began in February 2020 and the bonds mature in February 2030.

Additional information on the City's long-term debt can be found in Note 7 of this report. Information on the City's landfill closure and post closure care costs can be found in Note 16.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials consider many factors when adopting budgets and setting tax rates. Chief among those factors is the local economy. The economy of the City has been hit hard by decreases in oil and gas activity in the area over the past few years but it seems to have stabilized somewhat. Sales tax collections were down slightly compared to the prior year and occupancy tax revenues remained fairly consistent compared to prior year. The City's efforts at economic development have helped to diversify the economy of the City and this has helped soften the blow from the slide in the oil and gas industry.

These and other factors are taken into account during the budgeting process. For the fiscal year ending September 30, 2023, the City has budgeted $1,810,286 of revenues in the General Fund that will be available for appropriation, a increase of 14% percent over the final 2021-2022 budget of $1,585,424. The City will use its revenues to finance programs we currently offer. The City has not added or subtracted any major programs or initiatives in its 2022-2023 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to decrease $58,325 at the close of the 2022-2023 fiscal year. In the event of any national, state, economic, or natural catastrophe, management will adjust and maintain necessary services while cutting expenditures and capital projects.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager at the City of Canadian, 6 Main Street, Canadian, Texas 79014.

BASIC

FINANCIAL STATEMENTS

CITY OF CANADIAN
STATEMENT OF NET POSITION
September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and temporary investments	$ 4,547,684	$ 1,280,063	$ 5,827,747	$ 619,483
Receivables, net of allowance for uncollectibles	138,873	136,979	275,852	15,325
Internal balances	(660)	660	-	-
Inventory	7,870	32,106	39,976	-
Restricted cash	-	820,324	820,324	-
Capital assets, net of accumulated depreciation	2,733,024	8,575,849	11,308,873	4,553
Total assets	7,426,791	10,845,981	18,272,772	639,361
Deferred outflows of resources				
Differences between expected and actual experience on pension plan	38,914	38,578	77,492	-
Changes in assumptions on pension plan	9,080	9,002	18,082	-
Pension contributions subsequent to the measurement date	75,095	74,448	149,543	-
Differences between expected and actual experience on OPEB plan	355	351	706	-
Changes in assumptions on OPEB plan	7,870	7,803	15,673	-
OPEB contributions subsequent to the measurement date	1,081	1,072	2,153	-
Deferred charge on refunding bonds	3,152	26,602	29,754	-
Total deferred outflows of resources	135,547	157,856	293,403	-
Total assets and deferred outflows of resources	$ 7,562,338	$ 11,003,837	$ 18,566,175	$ 639,361

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF NET POSITION
September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Liabilities				
Accounts payable	$ 3,933	$ 16,977	$ 20,910	$ 684
Accrued expenses	564	3,709	4,273	13,263
Utility deposits	-	76,472	76,472	-
Accrued interest on long-term debt	-	10,366	10,366	-
Long-term debt:				
Due within one year	34,953	295,047	330,000	-
Due in more than one year	232,147	1,775,395	2,007,542	-
Premium on refunding bonds	17,508	147,793	165,301	-
Net pension liability	508,528	504,147	1,012,675	-
OPEB liability	46,805	46,402	93,207	-
Total liabilities	844,438	2,876,308	3,720,746	13,947
Deferred inflows of resources				
Differences between projected and actual earnings on pension plan	149,601	148,312	297,913	-
Unearned grant revenue	-	820,324	820,324	-
Total deferred inflows of resources	149,601	968,636	1,118,237	-
Net position				
Net investment in capital assets	2,475,055	6,398,271	8,873,326	4,553
Restricted:				
Promotion and tourism	178,693	-	178,693	-
Debt service	116,913	-	116,913	-
Unrestricted	3,797,638	760,622	4,558,260	620,861
Total net position	6,568,299	7,158,893	13,727,192	625,414
Total liabilities, deferred inflows of resources and net position	$ 7,562,338	$ 11,003,837	$ 18,566,175	$ 639,361

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	$ 496,881	$ 82,865	$ -	$ -
Public safety	2,207	457	-	-
Public works	140,704	70,342	-	-
Highways and streets	597,599	-	-	-
Culture and recreation	173,430	16,323	-	25,000
Support services	420,727	-	-	-
Promotion and tourism	140,382	-	-	-
Interest on long-term debt	6,626	-	-	-
Total governmental activities	1,978,556	169,987	-	25,000
Business-type activities:				
Water and sewer	989,227	1,218,000	250,000	459,906
Utility administration	66,602	-	-	-
Sanitation	526,671	537,960	-	-
Golf Course	233,948	152,985	8,000	-
Interest on long-term debt	54,530	-	-	-
Total business-type activities	1,870,978	1,908,945	258,000	459,906
Total Primary Government	$ 3,849,534	$ 2,078,932	$ 258,000	$ 484,906
Component unit:				
Economic Development Corporation	$ 194,519	$ 69,000	$ -	$ -

General revenues:
Property tax
Sales tax
Occupancy tax
Franchise fees
Other tax
Royalties and rents
Unrestricted investment earnings
Transfers in (out)
Total general revenues and transfers
Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
$ (414,016)	$ -	$ (414,016)	$ -
(1,750)	-	(1,750)	-
(70,362)	-	(70,362)	-
(597,599)	-	(597,599)	-
(132,107)	-	(132,107)	-
(420,727)	-	(420,727)	-
(140,382)	-	(140,382)	-
(6,626)	-	(6,626)	-
(1,783,569)	-	(1,783,569)	-
-	938,679	938,679	-
-	(66,602)	(66,602)	-
-	11,289	11,289	-
-	(72,963)	(72,963)	-
-	(54,530)	(54,530)	-
-	755,873	755,873	-
(1,783,569)	755,873	(1,027,696)	-
-	-	-	(125,519)
886,404	-	886,404	-
519,422	-	519,422	173,270
102,816	-	102,816	-
122,073	-	122,073	-
4,132	3,344	7,476	-
5,425	22,703	28,128	-
21,104	-	21,104	292
15,294	(15,294)	-	-
1,676,670	10,753	1,687,423	173,562
(106,899)	766,626	659,727	48,043
6,675,198	6,392,267	13,067,465	577,371
$ 6,568,299	$ 7,158,893	$ 13,727,192	$ 625,414

CITY OF CANADIAN
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2022

Exhibit B-1

	General Fund	Special Revenue Fund Hotel/Motel Occupancy Tax Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and temporary investments	$ 4,256,003	$ 168,901	$ 122,780	$ 4,547,684
Receivables, net of allowance for uncollectibles	126,822	9,792	2,261	138,875
Due from other funds	8,128	-	-	8,128
Inventory	7,870	-	-	7,870
Total assets	$ 4,398,823	$ 178,693	$ 125,041	$ 4,702,557
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 3,933	$ -	$ -	$ 3,933
Accrued expenditures	564	-	-	564
Due to other funds	660	-	8,128	8,788
Total liabilities	5,157	-	8,128	13,285
Deferred inflows of resources:				
Unavailable property taxes	44,712	-	2,260	46,972
Total liabilities and deferred inflows of resources	49,869	-	10,388	60,257
Fund balances:				
Nonspendable:				
Inventory	7,870	-	-	7,870
Restricted:				
Promotion and tourism	-	178,693	-	178,693
Debt Service	-	-	114,653	114,653
Unassigned	4,341,084	-	-	4,341,084
Total fund balances	4,348,954	178,693	114,653	4,642,300
Total liabilities, deferred inflows of resources and fund balances	$ 4,398,823	$ 178,693	$ 125,041	$ 4,702,557

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds (page 20)	$	4,642,300
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,733,024
Unavailable property taxes are not available to pay for current-period expenditures and therefore, are deferred in the funds.		46,972
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of $508,528, the OPEB liability required by GASB 75 in the amount of $46,805, deferred resource outflows related to TMRS and OPEB in the amount of $132,395 and deferred resource inflows related to TMRS and OPEB in the amount of $149,601. This amounted to a decrease in net position in the amount of $572,539.		(572,539)
Long-term liabilities, are reported in the Statement of Net Assets, including accrued compensated absences of $23,487, bonds payable of $243,613, premiums on the 2019 refunding bonds of $17,508 and deferred charges on the 2019 refunding bonds of $3,152 are not due and payable in the current period and therefore are not reported as liabilities on the fund balance sheets.		(281,456)
Differences due to rounding on the financial statements		(2)
Total net position - governmental activities (page 17)	$	6,568,299

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2022

	General Fund	Special Revenue Fund: Hotel/Motel Occupancy Tax Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Taxes, penalties, and interest	$ 1,369,375	$ 102,817	$ 43,304	$ 1,515,496
Charges for services	16,277	-	-	16,277
Fees and permits	128,410	-	-	128,410
Grants and donations	-	25,000	-	25,000
Royalties and rents	5,425	-	-	5,425
Interest on temporary investments	21,104	-	-	21,104
Other	147,372	-	-	147,372
Total revenues	1,687,963	127,817	43,304	1,859,084
Expenditures				
Current:				
City council	2,073	-	-	2,073
Administration	450,319	-	-	450,319
Legal	7,200	-	42	7,242
Tax office	46,902	-	-	46,902
Community service	95,494	-	-	95,494
Highways and streets	450,014	-	-	450,014
Public works	145,026	-	-	145,026
Swimming pool	69,098	-	-	69,098
Support services	276,615	-	-	276,615
Maintenance shop	127,614	-	-	127,614
Promotion and tourism	-	109,411	-	109,411
Debt service:				
Principal	-	-	32,835	32,835
Interest	-	-	10,401	10,401
Capital outlay	343,000	-	-	343,000
Total expenditures	2,013,355	109,411	43,278	2,166,044
Excess of revenues over (under) expenditures	(325,392)	18,406	26	(306,960)
Other financing sources (uses)				
Operating transfers in (out)	15,294	-	-	15,294
Net change in fund balances	(310,098)	18,406	26	(291,666)
Fund balances - beginning	4,659,052	160,287	114,627	4,933,966
Fund balances - ending	$ 4,348,954	$ 178,693	$ 114,653	$ 4,642,300

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in total fund balances - governmental funds (page 22)	$	(291,666)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense and the remaining basis on assets sold is offset against sales proceeds to report gain or loss on the sale.		
Capital outlay		343,000
Depreciation		(218,878)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Property taxes		(2,679)
GASB 68 and GASB 75 require that certain expenditures be de-expended and recorded as deferred resource outflows and inflows. The City recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability and the total OPEB liability. This caused a increase in the change in net position of $28,645.		28,645
Principal payment on long-term debt		32,835
During a prior year, the city issued the Series 2019 Refunding Bonds. Amortization of premiums and deferred charges on the refunding bonds were $4,605 and $828 respectively. The net result of reclassifying the amounts related to the refunding bonds is to increase net position by $3,777.		3,777
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		(1,931)
Differences due to rounding on the financial statements		(2)
Change in net position of governmental activities (page 19)	$	(106,899)

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended September 30, 2022

	Budgeted Amounts		
	Original	Final	Actual Amounts Budgetary Basis
Revenues			
Taxes, penalties, and interest	$ 1,409,041	$ 1,409,041	$ 1,379,249
Charges for services	20,000	20,000	16,277
Fees and permits	124,125	124,125	125,936
Royalties and rents	1,500	1,500	5,425
Interest on temporary investments	20,000	20,000	21,104
Other	10,758	10,758	148,033
Total revenues	1,585,424	1,585,424	1,696,024
Expenditures			
Current:			
City Council			
Supplies and materials	500	500	670
Contractual services	10,050	10,050	1,404
Total city council	10,550	10,550	2,074
Administration			
Personnel services	345,186	345,186	320,020
Supplies and materials	13,950	13,950	7,810
Maintenance of buildings and structures	2,450	2,450	1,344
Maintenance of equipment	1,250	1,250	1,755
Contractual services	134,500	134,500	119,349
Total administration	497,336	497,336	450,278
Legal			
Supplies and materials	100	100	-
Contractual services	8,000	8,000	7,200
Total legal	8,100	8,100	7,200
Tax office			
Contractual services	42,000	42,000	46,902
Total tax office	42,000	42,000	46,902
Elections			
Supplies and materials	1,000	1,000	-
Contractual services	2,000	2,000	-
Total elections	3,000	3,000	-

The accompanying notes are an integral part of these financial statements

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
$ (29,792)	$ (9,874)	$ 1,369,375
(3,723)	-	16,277
1,811	2,474	128,410
3,925	-	5,425
1,104	-	21,104
137,275	(661)	147,372
110,600	(8,061)	1,687,963
(170)	-	670
8,646	(1)	1,403
8,476	(1)	2,073
25,166	(2)	320,018
6,140	(29)	7,781
1,106	-	1,344
(505)	32	1,787
15,151	40	119,389
47,058	41	450,319
100	-	-
800	-	7,200
900	-	7,200
(4,902)	-	46,902
(4,902)	-	46,902
1,000	-	-
2,000	-	-
3,000	-	-

CITY OF CANADIAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended September 30, 2022

	Budgeted Amounts		
	Original	Final	Actual Amounts Budgetary Basis
Expenditures (continued)			
Community service			
Personnel services	5,275	5,275	4,132
Maintenance of buildings and structures	-	-	-
Maintenance of equipment	4,600	4,600	-
Contractual services	19,550	19,550	91,362
Total community service	29,425	29,425	95,494
Highways and streets			
Personnel services	185,323	185,323	161,720
Supplies and materials	20,450	20,450	16,762
Maintenance of buildings and structures	162,000	162,000	230,358
Maintenance of equipment	12,600	12,600	4,694
Contractual services	24,770	24,770	35,170
Total highways and streets	405,143	405,143	448,704
Public Works			
Personnel services	151,946	151,946	136,219
Supplies and materials	7,250	7,250	7,534
Maintenance of equipment	540	540	173
Contractual services	3,650	3,650	1,088
Total public works	163,386	163,386	145,014
Swimming pool			
Personnel services	35,600	35,600	30,479
Supplies and materials	22,350	22,350	23,689
Maintenance of buildings and structures	1,600	1,600	485
Maintenance of equipment	10,750	10,750	1,067
Contractual services	16,200	16,200	16,391
Total swimming pool	86,500	86,500	72,111
CARE Commission			
Contractual services	-	-	-
Support services			
Personnel	135,695	135,695	131,075
Supplies and materials	31,750	31,750	27,918
Maintenance of buildings and structures	4,100	4,100	2,551
Maintenance of equipment	9,950	9,950	15,697
Contractual services	79,282	79,282	102,484
Total support services	260,777	260,777	279,725

The accompanying notes are an integral part of these financial statements

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
1,143	-	4,132
-	-	-
4,600	-	-
(71,812)	-	91,362
(66,069)	-	95,494
23,603	1	161,721
3,688	(28)	16,734
(68,358)	1,180	231,538
7,906	129	4,823
(10,400)	28	35,198
(43,561)	1,310	450,014
15,727	-	136,219
(284)	-	7,534
367	11	184
2,562	1	1,089
18,372	12	145,026
5,121	-	30,479
(1,339)	(3,003)	20,686
1,115	-	485
9,683	-	1,067
(191)	(10)	16,381
14,389	(3,013)	69,098
-	-	-
4,620	(1)	131,074
3,832	(257)	27,661
1,549	12	2,563
(5,747)	345	16,042
(23,202)	(3,209)	99,275
(18,948)	(3,110)	276,615

CITY OF CANADIAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended September 30, 2022

	Budgeted Amounts		
	Original	Final	Actual Amounts Budgetary Basis
Expenditures (continued)			
Maintenance shop			
Personnel	113,904	113,904	105,961
Supplies and materials	19,250	19,250	21,277
Maintenance of buildings and structures	600	600	6
Maintenance of equipment	3,400	3,400	1,248
Total maintenance shop	137,154	137,154	128,492
Capital outlay	81,000	424,000	343,000
Total expenditures	1,724,371	2,067,371	2,018,994
Excess (deficiency) of revenues over (under) expenditures	(138,947)	(481,947)	(322,970)
Other financing sources (uses)			
Cash used (generated) to balance budget	132,597	475,597	-
Operating transfers in (out)	6,350	6,350	15,294
Total other financing sources (uses)	138,947	481,947	15,294
Net change in fund balances	-	-	(307,676)
Fund balances - beginning	4,659,052	4,659,052	4,659,052
Fund balances - ending	$ 4,659,052	$ 4,659,052	$ 4,351,376

Explanation of differences:

(1) The City budgets for revenues and expenditures only to the extent expected to be received and paid (cash basis), rather than on the modified accrual basis.

Accounts receivable and differences in anticipated cash receipts

Accounts payable, accrued expenses and differences in anticipated cash disbursements

The accompanying notes are an integral part of these financial statements

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
7,943	-	105,961
(2,027)	(879)	20,398
594	-	6
2,152	1	1,249
8,662	(878)	127,614
81,000	-	343,000
48,377	(5,639)	2,013,355
158,977	(2,422)	(325,392)
(475,597)	-	-
8,944	-	15,294
(466,653)	-	15,294
(307,676)	(2,422)	(310,098)
-	-	4,659,052
$ (307,676)	$ (2,422) (1)	$ 4,348,954
	$ (8,061)	
	5,639	
	$ (2,422) (1)	

CITY OF CANADIAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HOTEL/MOTEL OCCUPANCY TAX - SPECIAL REVENUE FUND
Year Ended September 30, 2022

	Budgeted Amounts		
	Original	Final	Actual Amounts Budgetary Basis
Revenues			
Taxes, penalties, and interest	$ 68,184	$ 68,184	$ 100,392
Grants and donations	-	-	-
Total revenue	68,184	68,184	100,392
Expenditures			
Current:			
Promotion and tourism			
Maintenance of buildings and structures	1,000	1,000	-
Contractual services	67,184	110,411	109,411
Total promotion and tourism	68,184	111,411	109,411
Capital outlay	-	-	-
Total expenditures	68,184	111,411	109,411
Excess (deficiency) of revenues over (under) expenditures	-	(43,227)	(9,019)
Other financing sources (uses)			
Cash used (generated) to balance budget	-	43,227	-
Net change in fund balances	-	-	(9,019)
Fund balances - beginning	160,287	160,287	160,287
Fund balances - ending	$ 160,287	$ 160,287	$ 151,268

Explanation of differences:

(1) The City budgets for revenues and expenditures only to the extent expected to be received and paid (cash basis), rather than on the modified accrual basis.
Accounts receivable

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)		Actual Amounts GAAP Basis
$ 32,208	$ 2,425		$ 102,817
-	25,000		25,000
32,208	27,425		127,817
1,000	-		-
1,000	-		109,411
2,000	-		109,411
-	-		-
2,000	-		109,411
34,208	27,425		18,406
(43,227)	-		-
(9,019)	27,425		18,406
-	-		160,287
$ (9,019)	$ 27,425	(1)	$ 178,693
	$ 27,425	(1)	

CITY OF CANADIAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
Assets				
Current assets:				
Cash and temporary investments	$ 1,050,317	$ 229,746	$ -	$ 1,280,063
Receivables:				
Accounts, net of allowance for doubtful accounts	92,823	44,132	24	136,979
Due from other funds	660	-	-	660
Inventory	28,465	3,641	-	32,106
Restricted cash	820,324	-	-	820,324
Total current assets	1,992,589	277,519	24	2,270,132
Noncurrent assets:				
Property, plant and equipment, net of accumulated depreciation	8,085,921	347,981	141,947	8,575,849
Total assets	10,078,510	625,500	141,971	10,845,981
Deferred outflows of resources				
Differences in expected and actual experience on pension plan	18,921	16,276	3,381	38,578
Difference in assumption changes on pension plan	4,415	3,798	789	9,002
Pension contributions subsequent to the measurement date	36,513	31,410	6,525	74,448
Difference in assumption changes on OPEB plan	3,827	3,292	684	7,803
Differences between expected and actual experience on OPEB plan	172	148	31	351
OPEB contributions subsequent to the measurement date	526	452	94	1,072
Deferred charge on refunding bonds	26,602	-	-	26,602
Total deferred outflows of resources	90,976	55,376	11,504	157,856
Total assets and deferred outflows of resources	$ 10,169,486	$ 680,876	$ 153,475	$ 11,003,837

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
Liabilities				
Current liabilities:				
Accounts payable	$ 11,614	$ 1,101	$ 4,262	$ 16,977
Accrued expenses	434	3,275	-	3,709
Accrued interest payable	10,366	-	-	10,366
Unearned grant revenue	820,324	-	-	820,324
Current portion of long-term debt	295,047	-	-	295,047
Total current liabilities	1,137,785	4,376	4,262	1,146,423
Long-term liabilities:				
Utility deposits	76,472	-	-	76,472
Compensated absences	4,196	6,042	3,817	14,055
Long-term debt due in more than one year	1,761,340	-	-	1,761,340
Premium on refunding bonds	147,793	-	-	147,793
Net pension liability	247,260	212,700	44,187	504,147
OPEB liability	22,758	19,577	4,067	46,402
Total long-term liabilities	2,259,819	238,319	52,071	2,550,209
Total liabilities	3,397,604	242,695	56,333	3,696,632
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan	72,740	62,573	12,999	148,312
Total deferred inflows of resources	72,740	62,573	12,999	148,312
Net position				
Net investment in capital assets	5,908,343	347,981	141,947	6,398,271
Unrestricted	790,799	27,627	(57,804)	760,622
Total net position	6,699,142	375,608	84,143	7,158,893
Total liabilities, deferred inflows of resources and net position	$ 10,169,486	$ 680,876	$ 153,475	$ 11,003,837

CITY OF CANADIAN Exhibit D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended September 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
Operating revenues:				
Water	$ 706,303	$ -	$ -	$ 706,303
Sewer	511,697	-	-	511,697
Sanitation	-	537,960	-	537,960
Golf course	-	-	152,985	152,985
Total operating revenues	1,218,000	537,960	152,985	1,908,945
Operating expenses:				
Cost of sales and services:				
Water and sewer	989,227	-	-	989,227
Administration	66,602	-	-	66,602
Sanitation	-	526,671	-	526,671
Golf course	-	-	233,948	233,948
Total operating expenses	1,055,829	526,671	233,948	1,816,448
Operating income (loss)	162,171	11,289	(80,963)	92,497
Non-operating revenues (expenses):				
Other income	3,344	-	-	3,344
Interest expense	(54,530)	-	-	(54,530)
Rents	22,703	-	-	22,703
Grants and donations	709,906	-	8,000	717,906
Total non-operating revenues (expenses)	681,423	-	8,000	689,423
Income (loss) before transfers	843,594	11,289	(72,963)	781,920
Operating transfers in (out)	(69,000)	(27,350)	81,056	(15,294)
Change in net position	774,594	(16,061)	8,093	766,626
Net position - beginning	5,924,548	391,669	76,050	6,392,267
Total net position - ending	$ 6,699,142	$ 375,608	$ 84,143	$ 7,158,893

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2022

Exhibit D-3

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	$ 1,205,127	$ 536,301	$ 152,985	$ 1,894,413
Payments to employees	(287,762)	(258,064)	(54,620)	(600,446)
Payments to vendors	(444,345)	(239,681)	(162,421)	(846,447)
Net cash flows from operating activities	473,020	38,556	(64,056)	447,520
Cash flows from non-capital and related financing activities:				
Transfers from (to) other funds, net	(69,000)	(27,350)	81,056	(15,294)
Other receipts	22,703	-	-	22,703
Net cash flows from non-capital and related financing activities	(46,297)	(27,350)	81,056	7,409
Cash flows from capital and related financing activities:				
Purchases of capital assets	(778,324)	(193,836)	(25,000)	(997,160)
Grants received	1,152,149	-	8,000	1,160,149
Principal paid on capital debt	(277,165)	-	-	(277,165)
Interest paid on capital debt	(87,800)	-	-	(87,800)
Net cash flows from capital and related financing activities	8,860	(193,836)	(17,000)	(201,976)
Cash flows from investing activities:				
Interest received	3,344	-	-	3,344
Net increase (decrease) in cash and temporary investments	438,927	(182,630)	-	256,297
Cash and temporary investments - beginning	1,431,714	412,376	-	1,844,090
Cash and temporary investments - ending	$ 1,870,641	$ 229,746	$ -	$ 2,100,387
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	$ 162,171	$ 11,289	$ (80,963)	$ 92,497
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation and amortization	299,103	51,359	17,383	367,845
(Increase) decrease in:				
Accounts receivable	(21,749)	(1,659)	-	(23,408)
Inventory	34,036	5,418	-	39,454
Deferred outflows of resources	(7,956)	32,162	6,450	30,656
Increase (decrease) in:				
Accounts payable	4,327	(256)	1,185	5,256
Accrued expenses	666	(4,446)	-	(3,780)
Pension liability	(52,861)	(56,494)	(8,838)	(118,193)
OPEB liability	2,203	1,140	435	3,778
Deferred inflows of resources	44,204	43	(29)	44,218
Utility deposits	8,876	-	321	9,197
Net cash flows from operating activities	$ 473,020	$ 38,556	$ (64,056)	$ 447,520

The accompanying notes are an integral part of these financial statements

NOTE 1. Summary of Significant Accounting Policies

The City of Canadian (the City) was incorporated in 1908 under Title 28 of the Statutes of the State of Texas. The City operates under a council-manager form of government and provides the following services in accordance with its charter: public safety (code enforcement and fire), streets, culture and recreation, public works, planning and zoning, water, sewer, solid waste disposal, a golf course and various general services.

This summary of significant accounting policies of the City is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City's management who is responsible for their integrity and objectivity.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. *Financial Reporting Entity*

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth by the GASB in its *Codification of Governmental Accounting and Financial Reporting Standards*. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City has one component unit, the Canadian-Hemphill County Economic Development Corporation (EDC), and is not a component unit of any other governmental agency. Separate financial statements of the EDC are not available. EDC, a discretely presented component unit, is a separate legal entity created when voters approved a portion of sales tax to be devoted to economic development in the City of Canadian. The purpose of the EDC is to promote and develop economic interests within the City in order to eliminate unemployment and enhance public welfare. The EDC is governed by a Board of Directors appointed by the City Council and the county commissioners of Hemphill County. The financial information of the EDC is reported as a discretely presented component unit in the government-wide financial statements.

B. *Government-wide and fund financial statements*

The government-wide financial statements (Exhibits A-1 and A-2) report information on all of the non-fiduciary activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NOTE 1. Summary of Significant Accounting Policies (continued)

B. *Government-wide and fund financial statements* (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City reports the following major governmental funds:

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

The *Special Revenue Fund (Hotel/Motel Occupancy Tax Fund)* is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes. The City has revenue sources restricted for promotion and tourism development.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, long-term debt including principal, interest and related costs.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The City also reports the following major proprietary funds:

The *Water and Sewer Fund, Sanitation Fund* and *Golf Course Fund* account for operations financed and operated in a manner similar to a private business enterprise where the costs (expenses including depreciation) of providing water and sewer, sanitation and golf course services to the general public on a continuing basis are financed through user charges.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments: For the purposes of the Statement of Cash Flows for the Enterprise Funds, the City considers cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition to be cash and temporary investments. The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of the pool is reported in the financial statements as cash and temporary investments under each fund's caption.

The City's funds are invested in accordance with State of Texas Government Code Chapter 2256, *Public Funds Investment* (the Act). The Act contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. The City is required to adopt and implement an investment policy. The Policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable levels of risk, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, 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 City's excess funds are held in interest bearing NOW accounts at the depository bank. The City is in substantial compliance with the Public Funds Investment Act.

Investments for the City are reported at fair value, which, in most cases, approximates cost.

All deposits and investments of the City are required by state law to be collateralized in an amount equal to 100% of uninsured deposits. The collateral may be held by the pledging financial institution's trust department or by a third party financial institution through a safekeeping arrangement. See Note 3.

Receivables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the governmental fund financial statements, delinquent property taxes are not recorded as revenue until received. See the policy on deferred outflows/inflows of resources below.

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

Inventory: Inventories include plant maintenance and operating supplies and are stated at the lower of cost on a first-in, first-out basis or market. Inventories are accounted for using the purchase method.

Interfund Receivables and Payables: Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, curb and gutter and similar items), are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Capital assets are defined by the government as real or personal property with an initial, individual cost in excess of $2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34 - *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local* Governments (GASB 34) the historical cost of infrastructure assets, (retroactive to 1980) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable. Infrastructure assets are depreciated just as other assets are. Additions and improvements to infrastructure assets are capitalized and depreciated. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	5 to 40
Furniture and fixtures	5 to 10
Machinery and equipment	3 to 10
Transportation equipment	5 to 7
Infrastructure	5 to 40

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in impairment of a capital asset are netted against impairment loss.

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

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 1 of the year following the year in which they were 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 the 60-day period after the close of the fiscal year. The assessed value of the certified roll, upon which the levy for the 2022 fiscal year was based upon, was $124,194,932.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended September 30, 2022 were 97% of the tax levy. The tax rate assessed for the year ended September 30, 2022 to finance General Fund operations and debt service, respectively, was 0.68867 and 0.034816 per $100 valuation.

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

Deferred Outflows of Resources and Deferred Inflows of Resources: In addition to assets, if present the statements of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City only has items, which arise under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the deferred outflows of resources reported on the Statement of Net Position are deferred and recognized as an outflow of resources in the future. Deferred outflows of resources reported at September 30, 2022 relate to the City's pension obligation, its supplemental death benefit that qualifies as an Other Post Employment Benefit (OPEB) plan, and a deferred charge on the refunding bonds.

In addition to liabilities, if present the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. The City has three items, which arise under the accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, difference between expected and actual experience on OPEB plan, differences between projected and actual earnings on pension plan, and unearned grant revenue are reported on the statement of net position as deferred resource inflows. Additionally, the City has one item, which arises under the modified accrual basis of accounting, that qualifies for reporting in this category. The item unavailable property taxes is reported as a deferred resource inflow on the governmental funds balance sheet. This amount is deferred and recognized as inflows of resources in the period that the amount becomes available.

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

Compensated Absences: Vested or accumulated vacation that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Eligible City employees may accumulate up to 160 hours of earned but unused vacation, which will be paid if not used, on death, retirement or termination. A long-term liability of $37,542 ($23,487 in governmental activities and $14,055 in business-type activities) of accrued vacation has been recorded in the government-wide financial statements as non-current liabilities, at September 30, 2022.

Accumulated sick leave benefits accumulate to a maximum of 720 hours but are not paid on termination and are therefore not accrued.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are recognized as outflows of resources in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

Fund Balance: The City has not formally adopted an accounting policy for fund balance in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. However, the City believes its current practice conforms to the requirements of GASB 54. The City's fund balances for its governmental funds are presented in accordance with GASB 54, which classifies fund balance based on the level of constraints placed on the usage of fund resources. Under GASB 54, fund balances for governmental funds are reported in two major categories, nonspendable and spendable and applicable sub-categories as follows:

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventory and prepaid amounts.

Spendable fund balances are categorized and reported based on the following hierarchy of spending constraints:

Restricted: The restricted fund balance classification includes amounts constrained by (a) external parties (such as creditors, grantors, contributors or laws or regulations of other governments), or (b) law through constitutional provisions, or enabling legislation.

Committed: The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, the City Council. Formal action consists of a resolution passed by a majority vote of the City Council in a publicly held scheduled meeting. Committed fund balance amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution). Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the City Council. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: The assigned fund balance classification includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The City Council may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the City Council by majority vote in a publicly scheduled meeting. The City Council has not delegated the authority to make assignments of fund balance to any individual or group.

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

Unassigned: The unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

As of September 30, 2022 the City has classified its fund balances as follows:

Nonspendable: The City has classified nonspendable fund balance related to supplies inventory. The amount of the classification is disclosed on the face of Exhibit B-1.

Spendable: The City has classified spendable fund balance as restricted to promotion and tourism, restricted to debt service, and unassigned. The amounts of each classification are disclosed on the face of Exhibit B-1.

When the City incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged first to restricted balances, and then to unrestricted balances as they are needed. When the City incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed resources first, then to assigned resources and then to unassigned resources as they are needed.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Rounding: Amounts in the financial statements, footnotes, and supplementary information have been rounded individually, consequently, some amounts that are expected to agree, do not.

E. New Pronouncements and the effects on Financial Reporting

Recently Issued and Adopted Accounting Pronouncements

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. Earlier application is encourages. However, in accordance with GASB 95, the effective date of this Statement was postponed to reporting periods beginning after June 15, 2021.

According to the requirements of this Statement, leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets. When assessing the overall impact of GASB 87 on the financial statements, the City's management evaluated all lease agreements currently in place and made the determination that at the present time, the implementation of GASB 87 would not have a material impact on the City's financial statements. Consequently, GASB 87 was not implemented in the City's fiscal year ending September 30, 2022 financial statements.

NOTE 1. Summary of Significant Accounting Policies (continued)

E. New Pronouncements and the effects on Financial Reporting (continued)

Recently Issued and Adopted Accounting Pronouncements (continued)

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a presorting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. his Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. However, in accordance with GASB 95, the effective date of the Statement is postponed for reporting periods beginning after December 15, 2020. The requirements of this Statement should be applied prospectively. The adoption of this Statements did not have any significant impact on the City's financial statements.

In March 2720, the GASB issued Statement 93, *Replacement of Interbank Offered Rates* (GASB 93). Some governments have entered into agreements in which the variable payments made or received depend on an interbank offered rate (IBOR), most notably the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions relating to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No 87, *Leases,* as amended, replacement of the rate on which the variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an LIBOR.

The requirements for this Statement were effective for reporting periods beginning after June 15, 2020. Early application is encouraged. However, in accordance with GASB 95, the effective date of the parts of this Statement regarding leases is postponed to periods beginning after June 15, 2021 and in the case of using the LIBOR for derivative instruments, after December 15, 2021. The adoption of this Statement did not have any significant impact on the City's financial statements.

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97).

NOTE 1. Summary of Significant Accounting Policies (continued)

E. New Pronouncements and the effects on Financial Reporting (continued)

Recently Issued and Adopted Accounting Pronouncements (continued)

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application is permitted. The adoption of this Statement did not have any significant impact on the City's financial statements.

In October 2021, the GASB issued Statement 98, *The Annual Comprehensive Financial Report* (GASB 98). This statement established the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 31, 2021. Earlier application is encouraged. The adoption of this Statement did not have any significant impact on the City's financial statements.

Recently Issued Accounting Pronouncements

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers; (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation

Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosures will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The requirements of this Statement were effective for reporting periods beginning after December 15, 2020. Earlier adoption is encouraged. However, in accordance with GASB 95, the effective date of the Statement is postponed for reporting periods beginning after December 15, 2021. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In March 2720, the GASB issued Statement 94, *Public-Private and Public- Public Partnerships and Availability Payment Arrangements* (GASB 94). The primary objective of this Statement is to improve financial reporting by addressing issues related to Public-private and public-public partnership arrangements (PPPs).

NOTE 1. Summary of Significant Accounting Policies (continued)

E. New Pronouncements and the effects on Financial Reporting (continued)

Recently Issued Accounting Pronouncements (continued)

As used in the Statement, a PPP is an arrangement in which a governments (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties: (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may included designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA's). That objective is accomplished by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset, and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures of essential information regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is permitted. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In April 2022, the GASB issued Statement 99, *Omnibus 2022* (GASB 99). The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees

The practice issues addressed by this Statement are (1) classification and reporting of derivative instruments within the scope of GASB 53 that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument; (2) classification of provisions in GASB 87, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives; (3) clarification of provisions in GASB 94 related to the determination of the PPP term and recognition and measurement of installment payments and the transfer of the underlying PPP asset; (4) clarification of provisions in GASB 96 related to SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability; (5) extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; (6) accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP); (7) disclosures related to nonmonetary transactions; (8) pledges of future revenues when resources are not received by the pledging government; (9) clarification of provisions in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended, related to the focus of the government-wide financial statements; (10) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and (11) terminology used in GASB 53 to refer to resource flows statements.

NOTE 1. Summary of Significant Accounting Policies (continued)

E. New Pronouncements and the effects on Financial Reporting (continued)

Recently Issued Accounting Pronouncements (continued)

The requirements of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statements 53 and 63 are effective upon issuance. The requirements of this Statement related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 30, 2022, and all reporting periods thereafter. The requirements of this Statement related to financial guarantees and the classification and reporting of derivative instruments are effective for fiscal years beginning after June 30, 2023, and all reporting periods thereafter. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2022, the GASB issued Statement 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2022, the GASB issued Statement 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

At least 30 days prior to the time when the City Council makes its tax levy for the fiscal year beginning October 1, the City Manager, as budget officer, files a proposed operating budget, including proposed expenditures and the means of financing them. Such budget is available for the inspection of any taxpayer, and public hearings are conducted not less than 15 days subsequent to the time of filing. Prior to October 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The Council has the authority to make such changes in the budget as it deems warranted. Legal council has interpreted State law to determine that the budgetary level of control is at the fund level. All appropriations lapse at the end of the City's fiscal year. Amounts carried forward to the next fiscal year must be in the form of new appropriations and approved by the City Council.

The budgets are prepared on the non-GAAP, cash basis of accounting and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Formal budgetary integration is employed as a management control device during the year for the General Fund and the special revenue fund. The Council properly amended the budget during the year ended September 30, 2022. These amendments resulted in the following changes:

	Cash Generated (Used) to Balance the Budget	
	Original Budget	Final Budget
Budgeted funds:		
General Fund	$ (132,597)	$ (475,597)
Hotel/Motel Occupancy Tax Fund	-	(43,227)
Total	$ (132,597)	$ (518,824)

The City is required to balance its budget each year. Accordingly, amounts that are excess or deficient are presented as changes in cash generated or used, not as an excess or deficiency of revenues over expenditures. Reconciliation of the Non-GAAP budgetary basis amounts to the financial statements on the GAAP basis by fund type is located on Exhibits C-1 and C-2.

NOTE 3. Deposits and Investments

Deposits of funds may be made in interest or non-interest-bearing accounts in one or more Texas financial institutions. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution. Deposits of the City are reported in Schedule G-1.

At September 30, 2022, the carrying amount of the City's deposits was $6,648,071. The total cash balance per the financial institutions of $6,713,313 consists of an non-interest checking account. Of these account balances, $250,000 was covered by federal depository insurance and $6,463,313 was covered by collateral held in joint safekeeping by a third party in the name of the City.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. Texas State statutes and City policy require collateral pledged for deposits in excess of federal deposit insurance be delivered, or a joint safekeeping receipt be issued, to the City for the entire amount on deposit with the institution in excess of the insured amount.

The City is a public unit as defined by the Federal Deposit Insurance Corporation. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to $250,000 in aggregate and separate from the $250,000 coverage for public unit demand deposits at the same institution. In addition, deposits of funds that by law or under a bond indenture are required to be paid to the holders of bonds issued by the City are separately insured up to $250,000.

NOTE 3. Deposits and Investments (continued)

The schedule below reports the insured portion of the deposits.

	Happy State Bank
Checking	$ 6,713,313
FDIC Coverage	250,000
Total uninsured public funds	6,463,313
Pledged collateral held by third parties in the City's name	7,354,266
(Over) collateralized	$ (890,953)

NOTE 4. Receivables

Receivables as of September 30, 2022 for governmental fund types are as follows:

Governmental Fund Types

	General Fund	Hotel/Motel Occupancy Tax Fund	Debt Service Fund	Totals
Receivables:				
Property taxes	$ 74,520	$ -	$ 3,768	$ 78,288
Due from other governments	46,399	-	-	46,399
Accounts receivable	35,711	9,792	-	45,503
Total receivables	156,630	9,792	3,768	170,190
Allowance for doubtful accounts and taxes	(29,808)	-	(1,507)	(31,315)
Total net receivables	$ 126,822	$ 9,792	$ 2,261	$ 138,875

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year deferred inflows of resources related to delinquent property taxes were $46,972.

Receivables as of September 30, 2022 for proprietary fund types are as follows:

Proprietary Fund Types

	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
Receivables:				
Due from other funds	$ 660	$ -	$ -	$ 660
Accounts receivable	121,595	54,493	24	176,112
Total receivables	122,255	54,493	24	176,772
Allowance for doubtful accounts and taxes	(28,773)	(10,361)	-	(39,134)
Total net receivables	$ 93,482	$ 44,132	$ 24	$ 137,638

NOTE 5. Capital Assets

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

Governmental activity capital assets

	Beginning Balance	Increases	Decreases/ Transfer	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 75,000	$ -	$ -	$ 75,000
Capital assets being depreciated:				
Buildings and improvements	5,630,952	$ 343,000	$ -	5,973,952
Furniture and fixtures	34,535	-	-	34,535
Machinery and equipment	690,646	-	-	690,646
Transportation equipment	512,140	-	-	512,140
Total capital assets being depreciated	6,868,273	$ 343,000	$ -	7,211,273
Less accumulated depreciation for:				
Buildings and improvements	(3,158,354)	$ (204,434)	$ -	(3,362,788)
Furniture and fixtures	(34,534)	-	-	(34,534)
Machinery and equipment	(665,771)	(4,974)	-	(670,745)
Transportation equipment	(475,712)	(9,470)	-	(485,182)
Total accumulated depreciation	(4,334,371)	$ (218,878)	$ - -	(4,553,249)
Total capital assets being depreciated, net	2,533,902			2,658,024
Governmental activities capital assets, net	$ 2,608,902			$ 2,733,024

Depreciation expense was charged to functions/programs of the primary government's governmental activities as follows:

Governmental activities:	
Public saftey	$ 2,207
Culture and recreation	8,837
Highways and streets	152,678
Support services	24,184
Promotion and tourism	30,972
Total depreciation expense - governmental activities	$ 218,878

NOTE 5. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2022 was as follows for the City's business-type activities:

	Beginning Balance	Increases	Decreases/ Transfer	Ending Balance
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	$ 16,164	$ -	$ -	$ 16,164
Construction-in-progress	916,932	635,717	-	1,552,649
Total capital assets not being depreciated	933,096	$ 635,717	$ -	1,568,813
Capital assets being depreciated:				
Buildings and improvements	551,109	$ -	$ -	551,109
Machinery and equipment	1,045,480	90,788	-	1,136,268
Transportation equipment	154,653	51,819	(16,216)	190,256
Infrastructure	10,416,787	-	-	10,416,787
Total capital assets being depreciated	12,168,029	$ 142,607	$ (16,216)	12,294,420
Less accumulated depreciation for:				
Buildings and improvements	(550,701)	$ (68)	$ -	(550,769)
Machinery and equipment	(536,032)	(63,654)	-	(599,686)
Transportation equipment	(127,438)	(12,188)	16,216	(123,410)
Infrastructure	(4,280,254)	(223,193)	-	(4,503,447)
Total accumulated depreciation	(5,494,425)	$ (299,103)	$ 16,216	(5,777,312)
Total capital assets being depreciated, net	6,673,604			6,517,108
Water and sewer fund capital assets, net	$ 7,606,700			$ 8,085,921

Construction in progress above includes $1,520,876 pertaining to relocating utility lines for a TXDOT project beginning in 2019 which is expected to be completed in 2023. Construction in progress also includes $31,773 in costs pertaining to a rehabilitated lift station project. The total cost of the utility lines project to the City is estimated to be $2,259,374, exclusive of engineering fees. The total projects cost of the lift station is estimated to be $460,260. The lift station project is expected to be completed in November 2023.

NOTE 5. Capital Assets (continued)

	Beginning Balance	Increases	Decreases/ Transfer	Ending Balance
Sanitation Fund:				
Capital assets not being depreciated:				
Land	$ 16,300	$ -	$ -	$ 16,300
Capital assets being depreciated:				
Buildings and improvements	24,433	$ -	$ -	24,433
Machinery and equipment	260,499	-	(10,332)	250,167
Transportation equipment	674,838	193,836	(28,900)	839,774
Total capital assets being depreciated	959,770	$ 193,836	$ (39,232)	1,114,374
Less accumulated depreciation for:				
Buildings and improvements	(24,433)	$ -	$ -	(24,433)
Machinery and equipment	(209,069)	(15,714)	10,332	(214,451)
Transportation equipment	(537,064)	(35,645)	28,900	(543,809)
Total accumulated depreciation	(770,566)	$ (51,359)	$ 39,232	(782,693)
Total capital assets being depreciated, net	189,204			331,681
Sanitation fund capital assets, net	$ 205,504			$ 347,981

	Beginning Balance	Increases	Decreases/ Transfer	Ending Balance
Golf Course Fund:				
Capital assets being depreciated:				
Buildings and improvements	$ 315,785	$ -	$ -	$ 315,785
Furniture and fixtures	3,640	-	-	3,640
Machinery and equipment	246,495	25,000	-	271,495
Transportation equipment	19,716	-	-	19,716
Total capital assets being depreciated	585,636	$ 25,000	$ -	610,636
Less accumulated depreciation for:				
Buildings and improvements	(217,015)	$ (7,813)	$ -	(224,828)
Furniture and fixtures	(3,640)	-	-	(3,640)
Machinery and equipment	(210,935)	(9,570)	-	(220,505)
Transportation equipment	(19,716)	-	-	(19,716)
Total accumulated depreciation	(451,306)	$ (17,383)	$ -	(468,689)
Golf course fund capital assets, net	$ 134,330			$ 141,947

NOTE 5. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government's business-type activities as follows:

Business-type activities:		
Water	$	135,845
Sewer		163,258
Sanitation		51,359
Golf course		17,383
Total depreciation expense - business-type activities	$	367,845

NOTE 6. Construction commitments

The City will continue a number of capital projects during the next year, to make improvements to the City's streets and public works. The projects call for construction of street improvements, including lighting, drainage improvements and utility line relocations, and improvements and extensions to waterworks system facilities as well as improving water and sewer properties and facilities.

NOTE 7. Long-term Debt

On May 15, 2008 the City issued $1,000,000 of Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2008. The certificates were issued to make improvements to the City's streets, including drainage improvements and utility line relocations, improvements to the waterworks system facilities, improvements to the solid waste transfer station, and professional services rendered in relation to such projects. The certificates constitute a direct obligation of 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 upon all taxable property within the City, and (ii) a limited pledge of net revenues from the operation of the City's waterworks and sewer system. The Certificates were due in annual principal installments ranging from $35,000 to $90,000 due February 15 of each year through 2023. Interest at 4.25% is due semi-annually on February and August 15 until maturity. The outstanding balance of the Series 2008 bonds as of September 30, 2022 was $0, as the remaining unpaid balance was refunded during fiscal year 2020 by the Series 2019 bonds as discussed below.

On June 21, 2010 the City issued $4,820,000 of Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2010. The certificates were issued to make improvements to the City's water and sewer system properties and facilities, including land and rights-of-way. The certificates constitute a direct obligation of 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 upon all taxable property within the City, and (ii) a limited pledge of net revenues from the operation of the City's waterworks and sewer system. The Certificates were due in annual principal installments ranging from $135,000 to $340,000 due February 15 of each year through 2030. Interest at rates varying from 3.0% to 4.125% is due semi-annually on February and August 15 until maturity. The outstanding balance of the Series 2010 bonds as of September 30, 2022 was $0, as the remaining unpaid balance was refunded during fiscal year 2020 by the Series 2019 bonds as discussed below.

On December 3, 2019 the City issued $2,985,000 of General Obligation Refunding Bonds, Series 2019 (the "Series 2019 bonds") to advance refund $340,000 of the Series 2008 bonds and $2,870,000 of the Series 2010 bonds in order to achieve debt service savings. The 2008 Series bond maturities that were refunded were the 2020 through 2023 maturities, with interest rates of 4.25%. The 2010 Series bond maturities that were refunded were the 2021 through 2030 maturities, with interest rates ranging from 3.0% to 4.125%. The net proceeds from the issuance of the bonds were used to purchase U.S. Government Securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Series 2008 and 2010 bonds have been refunded. The advance refunding met the requirements of an in-substance defeasance, and therefore, the Series 2008 and 2010 bonds refunded have been removed from the City's government-wide financial statements.

NOTE 7. Long-term Debt (continued)

The Series 2019 bonds were issued as serial bonds which bear interest at a rate of 4.00% and have maturity dates on February 15, 2020 through February 15, 2030. The certificates constitute a direct obligation of 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 upon all taxable property within the City, and (ii) a limited pledge of net revenues from the operation of the City's waterworks and sewer system. The Certificates are due in annual principal installments ranging from $65,000 to $330,000 due February 15 of each year through 2030. Interest at a rate of 4.0% is due semi-annually on February and August 15 until maturity. Current year principal and interest payments on the bonds were $310,000 and $98,200, respectively. The outstanding balance of the Series 2019 bonds as of September 30, 2022 was $2,300,000. This balance is split between the governmental activities and the business-type activities since the refunded debt was also split. The allocation between government activities and business-type activities is based on the proportionate balance refunded in each. The Series 2019 bonds were issued at a premium of $322,060, net of an underwriter's discount of $27,900. This net premium of $294,160 is being amortized over the life of the Series 2019 bonds using the effective interest method. Current year amortization of the net premium was $43,473.

The City follows the reporting guidance of GASB 65 for the reporting of the Series 2019 bonds. Under GASB 65, since the Series 2019 bonds are considered to be an in-substance defeasance of the Series 2008 and 2010 bonds refunded, the difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction – in the City's case the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt) and the net carrying value of the refunded debt (the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt) is reported as a deferred outflow of resources and is being amortized over the remaining life of the Series 2019 bonds using the effective interest method. The reacquisition price of the Series 2008 and 2010 bonds was $3,262,948 and the net carrying value was $3,210,000, which resulted in a deferred outflow of resources of $52,948. The current year's amortization of the deferred outflow of resources was $7,824.

The old net cash flow requirements of the City for the bonds affected by the 2019 refunding prior to issuance of the Series 2019 bonds were $4,190,144 from 2021 through 2030 and the new net cash flow requirements were $3,922,293 after the issuance of the Series 2019 bonds. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments of refunded and refunding debt) of $289,360.

In total, during the year ended September 30, 2022, the City amortized $43,473 of the net unamortized premiums on bond issuances, which was recorded as a reduction in interest expense reported on the Statement of Activities. Additionally, the City amortized $7,824 of the deferred charge on refunding, which was recorded as an increase in interest expense on the Statement of Activities.

Bonded indebtedness of the City is reflected in the government-wide Statement of Net Position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. There are a number of limitations and restrictions contained in the bond indenture. The City's administrators believe that the City is in compliance with all significant limitations and restrictions as of September 30, 2022.

The amount currently outstanding on the Series 2019 refunding bonds is as follows:

	Interest rates	Amount
Purpose:		
Business-type activities - Water & Sewer	4.00%	$ 2,056,387

	Interest rates	Amount
Purpose:		
Governmental Activities	4.00%	$ 243,613

NOTE 7. Long-term Debt (continued)

Annual debt service requirements to maturity for the Series 2019 refunding bonds are as follows:

	Business-type Activities	
September 30	Principal	Interest
2023	$ 295,047	$ 76,355
2024	223,520	65,983
2025	232,461	56,864
2026	241,402	47,386
2027	250,343	37,551
2028-2030	813,614	49,711
Totals	$ 2,056,387	$ 333,850

	Governmental Activities	
September 30	Principal	Interest
2023	$ 34,953	$ 9,045
2024	26,481	7,817
2025	27,539	6,736
2026	28,598	5,614
2027	29,657	4,449
2028-2030	96,385	5,889
Totals	$ 243,613	$ 39,550

<u>Changes in long-term liabilities</u>

Governmental activities long-term liability activity for the year ended September 30, 2022, was as follows:

Governmental activities				
2019 General obligation refunding bonds	$ 276,448	$ -	$ (32,835)	$ 243,613
Accrued compensated absences	21,556	1,931	-	23,487
Add: Net unamortized bond premium	22,113	-	(4,605)	17,508
Totals	$ 320,117	$ 1,931	$ (37,440)	$ 284,608
Deferred charge on refunding	$ 3,980	$ -	$ (828)	$ 3,152

NOTE 7. Long-term Debt (continued)

Changes in long-term liabilities

Business-type activities long-term liability activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
2019 General obligation refunding bonds	$ 2,333,552	$ -	$ (277,165)	$ 2,056,387
Accrued compensated absences	17,546	-	(3,491)	14,055
Add: Net unamortized bond premium	186,661	-	(38,868)	147,793
Totals	$ 2,537,759	$ -	$ (319,524)	$ 2,218,235
Deferred charge on refunding	$ 33,598	$ -	$ (6,996)	$ 26,602

NOTE 8. Interfund receivables/payables

The composition of interfund balances as of September 30, 2022, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	
General	Debt Service	$ 8,128
Water and Sewer Fund	General	$ 660

NOTE 9. Transfers and Payments

Transfers and payments within the reporting entity are for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. The following schedule reports transfers within the reporting entity.

Transfers to/from other funds:

Receiving Fund	Paying Fund	
General	Water & Sewer	$ 69,000
General	Sanitation	27,350
Golf Course	General	81,056
		$ 177,406

NOTE 10. Risk Management

The City is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a member and is insured through the Texas Municipal League Intergovernmental Risk Pool (the Pool). The Pool was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The City pays an annual premium to the Pool based on claim experience and the status of the pool. The risk management program includes workers' compensation, general and automobile liability automobile physical damage, and property and crime coverage. The calculation of actuarial gains and losses were not available at the date of this report. However, the City is not liable for more than the premiums paid.

NOTE 11. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the fund financial statements of certain information concerning individual funds including:

A. Deficit fund balance of individual funds: The Golf Course fund reflects a deficit of unrestricted fund balance at September 30, 2022 of $57,804.
B. Excess of expenditures over appropriations: In total, no funds exceeded approved budgetary authority for the year ended September 30, 2022; however, some funds had negative budget variances for various functions within the overall budget.
C. Special revenue funds are limited by state and/or federal law for the financing of limited functions that are legally restricted to a specified purpose. The City's Hotel/Motel Occupancy Tax Fund is authorized by state law and local ordinance and is used to account for the proceeds of the Hotel/Motel Tax. This tax is restricted to expenditures that promote and develop tourism for the City of Canadian and the surrounding area.

NOTE 12. Pension Plans

Texas Municipal Retirement System Pension Plan

Plan Description

The City of Canadian participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code. Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that be obtained at www.TMRS.com.

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

Benefits Provided

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

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

NOTE 12. Pension Plans (continued)

Texas Municipal Retirement System Pension Plan (continued)

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: Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age. A member is vested after 10 years. The contribution rate for employees is 7 percent, and the City matching rate is currently 2 to 1 both as adopted by the governing body of the City.

Employees covered by benefit terms.

At the December 31, 2021 valuation and measurement date, the City had the following numbers of employees covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	6
Active employees	20
Total	37

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The 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 for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.78% and 18.36% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were $206,357 and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50%, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 110% for employers with less than 100 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15.

NOTE 12. Pension Plans (continued)

Texas Municipal Retirement System Pension Plan (continued)

For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members, times 1%). For underfunded plans, the maximum period for amortizing losses is decreased by 1year for each active member less than the 20-member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use (25-(20-8) = 13 year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be 25-(20-1) = 6 years. Once the plan is overfunded, the amortization period will revert back to the standard policy. Beginning December 31, 2020, the member threshold will be lowered to 15 to be consistent with the decrease in the standard amortization period to 20.

Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

NOTE 12. Pension Plans (continued)

Texas Municipal Retirement System Pension Plan (continued)

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.

Allocations
The City's net pension liability, pension expense, deferred inflows and deferred outflows of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/20	$ 5,693,607	$ 4,455,040	$ 1,238,567
Service cost	174,397	-	174,397
Interest	383,303	-	383,303
Change in benefit terms	-	-	-
Difference between expected and actual experience	56,977	-	56,977
Changes in assumptions	-	-	-
Contributions - employer	-	188,537	(188,537)
Contributions - employee	-	73,320	(73,320)
Net investment income	-	581,379	(581,379)
Benefit payments, including refunds of employee contributions	(204,484)	(204,484)	-
Administrative expense	-	(2,687)	2,687
Other changes	-	20	(20)
Net changes	410,193	636,085	(225,892)
Balance at 12/31/21	$ 6,103,800	$ 5,091,125	$ 1,012,675

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) 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 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
City's net pension liability (asset)	$ 1,919,326	$ 1,012,676	$ 273,901

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.

NOTE 12. Pension Plans (continued)

Texas Municipal Retirement System Pension Plan (continued)

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 $127,635.

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

Schedule of Outflows and Inflows - Current and Future Expense

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 77,492	$ -
Changes in actuarial assumptions	18,082	-
Difference between projected and actual investment earnings	-	297,913
Contributions subsequent to the measurement date	149,543	-
Total	$ 245,117	$ 297,913

$149,543 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Outflows (Inflows)
2022	$ (18,267)
2023	(94,796)
2024	(47,159)
2025	(45,034)
2026	2,917
Thereafter	-
Total	$ (202,339)

NOTE 13. Post-Employment Benefits other than Pensions (OPEB)

Plan Description and Benefits Provided

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other Post Employment benefit (“OPEB”) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75). The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

NOTE 13. Post-Employment Benefits other than Pensions (OPEB) (continued)

Employees Covered by Benefit Terms

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

Employees covered by benefit terms	
Inactive employees currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	2
Active employees	20
Total	32

Total OPEB Liability

The City's total OPEB liability of $93,207 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Summary of Actuarial Assumptions:	
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
Retirees' share of benefit-related costs	$ -
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to refect the impairment for younger members who become disabled for males and femailes, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

NOTE 13. Post-Employment Benefits other than Pensions (OPEB) (continued)

Changes in the Total OPEB Liability

Total OPEB Liability - 12/31/20	$ 84,830
Changes for the year	
Service cost	3,561
Interest on Total OPEB Liability	1,719
Changes of benefit terms	-
Differences between expected and actual experience	1,677
Changes in assumptions or other inputs	2,782
Benefit payments	(1,362)
Net changes	8,377
Total OPEB Liability - 12/31/21	$ 93,207

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

The following presents the total OPEB liability of the City, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current discount rate:

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

	1% Decrease 0.84%	Current Discount Rate 1.84%	1% Increase 2.84%
Total OPEB liability	$ 113,588	$ 93,207	$ 77,471

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 $9,388. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Schedule of Outflows and Inflows - Current and Future Expense Related to OPEB

	Deferred Outflows of Resources	Deferred inflows of Resources
Changes in assumptions or other inputs on OPEB plan	$ 15,673	$ -
Differences between expected and actual experience on OPEB plan	706	-
Contributions subsequent to the measurement date on OPEB plan	2,153	-
Total	$ 18,532	$ -

NOTE 13. Post-Employment Benefits other than Pensions (OPEB) (continued)

$2,153 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 OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Net deferred outflows (inflows) of resources
2022	$ 4,108
2023	3,662
2024	3,776
2025	3,041
2026	1,473
Thereafter	319
Total	$ 16,379

NOTE 14. Deferred Compensation Plan

The City offers its employees the option to participate in the U.S. Conference of Mayors Deferred Compensation Program (Plan) created in accordance with Internal Revenue Code (IRC) Section 457. Previously, IRC Section 457 had required all amounts deferred by the Plan's participants remain solely the property and rights of the sponsoring municipality, subject only to the claims of the municipality's general creditors. As such the assets of the plan were reflected at market value with an agency fund.

IRC 457 was amended in 1996 and requires that in order to be considered an eligible plan, all assets and income of the Plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. To comply with this requirement, the Plan entered into a trust and custody agreement with a third party to provide custodial services with respect to the assets of the Plan. The assets of the Plan are no longer required to be reflected within an agency fund of the City. Accordingly, these assets totaling $298,582 are not reflected in the current year financial statements.

NOTE 15. Lawsuits and Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by any grantors cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

The City is exposed to various claims and lawsuits arising in the normal course of business. This City is insured through the Texas Municipal League Intergovernmental Risk Pool. The City was not involved in any litigation during or subsequent to year end.

NOTE 16. Municipal Solid Waste Landfill Closure and Post Closure Care Costs

The City closed its landfill on April 9, 1994 as authorized by the Texas Natural Resources Conservation Commission (TNRCC). The closure accordingly exempted the City from most of the requirements under the EPA mandated "Subtitle D Landfill Regulations". State and Federal laws and regulations required the City to perform certain maintenance and monitoring functions at the landfill site for five years after closure. It is the City's opinion that there will be minimal post closure care costs and that any such costs incurred would be immaterial. However, due to changes in technology, laws and regulations these costs may change in the future.

The City is subject to the Financial Assurance Requirements promulgated by the Texas Commission on Environmental Quality (TCEQ) concerning its solid waste transfer station Permit #V-40026. The local government financial test requires the City to submit various documents and pledge the net position of the sanitation fund in the amount of $375,608 to demonstrate financial assurance as specified by TCEQ regulations, for closure of the transfer station.

NOTE 17. Subsequent Events

Management has evaluated subsequent events through March 27, 2023 which is the date on which the financial statements were issued. Management is not aware of any subsequent events that would warrant disclosure in the notes to the financial statements and/or adjustment to the City's financial statements for the year ended September 30, 2022.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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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 CANADIAN, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2023
IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,370,000

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

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to sovereign immunity of political subdivisions, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from 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, as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates 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 Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates 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, 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, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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

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

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

If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES