

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
and
PRELIMINARY OFFICIAL STATEMENT**

CITY OF ARANSAS PASS, TEXAS

(A Political Subdivision of the State of Texas Located in Nueces, Aransas and San Patricio Counties, Texas)

\$16,000,000*

**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF
OBLIGATION, SERIES 2024
(THE "CERTIFICATES")**

**WILL NOT be Designated by the City as
"QUALIFIED TAX-EXEMPT OBLIGATIONS"**

**Bids due
Monday, February 12, 2024
at
11:00 A.M., Central Time**

*Preliminary, subject to change based on bid structures. See "THE CERTIFICATES - MATURITY SCHEDULE" and "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" in the Official Notice of Sale relating to the Certificates.

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Certificates defined and described herein. The invitation for bids on the Certificates is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

The Issuer WILL NOT designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.

OFFICIAL NOTICE OF SALE

\$16,000,000*

CITY OF ARANSAS PASS, TEXAS

**(A political subdivision of the State of Texas located in Nueces, Aransas and San Patricio Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024**

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The City Council (the “City Council”) of the City of Aransas Pass, Texas (the “City” or the “Issuer”) is offering for sale at competitive bid its \$16,000,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024 (the “Certificates”).

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Monday, February 12, 2024. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System (“PARITY”) and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Monday, February 12, 2024 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

OPENING OF BIDS: Bids will be opened and publicly read at 11:00 A.M., Central Time, on Monday, February 12, 2024, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the “Financial Advisor”) and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or their representative shall award the Certificates as described in the section entitled “AWARD AND SALE OF THE CERTIFICATES” below.

AWARD AND SALE OF THE CERTIFICATES: By 12:00 P.M. Noon, Central Time, on the date set for receipt of bids, the Mayor of the City or their representative shall award the Certificates to the **low qualified bidder (the “Winning Bidder”)**, as described in the section entitled “**CONDITIONS OF SALE – Basis of Award**” herein **subject to final approval of the City Council which will take action to adopt an ordinance (the “Ordinance”)** authorizing the issuance and awarding sale of the Certificates or will reject all bids promptly at a scheduled meeting to commence at 5:30 PM. Central Time on Monday, February 12, 2024. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

*Preliminary, subject to change based on bid structures. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES” herein.

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated March 1, 2024 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on February 1, 2025, and semiannually on each August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Certificates will be issued as fully registered Certificates in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.) The Certificates will be stated to mature on February 1 in each of the following years in the following amounts:

MATURITY SCHEDULE
(Due February 1)

| Stated Maturity | Principal Amount* | Stated Maturity | Principal Amount* |
|-----------------|-------------------|-----------------|-------------------|
| 2025 | \$245,000 | 2035 | \$805,000 |
| 2026 | 450,000 | 2036 | 845,000 |
| 2027 | 550,000 | 2037 | 885,000 |
| 2028 | 580,000 | 2038 | 930,000 |
| 2029 | 605,000 | 2039 | 975,000 |
| 2030 | 635,000 | 2040 | 1,020,000 |
| 2031 | 665,000 | 2041 | 1,070,000 |
| 2032 | 700,000 | 2042 | 1,125,000 |
| 2033 | 730,000 | 2043 | 1,180,000 |
| 2034 | 770,000 | 2044 | 1,235,000 |

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$16,000,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, not to exceed five term certificates (the “Term Certificates”).

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Certificate and continuing on February 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The City reserves the right, at its option, to redeem the Certificates maturing on or after February 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2033, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described in the Preliminary Official Statement.

*Preliminary, subject to change. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES”.

SECURITY FOR PAYMENT: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council on February 12, 2024, and the City's Home Rule Charter and are payable primarily from an annual ad valorem taxes levied against all taxable property therein, within the limits prescribed by law, and are further secured by a lien on and pledge of the Pledged Revenues being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that may be pledged to the payment of any Prior Lien Obligations, Junior Lien Obligations or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations which are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance the City retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

OTHER TERMS AND COVENANTS: Other terms of the Ordinance and the various covenants of the City contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

SUCCESSOR PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 101% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 200 basis points (or 2% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") to the date of initial delivery of the Certificates, relating to the excludability of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of initial delivery of the Certificates) a certification as to their initial offering prices of the Certificates (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale (see "ESTABLISHMENT OF ISSUE PRICE" herein).

ESTABLISHMENT OF ISSUE PRICE:

- (a) The Winning Bidder shall assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City by the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the City, and Norton Rose Fulbright US LLP, the City's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Certificates under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the City's Financial Advisor and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the “competitive sale requirements”) because:

- (1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the Winning Bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Certificates as the issue price of that maturity (the “hold-the-offering-price rule”). The City shall promptly advise the Winning Bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(e) The City acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Certificates, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Certificates.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require

each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Certificates to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Certificates to the public),
- (3) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Certificates are awarded by the City to the Winning Bidder.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "City of Aransas Pass, Texas" in the amount of \$320,000, which is 2% of the par value of the Certificates (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail, refuse or be unable to take up and pay for the Certificates in accordance with the bid, then such check shall be cashed and accepted by the City as full and complete liquidated damages, except as provided under the caption "ADDITIONAL CONDITIONS OF AWARD – Statutory Representations and Covenants". See "ADDITIONAL CONDITIONS OF AWARD - Texas Attorney General Standing Letter". The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

ADDITIONAL CONDITIONS OF AWARD

Disclosure of Interested Party Form. It is the obligation of the City to receive information from Winning Bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Aransas Pass, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Aransas Pass CO2023 – Bid Form) and description of the goods or services (Purchase of the City of Aransas Pass, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The executed Disclosure Form must be sent by email to the City's financial advisor at mmcliney@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Stephanie Leibe, c/o Norton Rose Fulbright US LLP, 98 San Jacinto Blvd, Suite 1100, Austin, Texas 78701, along with a PDF executed version sent to stephanie.leibe@nortonrosefulbright.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in

submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

Statutory Representations and Covenants. By submitting a bid, each bidder makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used in therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder's bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Certificates created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

Not a Sanctioned Company. Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes each bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

No Boycott of Israel. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

No Discrimination Against Firearm Entities. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

No Boycott of Energy Companies. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

Texas Attorney General Standing Letter. The winning bidder represents that it has, as of the date bids are due on the Certificates and as of Closing, on file with the Texas Attorney General a standing letter addressing the representations and verifications hereinbefore described in this Notice of Sale in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2023) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a "Standing Letter"). In addition, if subsequent to the filing of its Standing Letter, the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking (a) confirmation or verification of the these representations and verifications or (b) written verification that such bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (each a "Request Letter"), the winning bidder shall promptly notify the City and Bond Counsel (if it has not already done so) and provide to the City or Bond Counsel, two business days prior to Closing and additionally upon request by the City or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the City and the Texas Attorney General (the "Bringdown Verification"). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail. The City reserves the right, in its sole discretion, to reject any bid from a bidder that does not satisfy the foregoing requirements as of the deadline for bids for the Certificates. Liability for breach of any such verification during the term of this contract for purchase shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this contract for purchase, notwithstanding anything in this contract for purchase to the contrary.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the City and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE: The City has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the City of the initial offering yields of the Certificates.

The City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The City consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The City will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the City intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the City makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

FINAL OFFICIAL STATEMENT: In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Certificates, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the City and the Certificates to subsequent purchasers of the Certificates, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Certificates to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Certificates have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Certificates, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the City to do so will terminate when the City delivers the Certificates to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Certificates have been sold to ultimate customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Certificates) until all of the Certificates have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Certificate (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or

pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last financial statements of the City appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the City.

CONTINUING DISCLOSURE AGREEMENT: The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the past five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATES: The initial delivery of the Certificates to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of \$16,000,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Certificate"), signed by manual or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate, they shall be immediately canceled and one Certificate for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Certificate must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Certificates. It is anticipated that Initial Delivery of the Initial Certificate can be made on or about March 13, 2024, but if for any reason the City is unable to make delivery by March 13, 2024, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Certificates. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES: Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate is to be canceled by the Paying Agent/Registrar and registered definitive Certificates delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Certificates shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Certificate, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Certificate and delivery of registered definitive Certificates may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid by the City; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Certificate, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE", all as described below. In addition, if the City fails to comply with its obligations described under "OFFICIAL STATEMENT- FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the City within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligation of the Purchaser to take up and pay for the Certificates, and of the City to deliver the Initial Certificate, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificate, there shall have been no material adverse change in the affairs of the City subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Certificates are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

OFFICIAL BID FORM

Honorable Mayor and City Council
 City of Aransas Pass
 600 W Cleveland Blvd
 Aransas Pass, Texas 78336

February 12, 2024

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated February 5, 2024 which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for \$16,000,000 (preliminary, subject to change) CITY OF ARANSAS PASS, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024, dated March 1, 2024 (the "Certificates").

For said legally issued Certificates, we will pay you \$_____ (being a price of no less than 101% of the par value) plus accrued interest from their date to the date of delivery to us for Certificates maturing February 1 and bearing interest per annum as follows:

| Year of Stated Maturity | Principal Amount at Stated Maturity | Coupon % | Year of Stated Maturity | Principal Amount at Stated Maturity | Coupon % |
|-------------------------|-------------------------------------|----------|-------------------------|-------------------------------------|----------|
| 2025 | \$245,000 | | 2035* | \$805,000 | |
| 2026 | 450,000 | | 2036* | 845,000 | |
| 2027 | 550,000 | | 2037* | 885,000 | |
| 2028 | 580,000 | | 2038* | 930,000 | |
| 2029 | 605,000 | | 2039* | 975,000 | |
| 2030 | 635,000 | | 2040* | 1,020,000 | |
| 2031 | 665,000 | | 2041* | 1,070,000 | |
| 2032 | 700,000 | | 2042* | 1,125,000 | |
| 2033 | 730,000 | | 2043* | 1,180,000 | |
| 2034* | 770,000 | | 2044* | 1,235,000 | |

*Maturities available for Term Certificates.

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: _____%

We are (are not) having the Certificates of the following maturities _____ insured by _____ at a premium of \$_____. The premium will be paid by the Winning Bidder. Any fees due to Rating Agencies, other than S&P Global Ratings ("S&P"), as a result of said insurance will be paid by the Winning Bidder. The City will pay the fee due to S&P.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$16,000,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table (which may include no more than five Term Certificates. For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year.

The Term Certificates created are as follows:

| Term Certificate Maturity Date February 1 | Year of First Mandatory Redemption | Principal Amount of Term Certificate | Interest Rate |
|---|------------------------------------|--------------------------------------|---------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

\$16,000,000*
CITY OF ARANSAS PASS, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2024

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____, _____, _____ (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Obligations") of the City of Aransas Pass, Texas (the "Issuer").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by _____ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Obligations used by the "Purchaser" in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by the "Purchaser" to purchase the Obligations.

(b) _____ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by _____ constituted a firm offer to purchase the Obligations.

2. Defined Terms.

(a) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is February 12, 2024.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

By: _____
Name: _____
Title: _____

Dated: March 13, 2024

*Preliminary, subject to change.

SCHEDULE A

EXPECTED OFFERING PRICES

SCHEDULE B

COPY OF UNDERWRITER'S BID

PRELIMINARY OFFICIAL STATEMENT
February 5, 2024

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Certificates and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)

The Issuer WILL NOT designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

\$16,000,000*

CITY OF ARANSAS PASS, TEXAS

**(A political subdivision of the State of Texas located in Nueces, Aransas and San Patricio Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024**

Dated Date: March 1, 2024

Due: February 1, as shown on inside cover

The \$16,000,000* City of Aransas Pass, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City of Aransas Pass, Texas (the "City" or the "Issuer") on February 12, 2024, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Certificates will accrue from March 1, 2024 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2025, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving the City's public safety facilities, including a new fire station and renovating and enlarging the existing police department building; (2) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (3) constructing flood control and drainage improvements; (4) the purchase of materials, supplies, equipment, digital signage, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) paying for the costs of issuance of the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP
NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about March 13, 2024.

BIDS DUE MONDAY, FEBRUARY 12, 2024 BY 11:00 A.M., CENTRAL TIME

* Preliminary, subject to change

\$16,000,000*
CITY OF ARANSAS PASS, TEXAS
(A political subdivision of the State of Texas located in Nueces, Aransas and San Patricio Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024

MATURITY SCHEDULE*
(Due February 1)

CUSIP Prefix No. ⁽¹⁾ 038591

| Stated | | | | CUSIP | Stated | | | | CUSIP |
|-------------------|-----------------------|--------------------|---------------------|-------------------------------------|-------------------|-----------------------|--------------------|---------------------|-------------------------------------|
| Maturity | Principal | Interest | Initial | No. | Maturity | Principal | Interest | Initial | No. |
| <u>2/1</u> | <u>Amount*</u> | <u>Rate</u> | <u>Yield</u> | <u>Suffix ⁽¹⁾</u> | <u>2/1</u> | <u>Amount*</u> | <u>Rate</u> | <u>Yield</u> | <u>Suffix ⁽¹⁾</u> |
| 2025 | \$ 245,000 | | | | 2035 | \$ 805,000 | | | |
| 2026 | 450,000 | | | | 2036 | 845,000 | | | |
| 2027 | 550,000 | | | | 2037 | 885,000 | | | |
| 2028 | 580,000 | | | | 2038 | 930,000 | | | |
| 2029 | 605,000 | | | | 2039 | 975,000 | | | |
| 2030 | 635,000 | | | | 2040 | 1,020,000 | | | |
| 2031 | 665,000 | | | | 2041 | 1,070,000 | | | |
| 2032 | 700,000 | | | | 2042 | 1,125,000 | | | |
| 2033 | 730,000 | | | | 2043 | 1,180,000 | | | |
| 2034 | 770,000 | | | | 2044 | 1,235,000 | | | |

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2033, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

* Preliminary, subject to change.

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CITY OF ARANSAS PASS, TEXAS
600 W Cleveland Blvd
 Aransas Pass, Texas 78336

ELECTED OFFICIALS

| Name | Years Served | Term Expires (May) |
|---|--------------|--------------------|
| Ram Gomez Mayor | 6 | 2025 |
| Carrie Scruggs Mayor Pro-Tem | 8 | 2025 |
| Jason Knight Councilmember, Place 2 | 3 | 2024 |
| Joe Dominguez Councilmember, Place 3 | 11 months | 2025 |
| Vickie Abrego Councilmember, Place 4 | 17 | 2024 |

ADMINISTRATION

| Name | Position | Length of Service at the City (Years) |
|----------------------|---------------------|---------------------------------------|
| Gary Edwards | City Manager | 6 |
| Sandra Garcia | Director of Finance | 7 |
| Mary Juarez | City Secretary | 1 |
| Roxann Pais Cotroneo | City Attorney | 5 |

CONSULTANTS AND ADVISORS

Bond CounselNorton Rose Fulbright US LLP
 Austin, Texas

Certified Public AccountantsBrenda P. McElwee, P.C.
 Aransas Pass, Texas

Financial AdvisorSAMCO Capital Markets, Inc.
 San Antonio, Texas

For Additional Information Please Contact:

Mr. Gary Edwards
 City Manager
 Ms. Sandra Garcia
 Director of Finance
City of Aransas Pass
 600 W Cleveland Blvd
 Aransas Pass, Texas 78336
 Phone: (361) 758-5301
 citymanager@aransaspasstx.gov
 sgarcia@aransaspasstx.gov

Mr. Mark M. McLiney
 Senior Managing Director
 Mr. Andrew T. Friedman
 Senior Managing Director
SAMCO Capital Markets, Inc.
 1020 NE Loop 410, Suite 640
 San Antonio, Texas 78209
 Phone: (210) 832-9760
 mmcliney@samcocapital.com
 afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “Rule”), and in effect on the date of this Preliminary Official Statement, this document constitutes an “official statement” of the Issuer with respect to the Certificates that has been “deemed final” by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, ITS BOOK-ENTRY-ONLY SYSTEM, OR THE INSURER, IF ANY, AND ITS MUNICIPAL BOND INSURANCE POLICY DESCRIBED HEREIN (OR INCORPORATED BY REFERENCE) UNDER THE HEADING “BOND INSURANCE, AND “BOND INSURANCE GENERAL RISKS”, AS SUCH INFORMATION IS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

The Financial Advisor 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 its responsibilities to the Issuer 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.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES 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 JURISDICTIONS IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

| | |
|--|--|
| The Issuer | The City of Aransas Pass, Texas (the "City" or "Issuer") is located on the Gulf Coast, 25 miles north of the City of Corpus Christi, Texas. The City is a popular fishing and tourist resort and has become an important commercial fishing center. With easy access to the Gulf of Mexico, the harbor has facilities for 600 shrimp trawlers. The City connects to Port Aransas via a free ferry service, one of only two accesses to the island. The City operates under a Mayor/City Council form of government pursuant to the laws of the State of Texas and the City's Home Rule Charter. The City's Home Rule Charter was last amended at an election held on November 3, 2020. (See "APPENDIX B - General Information Regarding the City of Aransas Pass and San Patricio, Nueces and Aransas Counties, Texas" herein.) |
| The Certificates | The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City, on February 12, 2024, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.) |
| Paying Agent/Registrar | The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. |
| Security | The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.) |
| Redemption Provisions of the Certificates | The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2033, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.) |
| Tax Matters | In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein.) |
| Qualified Tax-Exempt Obligations | The Issuer WILL NOT designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.) |

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving the City's public safety facilities, including a new fire station and renovating and enlarging the existing police department building; (2) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (3) constructing flood control and drainage improvements; (4) the purchase of materials, supplies, equipment, digital signage, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) paying for the costs of issuance of the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Ratings

A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)

Bond Insurance

The City has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

Payment Record

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Future Debt Issues

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2024.

Delivery

When issued, anticipated on or about March 13, 2024.

Legality

Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel.

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PRELIMINARY OFFICIAL STATEMENT

relating to

\$16,000,000*

CITY OF ARANSAS PASS, TEXAS

**(A political subdivision of the State of Texas located in Nueces, Aransas and San Patricio Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024**

INTRODUCTORY STATEMENT

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the City of Aransas Pass, Texas (the "City" or the "Issuer") of its \$16,000,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and its Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated March 1, 2024 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2025, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on February 12, 2024, and the City's Home Rule Charter.

*Preliminary, subject to change.

Security for Payment

The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Two or more consecutive maturities of the Certificates may be grouped together as a "Term Certificate" by the Purchaser, and such "Term Certificates" would also be subject to mandatory sinking fund redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will 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.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving the City’s public safety facilities, including a new fire station and renovating and enlarging the existing police department building; (2) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (3) constructing flood control and drainage improvements; (4) the purchase of materials, supplies, equipment, digital signage, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) paying for the costs of issuance of the Certificates.

Sources and Uses

| | |
|--------------------------------------|----------|
| Sources | |
| Par Amount of the Certificates | \$ _____ |
| Accrued Interest on the Certificates | _____ |
| [Net] Reoffering Premium | _____ |
| Total Sources of Funds | ===== |
| Uses | |
| Project Fund Deposit | \$ _____ |
| Purchaser’s Discount | _____ |
| Certificate Fund Deposit | _____ |
| Costs of Issuance | _____ |
| Total Uses | ===== |

Payment Record

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the redemption price or amounts, change the place or places at or the coin or currency in which any Certificate or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, (3) extend any waiver of default to subsequent defaults, or (4) reduce the aggregate principal amount of Certificates required for consent to any amendment, change, modification, or waiver.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), 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 agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City’s Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that “Government Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. City officials are authorized to restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with

defeasance proceeds relating to the Certificates (“Defeasance Proceeds”), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so 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 bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court 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.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the “Proprietary-Governmental Dichotomy”). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State’s sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson*”) the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources”. While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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. As noted above, the Ordinance provides that Certificate holders 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 U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or

bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. 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 will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or 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 denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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 representing the 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 "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

BOND INSURANCE

The City has applied for municipal bond insurance on the Certificates. No representation is hereby made that the City will use municipal bond insurance in connection with the issuance of the Certificates. If the City accepts a bid for the Certificates that incorporates the acquisition of one or more municipal bond guaranty policies (together the "Policy") from a qualified bond insurance company (the "Bond Insurer"), the premium for the Policy will be paid by the City. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Bond Insurer and the Policy.

BOND INSURANCE GENERAL RISKS

The City has applied for a Policy to guarantee the scheduled payment of principal and interest on the Certificates. The City has yet to determine whether any insurance will be purchased with the Certificates, but the payment of the bond insurance premium will be the City's obligation. If a Policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Obligation owner as a voidable preference under applicable bankruptcy law may be covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Payment of principal and interest is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. See "THE CERTIFICATES – Default and Remedies". The Bond Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercises and the Bond Insurer's consent may be required in connection with amendments to any applicable Obligation documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the security provided pursuant to the applicable Obligation documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

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

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

None of the City, the Financial Advisor, or the Underwriters have made independent investigation into the claims paying ability of any potential Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any potential Bond Insurer, particularly over the life of the Certificates.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

In the past, Moody's Investors Service, Inc., S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business, and Fitch Ratings, Inc. have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible.

In addition, past events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

INVESTMENT POLICIES

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

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7)

federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAAm”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

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

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

Investment Policies

Under State law, the Issuer 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 Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the Issuer’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 investment officers of the Issuer must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (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) the investment strategy expressed in the Issuer’s investment policy, and (b) the Public Funds Investment Act. No person may invest Issuer funds without express written authority from the City Council.

Current Investments ⁽¹⁾

TABLE 1

As of September 23, 2023 the City held investments as follows:

| <u>Investment Type</u> | <u>Amount</u> | <u>Percentage</u> |
|--|--------------------|-------------------|
| Cash, Money Markets, and Certificates of Deposit | \$1,515,498 | 15.89% |
| Investment Pools | <u>8,021,790</u> | <u>84.11%</u> |
| Total | <u>\$9,537,288</u> | <u>100.00%</u> |

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

⁽¹⁾ Unaudited.

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes, located in an area declared by the Governor (hereinafter defined) to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

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

City and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

City’s Rights in the Event of Tax Delinquencies

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

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

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

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

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

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

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

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"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).

"preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

"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 greater of (i) zero; or (ii) the sum of the 2020 foregone revenue amount, 2021 foregone revenue amount, and 2022 foregone revenue amount divided by the current total value.

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

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

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

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owner of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

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

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

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

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

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

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

2023 Texas Legislative Session

The 88th Texas Legislative Session convened in regular session on January 10, 2023 and concluded on May 29, 2023. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas (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 called the first special session which began on May 29, 2023 and concluded on June 27, 2023. The Governor called a second special session which convened on June 27, 2023 and concluded on July 13, 2023. The charge for the second special session included "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" and "Legislation to put Texas on a pathway to eliminate school district maintenance and operations property taxes." During the second special session, the Legislature passed Senate Bill 2 ("SB 2") which includes provisions that, among other things, increase the school district mandatory homestead exemption from \$40,000 to \$100,000 (approved by the voters at the November 7, 2023 election), prohibit cities, school districts and counties that adopted a local option homestead exemption for the 2022 tax year from reducing the amount of or repealing such exemption through December 31, 2027, and place further limitations on increases in appraised values on certain classes of properties. See "City Application of Property Tax Code" above. Certain provisions of SB 2, including those increasing the school district mandatory residential homestead exemption to \$100,000, prohibiting the reduction or repeal of the local option homestead exemption, and placing limitations on increasing the appraised values on certain classes of properties, were submitted to voters of the State on November 7, 2023.

The Governor called a third special session which convened on October 9, 2023 and concluded on November 7, 2023. The charge for the third special session, which was expanded on October 31, 2023, included, among other things, (i) "Legislation providing education savings accounts for all Texas schoolchildren" and "Legislation relating to primary and secondary education, including the . . . public school finance system."

The Governor called a fourth special session which convened on November 7, 2023 and concluded on December 7, 2023. The charge for the fourth special session includes, among other things, (i) "Legislation providing education savings accounts for all Texas schoolchildren" and "Legislation relating to primary and secondary education, including the . . . public school finance system."

During the 88th Texas Legislative Session, the Legislature approved a general appropriations act and legislation affecting ad valorem taxation procedures affecting cities. The City is in the process of evaluating the legislation that passed during the 88th Texas Legislative Session and how it may impact the City and its operations. The City can make no representation or predictions concerning the substance or the effect of any legislation passed in a prior session or that may be considered in a future session of the Legislature.

The Property Tax Code as Applied to the City

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older of \$5,000.

The City has adopted the tax freeze for citizens who are 65 year of age or older.

The City does not permit split payments or discounts.

The City does not tax freeport property.

The City does not tax goods-in-transit.

The City may create additional TIRZ/TIF Zones in the future with business entities existing or to be constructed within the City. Any such zones will provide benefits and impose requirements pursuant to the City's TIRZ/TIF policy.

TAX MATTERS

Tax Exemption

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

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

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

Tax Changes

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

Ancillary Tax Consequences

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

Tax Accounting Treatment of Discount Certificates

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the "Discount Certificates"). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificates. A portion of such original issue discount, allocable to the holding period of a Discount Certificate by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

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

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

Tax Accounting Treatment of Premium Certificates

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the "Premium Certificates"). An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable Certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Certificate premium with respect to the Premium Certificates. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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

CONTINUING DISCLOSURE OF INFORMATION

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 annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information".

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 180 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year of the City beginning in the year 2023, financial information and operating data with respect to the City of the general type included in the body of this Official Statement under "Investment Authority and Investment Practices of the Issuer - Current Investments" and in Tables 1 through 13 of "Appendix A - Financial Information of the Issuer" to this Official Statement (the "Annual Financial Information"), and (2) within six

months after the end of each fiscal year of the City beginning in the year 2023, the audited financial statements of the City (the "Audited Financial Statements"). If the audit of such financial statements is not complete within six (6) months after any such fiscal year end, then the City shall file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report becomes available. Any financial statements to be provided shall be prepared in accordance with the accounting principles described in APPENDIX D to this Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and shall be in substantially the form included in this Official Statement as APPENDIX D.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (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 paying agent/registrant or the change of name of a paying agent/registrant, 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 any such 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 any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. 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." Neither the Certificates nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

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 agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

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

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchasers with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Agreements" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

At the time of the initial delivery of the Certificates, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT INFORMATION – Ratings" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

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

FORWARD LOOKING STATEMENTS

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and 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.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they 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 or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

Ratings

A municipal bond rating application for the Certificates has been made to S&P Global Ratings ("S&P"). The outcome of the result will be made available as soon as possible. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating 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 the rating may have an adverse effect on the market price of the Certificates.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. 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. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

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

The Financial Advisor 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 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.

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a [net] reoffering premium of \$_____, less a Purchaser's discount of \$_____, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2022, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Concluding Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

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

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

This Official Statement will be approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF ARANSAS PASS, TEXAS

/s/ Mayor
City of Aransas Pass, Texas

ATTEST:

/s/ City Secretary
City of Aransas Pass, Texas

APPENDIX A

**FINANCIAL INFORMATION RELATING TO
THE CITY OF ARANSAS PASS, TEXAS**

FINANCIAL INFORMATION OF THE ISSUER

| ASSESSED VALUATION | TABLE 1 |
|--|--------------------|
| 2023 Actual Certified Market Value of Taxable Property (100% of Market Value)..... | \$ 1,304,007,728 |
| Less Exemptions: | |
| Optional Over-65 or Disabled Homestead | \$ 4,268,710 |
| Disabled/Deceased Veterans' | 22,124,422 |
| Open-Space Land and Timberland | 2,495,244 |
| 10% Cap | 103,902,405 |
| Solar | 2,399,819 |
| TOTAL EXEMPTIONS | <u>135,190,600</u> |
| 2023 Assessed Value of Taxable Property ⁽¹⁾ | \$ 1,168,817,128 |

Source: Aransas, Nueces and San Patricio County Appraisal Districts.

GENERAL OBLIGATION BONDED DEBT

(as of January 1, 2024)

General Obligation Debt Principal Outstanding

| | |
|---|------------------------|
| General Obligation Refunding Bonds, Series 2007 | \$ 1,020,000 |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 | 4,945,000 |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015 | 80,000 |
| General Obligation Refunding Bonds, Taxable Series 2016 | 1,825,000 |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 | 2,055,000 |
| Tax Notes, Series 2018 | 130,000 |
| General Obligation Refunding Bonds, Series 2018 | 1,055,000 |
| Tax Notes, Series 2019 | 755,000 |
| Tax Notes, Series 2020 | 780,000 |
| Tax Notes, Series 2021 | 745,000 |
| Tax Notes, Series 2021A (the "Notes") | 640,000 |
| General Obligation Refunding Bonds, Taxable Series 2021 | 640,000 |
| General Obligation Refunding Bonds, Series 2021 | 2,310,000 |
| Tax Notes, Series 2022 | 2,035,000 |
| Tax Notes, Series 2023 | 2,400,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") | <u>16,000,000</u> * |
| Total Gross General Obligation Debt | <u>\$ 37,415,000</u> * |
| Less: Self Supporting Debt | |
| General Obligation Refunding Bonds, Series 2007 (100.00% Sales Tax) | \$ 1,020,000 |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 (37.6% Utility System) | 1,860,000 |
| General Obligation Refunding Bonds, Series 2018 (100% Sales Tax) | 1,055,000 |
| Tax Notes, Series 2020 (67.9% Utility System) | 530,000 |
| Tax Notes, Series 2021 (100% Municipal Development District) | 745,000 |
| Tax Notes, Series 2021A (43.0% Utility System) | 275,000 |
| General Obligation Refunding Bonds, Series 2021 (100% Utility System) | 2,310,000 |
| Tax Notes, Series 2022 (58.5% Utility System) | <u>1,190,000</u> |
| Total Self-Supporting Debt | <u>\$ 8,985,000</u> * |
| Total Net General Obligation Debt Outstanding | <u>\$ 28,430,000</u> * |
| 2023 Net Assessed Valuation | \$ 1,168,817,128 |
| Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation | 3.20% * |
| Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation | 2.43% * |

Population: 1990 - 7,180; 2000 - 8,134; 2010 - 8,204; 2020 - 8,976 and est. 2024 - 8,600

Per Capita Certified Net Taxable Assessed Valuation - \$135,908.97

Per Capita Gross General Obligation Debt Principal - \$4,350.58

Per Capita Net General Obligation Debt Principal - \$3,305.81

(a) See "AD VALOREM PROPERTY TAXATION" in the Official Statement for a description of the Issuer's taxation procedures.

* Preliminary, subject to change.

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

(As of September 30, 2022)

The City entered into a five-year agreement as lessee for copying machinery. An initial lease liability was recorded in the amount of \$106,720. As of September 30, 2022, the value of the lease liability was \$87,892. The City is required to make monthly payments of \$1,704. The lease has an interest rate of 3%. The value of the right-to-use asset as of the end of the current fiscal year was \$87,892 and had accumulated amortization of \$18,828.

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2022.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending 9/30 | The Certificates * | | | | Combined Debt Service ^(a) * | Less: Self- Supporting Debt* | Total Net Debt Service* |
|----------------------------|--|----------------------|-------------------------|----------------------|---|------------------------------------|----------------------------|
| | Current Total Outstanding Debt ^(a) | Principal | Interest ^(b) | Total | | | |
| 2024 | \$ 4,770,858 | | | | \$ 4,770,858 | \$ 1,666,533 | \$ 3,104,325 |
| 2025 | 4,166,649 | \$ 245,000 | \$ 1,070,848 | \$ 1,315,848 | 5,482,497 | 1,660,726 | 3,821,771 |
| 2026 | 4,099,777 | 450,000 | 737,675 | 1,187,675 | 5,287,452 | 1,584,109 | 3,703,343 |
| 2027 | 3,136,062 | 550,000 | 713,925 | 1,263,925 | 4,399,987 | 1,581,688 | 2,818,298 |
| 2028 | 1,631,513 | 580,000 | 687,088 | 1,267,088 | 2,898,601 | 889,271 | 2,009,330 |
| 2029 | 1,212,656 | 605,000 | 658,944 | 1,263,944 | 2,476,599 | 676,866 | 1,799,734 |
| 2030 | 991,083 | 635,000 | 629,494 | 1,264,494 | 2,255,576 | 454,918 | 1,800,659 |
| 2031 | 982,920 | 665,000 | 598,619 | 1,263,619 | 2,246,539 | 451,880 | 1,794,659 |
| 2032 | 983,760 | 700,000 | 566,200 | 1,266,200 | 2,249,960 | 453,350 | 1,796,610 |
| 2033 | 978,430 | 730,000 | 532,238 | 1,262,238 | 2,240,668 | 449,310 | 1,791,358 |
| 2034 | 735,830 | 770,000 | 496,613 | 1,266,613 | 2,002,443 | 203,600 | 1,798,843 |
| 2035 | 190,950 | 805,000 | 459,206 | 1,264,206 | 1,455,156 | - | 1,455,156 |
| 2036 | 190,550 | 845,000 | 420,019 | 1,265,019 | 1,455,569 | - | 1,455,569 |
| 2037 | | 885,000 | 378,931 | 1,263,931 | 1,263,931 | - | 1,263,931 |
| 2038 | | 930,000 | 335,825 | 1,265,825 | 1,265,825 | - | 1,265,825 |
| 2039 | | 975,000 | 290,581 | 1,265,581 | 1,265,581 | - | 1,265,581 |
| 2040 | | 1,020,000 | 243,200 | 1,263,200 | 1,263,200 | - | 1,263,200 |
| 2041 | | 1,070,000 | 193,563 | 1,263,563 | 1,263,563 | - | 1,263,563 |
| 2042 | | 1,125,000 | 141,431 | 1,266,431 | 1,266,431 | - | 1,266,431 |
| 2043 | | 1,180,000 | 86,688 | 1,266,688 | 1,266,688 | - | 1,266,688 |
| 2044 | - | 1,235,000 | 29,331 | 1,264,331 | 1,264,331 | - | 1,264,331 |
| Total | <u>\$ 24,071,036</u> | <u>\$ 16,000,000</u> | <u>\$ 9,270,416</u> | <u>\$ 25,270,416</u> | <u>\$ 49,341,453</u> | <u>\$ 10,072,249</u> | <u>\$ 39,269,204</u> |

^(a) Includes self-supporting debt.

^(b) Calculated at assumed rates for illustrative purposes only.

* Preliminary, subject to change.

TAX ADEQUACY (Includes Self-Supporting Debt)

| | |
|--|------------------|
| 2023 Certified Freeze Adjusted Net Taxable Assessed Valuation | \$ 1,168,817,128 |
| Maximum Annual Debt Service Requirement (Fiscal Year Ending 9-30-25) | 5,482,497 * |
| Indicated required I&S Tax Rate at 98% Collections to produce Maximum Debt Service Requirement | \$ 0.4786 * |

* Includes the Certificates. Preliminary, subject to change.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt)

| | |
|--|------------------|
| 2023 Certified Freeze Adjusted Net Taxable Assessed Valuation | \$ 1,168,817,128 |
| Maximum Annual Debt Service Requirement (Fiscal Year Ending 9-30-25) | 3,821,771 * |
| Indicated required I&S Tax Rate at 98% Collections to produce Maximum Debt Service Requirement | \$ 0.33365 * |

* Includes the Certificates. Preliminary, subject to change.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

INTEREST AND SINKING FUND MANAGEMENT INDEX

| | |
|---|---------------------|
| Unaudited Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2023 | \$ 806,147 |
| 2023 Interest and Sinking Fund Tax Levy at 98% Collections Produce | 4,029,661 |
| Plus: Other City Funds | 700,000 |
| Total Available for General Obligation Debt | <u>\$ 5,535,808</u> |
| Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/24 ⁽¹⁾ | <u>4,770,858</u> |
| Estimated Surplus at Fiscal Year Ending 9/30/24 ⁽²⁾ | <u>\$ 764,950</u> |

⁽¹⁾ Includes self-supporting general obligation debt.

⁽²⁾ Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of January 1, 2024)

| Fiscal Year Ending 9-30 | Principal Repayment Schedule | | | Principal Unpaid at End of Year* | Percent of Principal Retired (%)* |
|----------------------------|---|----------------------|----------------------|--|---|
| | Currently Outstanding ^(a) | The Certificates* | Total* | | |
| 2024 | \$ 4,130,000 | - | \$ 4,130,000 | \$ 33,285,000 | 11% |
| 2025 | 3,650,000 | \$ 245,000 | 3,895,000 | 29,390,000 | 21% |
| 2026 | 3,700,000 | 450,000 | 4,150,000 | 25,240,000 | 33% |
| 2027 | 2,855,000 | 550,000 | 3,405,000 | 21,835,000 | 42% |
| 2028 | 1,420,000 | 580,000 | 2,000,000 | 19,835,000 | 47% |
| 2029 | 1,040,000 | 605,000 | 1,645,000 | 18,190,000 | 51% |
| 2030 | 850,000 | 635,000 | 1,485,000 | 16,705,000 | 55% |
| 2031 | 870,000 | 665,000 | 1,535,000 | 15,170,000 | 59% |
| 2032 | 900,000 | 700,000 | 1,600,000 | 13,570,000 | 64% |
| 2033 | 925,000 | 730,000 | 1,655,000 | 11,915,000 | 68% |
| 2034 | 710,000 | 770,000 | 1,480,000 | 10,435,000 | 72% |
| 2035 | 180,000 | 805,000 | 985,000 | 9,450,000 | 75% |
| 2036 | 185,000 | 845,000 | 1,030,000 | 8,420,000 | 77% |
| 2037 | | 885,000 | 885,000 | 7,535,000 | 80% |
| 2038 | | 930,000 | 930,000 | 6,605,000 | 82% |
| 2039 | | 975,000 | 975,000 | 5,630,000 | 85% |
| 2040 | | 1,020,000 | 1,020,000 | 4,610,000 | 88% |
| 2041 | | 1,070,000 | 1,070,000 | 3,540,000 | 91% |
| 2042 | | 1,125,000 | 1,125,000 | 2,415,000 | 94% |
| 2043 | | 1,180,000 | 1,180,000 | 1,235,000 | 97% |
| 2044 | - | 1,235,000 | 1,235,000 | - | 100% |
| Total | <u>\$ 21,415,000</u> | <u>\$ 16,000,000</u> | <u>\$ 37,415,000</u> | | |

^(a) Includes self-supporting debt.

* Preliminary, subject to change.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2013-2023

TABLE 3

| Year | Net Taxable Assessed Valuation | Change From Preceding Year | |
|------|---|----------------------------|---------|
| | | Amount (\$) | Percent |
| 2013 | \$ 523,151,016 | | |
| 2014 | 545,190,793 | 22,039,777 | 4.21% |
| 2015 | 591,079,692 | 45,888,899 | 8.42% |
| 2016 | 625,725,401 | 34,645,709 | 5.86% |
| 2017 | 666,234,408 | 40,509,007 | 6.47% |
| 2018 | 609,697,116 | (56,537,292) | -8.49% |
| 2019 | 676,900,435 | 67,203,319 | 11.02% |
| 2020 | 742,511,084 | 65,610,649 | 9.69% |
| 2021 | 888,243,352 | 145,732,268 | 19.63% |
| 2022 | 992,016,956 | 103,773,604 | 11.68% |
| 2023 | 1,168,817,128 | 176,800,172 | 17.82% |

Source: Aransas, Nueces and San Patricio County Appraisal Districts.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 4

| | 2023 | % of Total | 2022 | % of Total | 2021 | % of Total |
|--|-------------------------|----------------|-------------------------|----------------|-----------------------|----------------|
| Real, Residential, Single-Family | \$ 903,431,893 | 69.28% | \$737,978,722 | 68.25% | \$654,343,719 | 66.96% |
| Real, Residential, Multi-Family | 33,331,469 | 2.56% | 25,382,171 | 2.35% | 19,615,777 | 2.01% |
| Real, Vacant Lots/Tracts | 72,292,446 | 5.54% | 61,469,534 | 5.69% | 56,632,373 | 5.79% |
| Real, Acreage (Land Only) | 2,690,276 | 0.21% | 1,769,149 | 0.16% | 3,936,057 | 0.40% |
| Real, Farm and Ranch Improvements | 247,397 | 0.02% | 175,767 | 0.02% | 369,000 | 0.04% |
| Real, Commercial | 198,270,995 | 15.20% | 166,552,766 | 15.40% | 149,309,596 | 15.28% |
| Real, Industrial | 11,631,983 | 0.89% | 10,101,236 | 0.93% | 25,582,953 | 2.62% |
| Real & Tangible, Personal Utilities | 19,776,946 | 1.52% | 16,538,309 | 1.53% | 10,791,095 | 1.10% |
| Tangible Personal, Commercial | 42,092,146 | 3.23% | 39,442,543 | 3.65% | 36,690,680 | 3.75% |
| Tangible Personal, Industrial | 4,667,590 | 0.36% | 4,679,010 | 0.43% | 7,296,980 | 0.75% |
| Tangible Personal, Mobile Homes | 7,630,650 | 0.59% | 6,097,339 | 0.56% | 7,749,692 | 0.79% |
| Real Property, Inventory | 2,281,055 | 0.17% | 373,672 | 0.03% | 108,650 | 0.01% |
| Special Inventory | 5,662,882 | 0.43% | 10,649,620 | 0.98% | 4,861,854 | 0.50% |
| Total Appraised Value | \$ 1,304,007,728 | 100.00% | \$ 1,081,209,838 | 100.00% | \$977,288,426 | 100.00% |
| Less: | | | | | | |
| Optional Over-65 or Disabled Homestead | \$ 4,268,710 | | \$4,282,059 | | \$4,309,558 | |
| Disabled/Deceased Veterans' | 22,124,422 | | 17,654,383 | | 13,203,777 | |
| Open-Space Land and Timberland | 2,495,244 | | 1,745,539 | | 3,728,858 | |
| Loss to 10% HO Cap | 103,902,405 | | 64,782,563 | | | |
| Solar | 2,399,819 | | 728,338 | | 67,802,881 | |
| Net Taxable Assessed Valuation | \$ 1,168,817,128 | | \$ 992,016,956 | | \$ 888,243,352 | |

Source: Aransas, Nueces and San Patricio County Appraisal Districts.

TAX DATA

TABLE 5

| Tax Year | Net Taxable Assessed Valuation | Tax Rate | Tax Levy | % of Collections Current | % of Collections Total | Year Ended |
|----------|--------------------------------|----------|-----------|----------------------------|------------------------|------------|
| 2013 | 523,151,016 | 0.680354 | 3,559,279 | 91.40 | 94.21 | 9/30/2014 |
| 2014 | 545,190,793 | 0.680354 | 3,709,227 | 92.32 | 96.91 | 9/30/2015 |
| 2015 | 591,079,692 | 0.680354 | 4,021,434 | 95.84 | 98.05 | 9/30/2016 |
| 2016 | 625,725,401 | 0.688655 | 4,309,089 | 99.21 | 100.78 | 9/30/2017 |
| 2017 | 666,234,408 | 0.688655 | 4,588,057 | 99.07 | 100.93 | 9/30/2018 |
| 2018 | 609,697,116 | 0.775196 | 4,726,348 | 97.82 | 102.23 | 9/30/2019 |
| 2019 | 676,900,435 | 0.799194 | 5,409,748 | 97.71 | 102.34 | 9/30/2020 |
| 2020 | 742,511,084 | 0.799194 | 5,934,104 | 95.61 | 104.03 | 9/30/2021 |
| 2021 | 888,243,352 | 0.784481 | 6,968,100 | 90.67 | 97.81 | 9/30/2022 |
| 2022 | 992,016,956 | 0.771461 | 7,653,024 | 99.62 | 102.51 | 9/30/2023 |
| 2023 | 1,168,817,128 | 0.759400 | 8,875,997 | (In Process of Collection) | | 9/30/2024 |

TAX RATE DISTRIBUTION

TABLE 6

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund | \$ 0.407600 | \$ 0.411351 | \$ 0.447193 | \$ 0.484280 | \$ 0.487422 |
| I & S Fund | 0.351800 | 0.360110 | 0.337288 | 0.314914 | 0.311772 |
| Total Tax Rate | \$ 0.759400 | \$ 0.771461 | \$ 0.784481 | \$ 0.799194 | \$ 0.799194 |

Source: Aransas, Nueces and San Patricio County Appraisal Districts.

PRINCIPAL TAXPAYERS

TABLE 7

| Name | Type of Business/Property | 2023 Net Taxable Assessed Valuation | % of Total 2023 Assessed Valuation |
|--------------------------------------|---------------------------|-------------------------------------|------------------------------------|
| AEP Texas Central Company | Utility | \$ 13,321,970 | 1.14% |
| Windy Shores Aransas Pass LLC | Apartments | 12,468,787 | 1.07% |
| Wal-Mart Real Estate Business | Real Estate | 11,390,560 | 0.97% |
| Lowes Home Centers Inc | Home Improvement Retail | 8,290,106 | 0.71% |
| Lowes Home Centers LLC | Home Improvement Retail | 8,209,943 | 0.70% |
| Southern Oaks RV Resort LLC | RV Resort | 6,356,599 | 0.54% |
| AEP Texas Central Company | Utility | 5,802,705 | 0.50% |
| Absolute Hospitality LP | Hotels | 5,480,901 | 0.47% |
| Wal Mart Stores Texas LP | Retail | 5,452,573 | 0.47% |
| Halliday William Jr & Pearl Halliday | Residential | 5,094,713 | 0.44% |
| | | \$ 81,868,857 | 7.00% |

Source: Aransas, Nueces and San Patricio County Appraisal Districts.

MUNICIPAL SALES TAX COLLECTIONS

TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The Issuer has an additional 1/2 cent for the Aransas Pass Municipal Development District as well as 1/2 cent for the Aransas Pass Crime Control District. Collections on calendar year basis are as follows:

| Calendar Year | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Crime Control District ⁽¹⁾ | Municipal Development District ⁽²⁾ |
|---------------|-----------------|--------------------------|-----------------------------------|---------------------------------------|---|
| 2013 | \$ 1,873,427 | 52.64% | 0.36 | \$ 797,289 | \$ 837,427 |
| 2014 | 1,883,538 | 50.78% | 0.35 | 823,694 | 835,642 |
| 2015 | 1,960,326 | 48.75% | 0.33 | 853,384 | 852,113 |
| 2016 | 2,050,099 | 47.58% | 0.33 | 896,611 | 893,927 |
| 2017 | 1,989,475 | 43.36% | 0.30 | 876,229 | 867,536 |
| 2018 | 2,536,657 | 53.67% | 0.42 | 1,096,681 | 1,091,405 |
| 2019 | 2,293,536 | 42.40% | 0.34 | 1,095,195 | 1,084,558 |
| 2020 | 2,516,619 | 42.41% | 0.34 | 1,153,024 | 1,153,423 |
| 2021 | 2,743,724 | 39.38% | 0.31 | 1,249,314 | 1,238,903 |
| 2022 | 2,898,405 | 37.87% | 0.29 | 1,282,986 | 1,282,015 |
| 2023 | 3,001,001 | 33.81% | 0.26 | 1,291,929 | 1,306,650 |

⁽¹⁾ The City of Aransas Pass raised the Crime Control Sales Tax to 1/2 cent effective October 1, 2009.

⁽²⁾ The City of Aransas Pass implemented its municipal development district in December 1998.

Source: State Comptroller's Office of the State of Texas.

OVERLAPPING DEBT INFORMATION

(As of January 2024)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer 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 below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

| Taxing Body | Gross Debt (As of 1/1/2024) | % Overlapping | Amount Overlapping |
|---|-----------------------------|---------------|------------------------|
| Aransas County | \$ 19,840,000 | 1.16% | \$ 230,144 |
| Aransas County Navigation District #1 | 1,770,000 | 1.16% | 20,532 |
| Aransas Pass ISD | 13,405,000 | 78.35% | 10,502,818 |
| Nueces County | 163,045,000 | 0.09% | 146,741 |
| Nueces County Hospital District | - | 0.09% | - |
| Port Aransas ISD | 38,277,000 | 0.51% | 195,213 |
| San Patricio County | 107,993,234 | 3.67% | 3,963,352 |
| Total Gross Overlapping Debt | | | <u>\$ 15,058,798</u> |
| Aransas Pass, City of | | | \$ 37,415,000 * |
| Total Gross Direct and Overlapping Debt | | | <u>\$ 52,473,798 *</u> |
| Ratio of Gross Direct Debt and Overlapping Debt | | | 4.49% * |
| Per Capita Gross Direct Debt and Overlapping Debt | | | \$6,102 * |
| Total Net Direct and Overlapping Debt | | | \$ 43,488,798 * |
| Ratio of Net Direct and Overlapping Debt to 2023 Net Assessed Valuation | | | 3.72% * |
| Per Capita Net Direct and Overlapping Debt | | | \$5,057 * |

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

| Governmental Subdivision | 2023 Assessed Valuation | % of Actual | 2023 Tax Rate |
|---------------------------------------|-------------------------|-------------|---------------|
| Aransas County | \$ 5,862,775,485 | 100% | \$ 0.358411 |
| Aransas County Navigation District #1 | 3,638,378,238 | 100% | 0.034041 |
| Aransas Pass ISD | 1,140,845,933 | 100% | 0.808800 |
| Nueces County | 39,813,040,039 | 100% | 0.237411 |
| Nueces County Hospital District | 40,395,837,497 | 100% | 0.085242 |
| Port Aransas ISD | 5,977,098,366 | 100% | 0.743200 |
| San Patricio County | 31,808,929,108 | 100% | 0.441605 |

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

| Issuer | Date of Authorization | Purpose | Amount Authorized | Issued To-Date | Unissued |
|---------------------------------------|-----------------------|-------------------|-------------------|----------------|--------------|
| Aransas County | 11/3/2020 | Road and Drainage | \$ 1,295,000 | - | \$ 1,295,000 |
| | | Hospital | 1,370,000 | - | 1,370,000 |
| | | | | | 2,665,000 |
| Aransas County Navigation District #1 | None | | | | |
| Aransas Pass ISD | None | | | | |
| Nueces County | None | | | | |
| Nueces County Hospital District | None | | | | |
| Port Aransas ISD | None | | | | |
| San Patricio County | None | | | | |

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 9

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer’s audited financial statements and records. Reference is made to such statements for further and complete information.

| | Fiscal Year Ended | | | | |
|--|-------------------|--------------|--------------|----------------|----------------|
| | 9/30/2022 | 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 |
| Fund Balance - Beginning of Year | \$ 4,446,545 | \$ 4,351,902 | \$ 2,714,420 | \$ 2,860,770 | \$ 1,459,335 |
| Revenues | 10,969,248 | 10,149,831 | 9,385,507 | 8,619,217 | 8,792,558 |
| Expenditures | 13,336,723 | 11,098,396 | 10,307,350 | 9,968,855 | 15,722,721 |
| Excess (Deficit) of Revenues Over Expenditures | \$ (2,367,475) | \$ (948,565) | \$ (921,843) | \$ (1,349,638) | \$ (6,930,163) |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In | \$ 1,982,494 | \$ 1,140,490 | \$ 986,156 | \$ 667,043 | \$ 736,861 |
| Grant Proceeds | - | 18,750 | 1,743,628 | 308,166 | 5,283,184 |
| Bond Proceeds | 1,315,000 | - | - | - | 415,000 |
| Sales of Assets | - | - | - | - | - |
| Insurance Proceeds | - | - | - | - | 2,171,193 |
| Operating Transfers Out | (289,900) | (116,032) | - | (25,000) | (274,640) |
| Total Other Financing Sources (Uses): | \$ 3,007,594 | \$ 1,043,208 | \$ 2,729,784 | \$ 950,209 | \$ 8,331,598 |
| Residual Equity Transfer | - | - | - | - | - |
| Prior period adjustment | 289,900 | - | (170,459) | 253,079 | - |
| Fund Balance - End of Year | \$ 5,376,564 | \$ 4,446,545 | \$ 4,351,902 | \$ 2,714,420 | \$ 2,860,770 |

Source: The Issuer’s Annual Financial Reports

⁽¹⁾ The City anticipates ending the fiscal year ending September 30, 2023 with a fund balance of \$5,985,351.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS**TABLE 10**

Details of the City's pension plan and OPEB benefits may be found within the City's audit under NOTE I: Pension Plan.

UTILITY PLANT IN SERVICE**TABLE 11**

(As of September 30, 2022)

| | |
|--|-----------------------------|
| Land | \$ 397,778 |
| Buildings | 633,583 |
| Improvements Other than Buildings | 7,607,321 |
| Vehicles | 500,444 |
| Furniture and Equipment | 1,906,326 |
| Waterworks and Sanitary Sewer System | <u>21,109,501</u> |
| Total | \$ 32,154,953 |
| Less: Accumulated Depreciation | <u>(14,445,857)</u> |
| Net Property, Plant and Equipment | <u>\$ 17,709,096</u> |

Source: The Issuer's Annual Financial Report

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**TABLE 12**

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, garbage, bad debt, debt service payments and expenditures identified as capital.

| | <u>Fiscal Year Ended</u> | | | | |
|---|--------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| | <u>9/30/2022</u> | <u>9/30/2021</u> | <u>9/30/2020</u> | <u>9/30/2019</u> | <u>9/30/2018</u> |
| Revenues | \$ 4,813,521 | \$ 4,622,545 | \$ 4,487,641 | \$ 4,245,124 | \$ 4,122,679 |
| Expenses | <u>3,611,886</u> | <u>3,669,287</u> | <u>2,926,221</u> | <u>3,092,625</u> | <u>3,778,479</u> |
| Net Revenue Available for Debt Service | <u>\$ 1,201,635</u> | <u>\$ 953,258</u> | <u>\$ 1,561,420</u> | <u>\$ 1,152,499</u> | <u>\$ 344,200</u> |
| Customer Count: | | | | | |
| Water | 4,637 | 4,557 | 4,422 | 4,342 | 4,113 |
| Sewer | 3,407 | 3,301 | 3,192 | 3,144 | 3,013 |

Source: The Issuer's Annual Financial Report

New Rates
Effective March 20, 2023

Residential Inside City Limits Deposits

3/4" Meter

| | | |
|--------------|----|---------------|
| Water | \$ | 75.00 |
| Sewer | | 75.00 |
| Total | | 150.00 |

*Larger meter size subject to an increase

Inside City Limits Monthly Fees

| Meter Size | <u>Water</u> | <u>Waste Water</u> | <u>Total</u> |
|------------|--------------|--------------------|--------------|
| 3/4" | \$ 15.08 | \$ 13.31 | \$ 28.39 |
| 1" | 26.70 | 22.98 | 49.68 |
| 1.5" | 46.07 | 39.10 | 85.17 |
| 2" | 69.31 | 58.44 | 127.75 |

Senior Citizens Inside City Limits Monthly Fees

| <u>Meter Size</u> | <u>Water</u> | <u>Waste Water</u> | <u>Total</u> |
|-------------------|--------------|--------------------|--------------|
| 3/4" | \$ 12.02 | \$ 12.38 | \$ 24.40 |
| 1" | 22.48 | 21.08 | 43.56 |
| 1.5" | 39.91 | 35.59 | 75.50 |
| 2" | 60.83 | 53.00 | 113.83 |

Commercial Inside City Limits Minimum Monthly Fees

| <u>Meter Size</u> | <u>Water</u> | <u>Waste Water</u> | <u>Total</u> |
|-------------------|--------------|--------------------|--------------|
| 3/4" | \$ 16.08 | \$ 13.31 | \$ 29.39 |
| 1" | 27.70 | 22.98 | 50.68 |
| 1.5" | 47.07 | 39.10 | 86.17 |
| 2" | 70.31 | 58.44 | 128.75 |
| 3" | 124.54 | 103.51 | 228.05 |
| 4" | 202.00 | 168.05 | 370.05 |
| 6" | 395.67 | 329.33 | 725.00 |

Inside City Limits Water consumption charge per 1,000 gallons

| <u># of Gallons</u> | <u>Residential/ Commercial</u> |
|---------------------|------------------------------------|
| 1 to 5,000 | \$4.85 |
| 5,001 -10,000 | \$5.82 |
| Over 10,000 | \$6.30 |

Inside City Limits Sewer consumption charge per 1,000 gallons

| <u># of Gallons</u> | <u>Residential/ Commercial</u> |
|---------------------|------------------------------------|
| 1 to 5,000 | \$2.34 |
| 5,001 - 10,000 | \$3.05 |
| Over 10,000 | \$4.17 |

Outside City Limits Minimum Monthly Fees

| <u>Meter Size</u> | | <u>Water</u> | | <u>Waste Water</u> | | <u>Total</u> |
|-------------------|----|--------------|----|--------------------|----|--------------|
| 3/4" | \$ | 17.73 | \$ | 14.31 | \$ | 32.04 |
| 1" | | 32.25 | | 23.98 | | 56.23 |
| 1.5" | | 56.46 | | 40.10 | | 96.56 |
| 2" | | 85.51 | | 59.44 | | 144.95 |

Commercial Outside City Limits Minimum Monthly Fees

| <u>Meter Size</u> | | <u>Water</u> | | <u>Waste Water</u> | | <u>Total</u> |
|-------------------|----|--------------|----|--------------------|----|--------------|
| 3/4" | \$ | 18.73 | \$ | 15.31 | \$ | 34.04 |
| 1" | | 33.25 | | 24.98 | | 58.28 |
| 1.5" | | 57.46 | | 41.10 | | 98.56 |
| 2" | | 86.51 | | 60.44 | | 146.95 |
| 3" | | 154.30 | | 105.51 | | 259.81 |
| 4" | | 251.13 | | 170.05 | | 421.18 |
| 6" | | 493.22 | | 331.23 | | 824.45 |

Outside City Limits Water consumption charge per 1,000 gallons

| <u># of Gallons</u> | <u>Residential/ Commercial</u> |
|---------------------|------------------------------------|
| 1 to 5,000 | \$5.82 |
| 5,001 - 10,000 | \$7.04 |
| Over 10,000 | \$7.78 |

Outside City Limits Sewer consumption charge per 1,000 gallons

| <u># of Gallons</u> | <u>Residential/ Commercial</u> |
|---------------------|------------------------------------|
| 1 to 5,000 | \$2.53 |
| 5,001 - 10,000 | \$3.28 |
| Over 10,000 | \$5.17 |

Old Rates

Effective January 1, 2020

Residential Inside City Limits Deposits

3/4" Meter

| | | |
|-------|----|--------|
| Water | \$ | 75.00 |
| Sewer | | 75.00 |
| Total | | 150.00 |

*Larger meter size subject to an increase

Inside City Limits Monthly Fees

| Meter Size | | <u>Water</u> | | <u>Waste Water</u> | | <u>Total</u> |
|------------|----|--------------|----|--------------------|----|--------------|
| 3/4" | \$ | 15.08 | \$ | 13.31 | \$ | 28.39 |
| 1" | | 26.70 | | 22.98 | | 49.68 |
| 1.5" | | 46.07 | | 39.10 | | 85.17 |
| 2" | | 69.31 | | 58.44 | | 127.75 |

Senior Citizens Inside City Limits Monthly Fees

| Meter Size | | <u>Water</u> | | <u>Waste Water</u> | | <u>Total</u> |
|------------|----|--------------|----|--------------------|----|--------------|
| 3/4" | \$ | 12.02 | \$ | 12.38 | \$ | 24.40 |
| 1" | | 22.48 | | 21.08 | | 43.56 |
| 1.5" | | 39.91 | | 35.59 | | 75.50 |
| 2" | | 60.83 | | 53.00 | | 113.83 |

Commercial Inside City Limits Minimum Monthly Fees

| Meter Size | | <u>Water</u> | | <u>Waste Water</u> | | <u>Total</u> |
|------------|----|--------------|----|--------------------|----|--------------|
| 3/4" | \$ | 16.08 | \$ | 13.31 | \$ | 29.39 |
| 1" | | 27.70 | | 22.98 | | 50.68 |
| 1.5" | | 47.07 | | 39.10 | | 86.17 |
| 2" | | 70.31 | | 58.44 | | 128.75 |
| 3" | | 124.54 | | 103.51 | | 228.05 |
| 4" | | 202.00 | | 168.05 | | 370.05 |
| 6" | | 395.67 | | 329.33 | | 725.00 |

Inside City Limits Water consumption charge per 1,000 gallons

| <u># of Gallons</u> | <u>Residential/</u> |
|---------------------|---------------------|
| | <u>Commercial</u> |
| 1 to 5,000 | \$4.85 |
| 5,001 -10,000 | \$5.82 |
| Over 10,000 | \$6.30 |

Inside City Limits Sewer consumption charge per 1,000 gallons

| <u># of Gallons</u> | <u>Residential/</u> |
|---------------------|---------------------|
| | <u>Commercial</u> |
| 1 to 5,000 | \$2.34 |
| 5,001 - 10,000 | \$3.05 |
| Over 10,000 | \$4.17 |

Outside City Limits Minimum Monthly Fees

| <u>Meter Size</u> | | <u>Water</u> | | <u>Waste Water</u> | | <u>Total</u> |
|-------------------|----|--------------|----|--------------------|----|--------------|
| 3/4" | \$ | 17.73 | \$ | 14.31 | \$ | 32.04 |
| 1" | | 32.25 | | 23.98 | | 56.23 |
| 1.5" | | 56.46 | | 40.10 | | 96.56 |
| 2" | | 85.51 | | 59.44 | | 144.95 |

Commercial Outside City Limits Minimum Monthly Fees

| <u>Meter Size</u> | | <u>Water</u> | | <u>Waste Water</u> | | <u>Total</u> |
|-------------------|----|--------------|----|--------------------|----|--------------|
| 3/4" | \$ | 18.73 | \$ | 15.31 | \$ | 34.04 |
| 1" | | 33.25 | | 24.98 | | 58.28 |
| 1.5" | | 57.46 | | 41.10 | | 98.56 |
| 2" | | 86.51 | | 60.44 | | 146.95 |
| 3" | | 154.30 | | 105.51 | | 259.81 |
| 4" | | 251.13 | | 170.05 | | 421.18 |
| 6" | | 493.22 | | 331.23 | | 824.45 |

Outside City Limits Water consumption charge per 1,000 gallons

| <u># of Gallons</u> | <u>Residential/ Commercial</u> |
|---------------------|------------------------------------|
| 1 to 5,000 | \$5.82 |
| 5,001 - 10,000 | \$7.04 |
| Over 10,000 | \$7.78 |

Outside City Limits Sewer consumption chare per 1,000 gallons

| <u># of Gallons</u> | <u>Residential/ Commercial</u> |
|---------------------|------------------------------------|
| 1 to 5,000 | \$2.53 |
| 5,001 - 10,000 | \$3.28 |
| Over 10,000 | \$5.17 |

APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF ARANSAS PASS
AND NUECES, ARANSAS AND SAN PATRICIO COUNTIES, TEXAS**

CITY OF ARANSAS PASS, TEXAS

Location

The City of Aransas Pass is located on the Gulf Coast 25 miles north of Corpus Christi. The City's estimated 2024 population is 8,600. This City is a popular fishing and tourist resort and has become an important commercial fishing center. With easy access to the Gulf of Mexico, the harbor has facilities for 600 shrimp trawlers. The City connects to Port Aransas via a free ferry service, one of the two access to the island. Aransas Pass is situated in the Coastal Bend of the Texas Gulf coast and was named for the pass between Mustang and St. Joseph's Island. The town site was laid out in 1885 and was called Aransas Harbor. The name was changed to the present one in 1892.

Aransas Pass is 30 minutes from Corpus Christi, three hours from San Antonio. State Highways 35 and 361 intersect via Loop 90 in Aransas Pass. Aransas Pass is also served by T.P. McCampbell-Porter Airport. Recreational activities to enjoy include birding, duck hunting, fishing, boating and kayaking. Tourist facilities located within the City include: The Rialto Theatre, Newbury Park and the National Wildlife Refuge Trails.

The City Provides a full range of services including a combined utility system consisting of the water, wastewater and gas systems; garbage collection and disposal services; police, fire protection and emergency medical services. The CodeRED system gives city officials the ability to deliver emergency telephone notification/information messages to targeted areas or the entire city at a rate of up to 60,000 calls per hour. This system is only used for emergency notifications.

Economy

The primary industries are shrimping and fishing; along with farming and oil & gas interests in the area. The region has strong mineral deposits and rich soil with the principle crops being grain, sorghum and cotton. The shrimp boat fleet sails from Conn Brown Harbor; a large, protected harbor chiefly dedicated to the shrimping industry. Tourism has always been an integral part of life on the Texas coast, and Aransas Pass is no different. Starting in 1948, Aransas Pass held an annual "Shrimporee" festival to celebrate the shrimp and its impact on the community. Over the years, Shrimporee has changed and grown. Currently held in the middle of June over three days, Shrimporee attracts festival go-ers all over Texas. The average attendance for the festival is approximately 40,000.

The commitment of grocery chain H-E-B- to downtown Aransas Pass in the mid-90's was the start of a rebirth for the central business district. Formerly boarded up storefronts began to have tenants and the City of Aransas Pass worked to attract new business including a new Super 8 Motel and most recently Hawthorn Suites Hotel. Aransas Pass continues to grow. The City is poised for the future, but hasn't forgotten the pas. It is a city steeped in tradition, but changing with the times both today and tomorrow.

Education

Aransas Pass ISD serves 1 early childhood school, 2 elementary schools, 1 middle school and 1 highschool. Aransas Pass is conveniently located less than an hour drive from several institutions of higher education. Both Del Mar Junior College and Texas A&M University Corpus Christi are approximately thirty minutes from Aransas Pass.

ARANSAS COUNTY

Aransas County (the "County") has an area of 276 square miles. The County was created and organized in 1871 from Refugio County and the county seat is the City of Rockport, Texas.

The County's population is made up of local residents, summer vacationers and winter residents. The largest population is retirees relocating to the area. Aransas County has one of the fastest growing populations in Texas.

The County is located on the Gulf of Mexico and the local economy consists of seafood, oil production, tourism, sport hunting and fishing boating and water sports, fine art and sculptures and bird watching.

Labor Force Statistics ⁽¹⁾

| | <u>2023⁽²⁾</u> | <u>2022⁽³⁾</u> | <u>2021⁽³⁾</u> | <u>2020⁽³⁾</u> | <u>2019⁽³⁾</u> |
|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Civilian Labor Force | 9,478 | 9,294 | 9,274 | 9,159 | 9,206 |
| Total Employed | 9,072 | 8,806 | 8,604 | 8,391 | 8,811 |
| Total Unemployed | 406 | 488 | 670 | 768 | 395 |
| % Unemployment | 4.3% | 5.3% | 7.2% | 8.4% | 4.3% |
| Texas Unemployment | 3.5% | 3.9% | 5.6% | 7.7% | 3.5% |

(1) Source: Texas Workforce Commission.

(2) As of November 2023.

(3) Average Annual Statistics.

NUECES COUNTY

Nueces County (the “County”) has an area of 847 square miles. The county seat is Corpus Christi, Texas. The County was created and organized in 1846 from San Patricio County. The economy is diversified by petroleum, agriculture, tourism, coastal shipping, manufacturing and a military complex. Principal sources of agricultural income include beef, swine, sheep, horses, wheat, grain and corn.

Minerals produced in Nueces County include oil, gas, cement, lime, sand and gravel. The Corpus Christi Ship Channel handled 82 million tons of cargo in 2010. Crude oil and gasoline were the leading inbound and outbound commodities in 2010, respectively. This makes it the second largest port in the State of Texas and the fifth largest port in the Nation. Tourist are attracted by the mild winter climates, Padre Island National Seashore and the Texas State Aquarium.

Labor Force Statistics ⁽¹⁾

| | <u>2023⁽²⁾</u> | <u>2022 ⁽³⁾</u> | <u>2021 ⁽³⁾</u> | <u>2020 ⁽³⁾</u> | <u>2019 ⁽³⁾</u> |
|----------------------|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Civilian Labor Force | 167,547 | 163,417 | 163,136 | 164,926 | 165,563 |
| Total Employed | 161,252 | 156,812 | 154,809 | 151,659 | 159,038 |
| Total Unemployed | 6,295 | 6,605 | 8,327 | 13,267 | 6,525 |
| % Unemployment | 3.8% | 4.0% | 5.1% | 8.0% | 3.9% |
| Texas Unemployment | 3.5% | 3.9% | 5.6% | 7.7% | 3.5% |

(1) Source: Texas Workforce Commission.

(2) As of December 2023.

(3) Average Annual Statistics.

SAN PATRICIO COUNTY

San Patricio County (the “County”) was created in 1836 and reorganized in 1847. The county seat is Sinton, Texas. The economy is based on oil, petrochemicals, and manufacturing. The Texas Almanac designates cotton, grain sorghum, beef cattle and corn as principal sources of agricultural income.

Ground transportation the County is provided by Interstate 37 to Interstate 10 in San Antonio, U.S. Highway 77 to the Rio Grande Valley to the south and Victoria to the north, U.S. Highway 59 in Victoria to Houston, Interstate 37 connects State Highway 44 and U.S. Highway 59 to Laredo, and U.S. Highway 281 is in close proximity to provide a link to the Rio Grande Valley. Waterway transportation is provided by the Intracoastal Gulf Waterway, which bisects Corpus Christi Bay and connects the region to the U.S. inland waterway system, The Corpus Christi Channel, and the La Quinta Ship Channel, which provides access to industries located in the County. Air service is provided by the Corpus Christi International Airport, San Patricio County Airport and the T.P. McCampbell General Aviation Airport. BNSF Railway, Texas Mexican Railway, and Union Pacific Railway provide rail service to the County.

Foreign Trade Zone

The Port of Corpus Christi is located mid-way along the Texas coast on the Gulf of Mexico (approximately 150 miles north of the United States/Mexico border). The Port of Corpus Christi operates one of the country’s best-run Foreign Trade Zones. Foreign Trade Zone No 122 (includes San Patricio County) is one of the largest in the United States and consists of six general purpose sites, six oil refinery subzones and four non-refinery subzones and 16,000 acres. A Foreign Trade Zone (FTZ) is a site within the United State in or near a U.S. Customs Port of Entry, where foreign a domestic merchandise is generally considered to by international commerce. Foreign or domestic merchandise may enter this enclave without a formal customs entry or the payment of custom duties or government excise taxes. Merchandise entering a zone may be:

| | | | |
|-----------|--------------|-----------|---------|
| Stored | Displayed | Assembled | Tested |
| Repaired | Manufactured | Sampled | Mixed |
| Salvaged | Manipulated | Relabeled | Cleaned |
| Destroyed | Repackaged | Processed | |

Shipping through the Port of Corpus Christi provides:

- 45' channel depth
- More than 125 acres of open storage and fabrication sites
- Heavy lift capabilities
- Dockside rail from multiple carriers
- Excellent highway access
- Flexible and productive labor force
- More than 295,500 sq. ft. of covered dockside storage

The Port's modern multi-purpose facilities are ideal for a variety of cargoes, and the warm, arid climate creates the perfect setting for year-round operations.

Labor Force Statistics ⁽¹⁾

| | <u>2023⁽²⁾</u> | <u>2022⁽³⁾</u> | <u>2021⁽³⁾</u> | <u>2020⁽³⁾</u> | <u>2019⁽³⁾</u> |
|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Civilian Labor Force | 29,572 | 29,297 | 29,437 | 29,385 | 29,519 |
| Total Employed | 28,312 | 27,535 | 26,880 | 26,377 | 27,901 |
| Total Unemployed | 1,260 | 1,762 | 2,557 | 3,008 | 1,618 |
| % Unemployment | 4.3% | 6.0% | 8.7% | 10.2% | 5.5% |
| Texas Unemployment | 3.5% | 3.9% | 5.6% | 7.7% | 3.5% |

(1) Source: Texas Workforce Commission.

(2) As of November 2023.

(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

March 13, 2024

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

DRAFT

IN REGARD to the authorization and issuance of the “City of Aransas Pass, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024” (the *Certificates*), dated March 1, 2024 in the aggregate principal amount of \$_____, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Aransas Pass, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 20__ through 20__, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for federal income tax purposes and for no other purpose. 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 Issuer’s combined utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. 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.

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Certificates, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CITY OF ARANSAS PASS, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024”

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer’s combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

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

Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CITY OF ARANSAS PASS, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024”

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

Norton Rose Fulbright US LLP

APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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

Independent Auditor's Report

To the Honorable Mayor, Members of the City Council and
City Manager of the City of Aransas Pass, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Aransas Pass, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with 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) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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

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

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

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 and *Government Auditing Standards* will

always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 the management's discussion and analysis on pages 11-21 and other required supplemental information on pages 57-64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards, *as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards

generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of the City of Aransas Pass, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Aransas Pass, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Aransas Pass, Texas's internal control over financial reporting and compliance.



Brenda P. McElwee, P.C.
October 16, 2023

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Management's Discussion and Analysis

MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Aransas Pass’s financial performance provides an overview of the City’s financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the City’s financial statements, which begin on page 24.

FINANCIAL HIGHLIGHTS

City’s Change in Net Position – Governmental and Business-Type Activities

Total government-wide net position increased \$10,081,078 as a result of this year’s operations, mainly due to construction grants received. Net Position of Governmental-type activities decreased \$890,202 while net position of business-type activities increased \$6,633,715.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 24 and 25) provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 26. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the central concerns in assessing any City’s finances is summarized in the question, “Is the City as a whole better off or worse off as a result of the year’s activities?” Our analysis addressing this question begins on page 13. The analysis includes a condensed summary of the government-wide financial statements – The Statement of Net Position and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies – including all assets and liabilities using the accrual basis of accounting. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

These government-wide financial statements report both net position and changes thereto. Net position is reported in the Statement of Net Position. The City’s net position, which is the difference between assets and liabilities, is one indicator of the City’s financial well-being or financial position at one point in time. Increase or decreases to net position over a period of time is an indication of whether its financial well-being is improving or deteriorating. Of course, other non-financial considerations enter into the determination of the City’s overall health, which would include such things as changes in the City’s property tax base and the condition of its streets.

Changes to net position are reported in the Statement of Activities, which divides all City functions into two categories:

Governmental activities – Most of the City’s basic services are reported in this category, which includes public safety (including police and fire), highways and streets, health and welfare, culture and recreation and general administration. These activities are primarily supported by sales and property taxes and franchise fees.

Business-type activities – Certain service that the City provides are paid for from fees that are charged to customer. Water, wastewater, harbor rentals, civic center and the aquatic center are activities that are reported in this category.

Reporting the City’s Most Significant Funds

Fund Financial Statements

Our analysis of the City’s major funds commences on page 16. The fund financial statements are presented on pages 26 through 32. These statements present detailed information about the City’s more significant funds as opposed to the City as a whole. Funds are established for various reasons – some are required by state law; others, by bond covenants. Some funds are established by the City Council to assist in managing money that is to be spent for particular purposes. For example, the Aquatic Center Fund was established to demonstrate that money received for the operation of the Pool were used for that purpose. The city has two categories of funds, which can be used for public purpose – governmental and proprietary. Each category uses a different accounting approach.

Governmental funds – Most of the City’s basic services are reported in governmental funds. These funds focus on the flow of money into and out of the funds and the balance left over at the end of the year that is available for future spending. Governmental funds use a method of accounting called modified accrual. The purpose of this method is to measure cash and other financial assets that can readily be converted to cash. This approach provides a detailed short-term perspective of the City’s general government operations and the basic service it provides. This view of the City’s operations provides information that helps to determine the extent to which financial resource are available to spend in the near future to finance City programs. The relationship between these governmental fund financial statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

Proprietary funds – Service provided to either outside customers or to another unit of the City, where a fee is charged, are generally reported in proprietary funds. Proprietary funds are reported the same way that is used in the government-wide financial statements. Matter of fact, the City’s enterprise funds (a component of proprietary funds) are substantially the same as the business-type activities column of the government-wide financial statements but provides more detail including cash flows.

THE CITY AS A WHOLE

The City's Condensed Statement of Net Position is presented in Table 1 and Changes in Net position is presented in Table 2.

Table 1
Net Position

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-----------------------------------|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and Other Assets | \$ 6,093,703 | \$ 6,741,624 | \$ 9,623,392 | \$ 5,733,440 | \$ 15,717,095 | \$ 12,475,064 |
| Capital Assets | 38,749,157 | 36,387,938 | 17,726,670 | 12,595,673 | 56,475,827 | 48,983,611 |
| Total Assets | 44,842,860 | 43,129,562 | 27,350,062 | 18,329,113 | 72,192,922 | 61,458,675 |
| Deferred Outflows of Resources | 502,971 | 493,698 | 76,689 | 85,574 | 579,660 | 579,272 |
| Long-Term Liabilities Outstanding | 13,121,903 | 14,583,256 | 3,813,891 | 5,919,865 | 16,935,794 | 20,503,121 |
| Other Liabilities | 4,026,418 | 5,085,263 | 4,347,171 | 3,032,878 | 8,373,589 | 8,118,141 |
| Total Liabilities | 17,148,321 | 19,668,519 | 8,161,062 | 8,952,743 | 25,309,383 | 28,621,262 |
| Deferred Inflows of Resources | 930,208 | 441,060 | 2,801,756 | 77,833 | 3,731,964 | 518,893 |
| Net Position: | | | | | | |
| Net Investment, Capital Assets | 24,238,480 | 21,444,674 | 11,879,092 | 6,568,451 | 36,117,572 | 28,013,125 |
| Restricted | 5,223,494 | 4,775,215 | - | - | 5,223,494 | 4,775,215 |
| Unrestricted (Deficit) | (2,194,672) | (2,706,208) | 4,584,841 | 3,213,438 | 2,390,169 | 507,230 |
| Total Net Position | \$ 27,267,302 | \$ 23,513,681 | \$ 16,463,933 | \$ 9,781,889 | \$ 43,731,235 | \$ 33,295,570 |

Table 2
Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 3,833,372 | \$ 3,316,968 | \$ 5,505,146 | \$ 5,230,622 | \$ 9,338,518 | \$ 8,547,590 |
| Grants | 7,001,633 | 6,310,240 | - | - | 7,001,633 | 6,310,240 |
| General Revenues | | | | | | |
| Property Taxes | 6,318,268 | 5,674,018 | - | - | 6,318,268 | 5,674,018 |
| Sales Tax | 5,414,631 | 5,125,632 | - | - | 5,414,631 | 5,125,632 |
| Other Taxes | 405,941 | 382,991 | - | - | 405,941 | 382,991 |
| Other General Revenues | 815,082 | 770,520 | 29,121 | 299 | 844,203 | 770,819 |
| Total Revenues | 23,788,927 | 21,580,369 | 5,534,267 | 5,230,921 | 29,323,194 | 26,811,290 |
| Program Expenses | | | | | | |
| General government | 2,924,697 | 3,253,044 | - | - | 2,924,697 | 3,253,044 |
| Public Safety | 5,793,186 | 5,972,578 | - | - | 5,793,186 | 5,972,578 |
| Public Works | 1,928,132 | 2,164,660 | - | - | 1,928,132 | 2,164,660 |
| Sanitation, Health and Welfare | 1,551,858 | 1,855,945 | - | - | 1,551,858 | 1,855,945 |
| Tourism | 331,311 | 292,534 | - | - | 331,311 | 292,534 |
| Culture and Recreation | 631,811 | 788,854 | - | - | 631,811 | 788,854 |
| Interest and Fiscal Charges | 440,489 | 531,084 | 177,265 | 208,935 | 617,754 | 740,019 |
| Water and Sewer | - | - | 4,275,994 | 4,303,681 | 4,275,994 | 4,303,681 |
| Harbor | - | - | 295,449 | 211,736 | 295,449 | 211,736 |
| Aquatic Center | - | - | 407,252 | 342,789 | 407,252 | 342,789 |
| Civic Center | - | - | 484,672 | 280,509 | 484,672 | 280,509 |
| Total Expenses | 13,601,484 | 14,858,699 | 5,640,632 | 5,347,650 | 19,242,116 | 20,206,349 |
| Excess (Deficiency) Before Special Items and Transfers | 10,187,443 | 6,721,670 | (106,365) | (116,729) | 10,081,078 | 6,604,941 |
| Transfers | (6,740,080) | (1,375,688) | 6,740,080 | 1,375,688 | - | - |
| Extraordinary Item | - | (814,982) | - | - | - | (814,982) |
| Capital contributions | - | - | - | 1,534,372 | - | 1,534,372 |
| Insurance proceeds | - | 175,000 | - | - | - | 175,000 |
| Increase (Decrease) in Net Position | 3,447,363 | 4,706,000 | 6,633,715 | 2,793,331 | 10,081,078 | 7,499,331 |
| Net Position - Beginning | \$ 23,513,681 | \$ 18,807,681 | \$ 9,781,889 | \$ 6,988,558 | \$ 33,295,570 | \$ 25,796,239 |
| Prior period adjustment | 306,258 | - | 48,329 | - | 354,587 | - |
| Net Position - Ending | \$ 27,267,302 | \$ 23,513,681 | \$ 16,463,933 | \$ 9,781,889 | \$ 43,731,235 | \$ 33,295,570 |

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$23,788,927 while expenses totaled \$13,601,484.

The cost of all governmental activities this year was \$13,601,484. However, as shown on the Statement of Activities on page 25, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$2,766,479. \$3,833,372 was generated from charges for services by those who directly benefited from them while \$7,001,633 was received in the form of grant proceeds, bond funds, construction funds and by other governments that subsidized certain programs with grants.

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$5,534,267 while expenses totaled \$5,640,632, resulting in \$106,365 as a decrease to net position before transfers and other non-operating expenses.

Table 3 presents the cost of each of the City's five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|--------------------------------|------------------------|---------------|----------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| General Government | \$ 2,924,697 | \$ 3,253,044 | \$ 4,076,936 | \$ (3,253,044) |
| Public Safety | 5,793,186 | 5,972,578 | (4,912,377) | (5,439,472) |
| Public Works | 1,928,132 | 2,164,660 | (1,394,676) | 4,647,337 |
| Sanitation, Health and Welfare | 1,551,858 | 1,855,945 | 495,260 | 61,813 |
| Culture and Recreation | 631,811 | 788,854 | (631,811) | (788,854) |
| Total | \$ 12,829,684 | \$ 14,035,081 | \$ (2,366,668) | \$ (4,772,220) |

THE CITY'S FUNDS

Governmental Funds – A Detailed Discussion Revenues and Transfers In

The following table presents a summary of total governmental funds' revenues for the years ended September 30, 2022 and 2021.

**Table 4
Revenues and Transfers-In**

| Revenues and Transfers-In | 2022 Amount | % of Total | 2021 Amount | Amount of Increase (Decrease) | % Increase (Decrease) |
|---------------------------|-------------|------------|-------------|-------------------------------|-----------------------|
| Property Taxes | 6,318,268 | 24.47% | 5,674,018 | 644,250 | 10.20% |
| Other Taxes | 6,192,561 | 23.99% | 5,872,970 | 319,591 | 5.16% |
| Licenses and Permits | 533,456 | 2.07% | 501,757 | 31,699 | 5.94% |
| Intergovernmental | 161,689 | 0.63% | 118,783 | 42,906 | 26.54% |
| Charges for Services | 2,047,118 | 7.93% | 1,917,758 | 129,360 | 6.32% |
| Fines and Forfeitures | 880,809 | 3.41% | 533,106 | 347,703 | 39.48% |
| Other | 653,393 | 2.53% | 651,747 | 1,646 | 0.25% |
| Grants Received | 5,429,153 | 21.03% | 6,013,467 | (584,314) | -10.76% |
| FEMA Proceeds | 1,572,480 | 6.09% | 296,773 | 1,275,707 | 81.13% |
| Transfers In | 2,026,494 | 7.85% | 1,241,013 | 785,481 | 38.76% |
| Total | 25,815,421 | 100.00% | 22,821,392 | 932,841 | 83.12% |

Taxes

Property Taxes

Property Taxes increased from \$5,674,018, to \$6,318,268, an increase of \$644,250.

Sales and Other Taxes

This year's reported sales and other taxes increased from \$5,872,970 to \$6,192,561, an increase of \$319,591. This increase is reflective of increased property values and new building starts.

Miscellaneous

Miscellaneous revenues totaling \$815,082 largely consists of rents and royalties, interest income earned, and intergovernmental revenue.

**Table 5
Expenditures and Transfers-Out**

| Expenditures and Transfers-Out | 2022 Amount | % of Total | 2021 Amount | Amount of Increase (Decrease) | % Change |
|--------------------------------|---------------|------------|---------------|-------------------------------|----------|
| General Government | \$ 2,817,963 | 10.06% | \$ 2,900,185 | \$ (82,222) | -2.92% |
| Public Safety | 5,609,843 | 20.02% | 6,050,126 | \$ (440,283) | -7.85% |
| Public Works | 1,799,790 | 6.42% | 2,966,519 | \$ (1,166,729) | -64.83% |
| Sanitation, Health and Welfare | 1,506,022 | 5.37% | 1,378,780 | \$ 127,242 | 8.45% |
| Culture and Recreation | 622,643 | 2.22% | 622,643 | \$ - | 0.00% |
| Tourism | 331,311 | 1.18% | 292,534 | \$ 38,777 | 11.70% |
| Capital Outlay | 3,885,225 | 13.87% | - | \$ 3,885,225 | 100.00% |
| Debt Service: | | | | | |
| Principal | 2,240,465 | 8.00% | 1,881,523 | \$ 358,942 | 7.46% |
| Interest and Fiscal Charges | 440,787 | 1.57% | 447,193 | \$ (6,406) | 1.77% |
| Transfers-Out | 8,766,574 | 31.29% | 2,616,701 | \$ 6,149,873 | 10.38% |
| Total | \$ 28,020,623 | 100.00% | \$ 25,205,461 | \$ 8,864,419 | 64.18% |

Fund Balance-all Governmental Funds

As a result of this year's operations, governmental funds (as reflected in the balance sheet on page 26) the combined fund balance for all of the governmental fund types of decreased from \$5,084,839 to \$4,484,537, a decrease of \$600,302.

General Fund

Revenue and transfers-in to the general fund totaled \$10,969,248 and \$1,982,494, respectively, for a total of \$12,951,742. Expenditures and transfers-out amounted to \$13,336,723 and \$289,900, respectively, for a total of \$13,626,623.

Capital Projects Fund

The fund balance of the capital projects fund decreased from \$4,055,539 to \$6,034,139, a decrease of \$1,978,600. This was due to completed projects being transferred out to the fund associated with the project.

Aransas Pass Municipal Development District Fund (APMDD)

The fund balance of the Aransas Pass Municipal Development District Fund increased from \$1,679,172 to \$2,017,555, an increase of \$338,383. The main funding source for the APMDD is a ½ cent sales tax. Although APMDD is a separate legal entity, it is reported as a blended component unit in the financial statements. The APMDD provides financing services to the City including payment of debt and funding civic center losses.

Aransas Pass Crime Control and Prevention District Fund (APCCPD)

The fund balance of the Aransas Pass Crime Control and Prevention District Fund decreased from \$1,784,537 to \$1,577,246, a decrease of \$207,291. The main funding source for the APCCPD is a ½ cent sales tax. In May 2019, voters approved the continuation of the ½ cent sales tax for APCCPD for the next 10 years. Although APCCPD is a separate legal entity, it is reported as a blended component unit in the financial statements. The APCCPD provides funds for safety equipment and training for the police department.

Debt Service Fund

The fund balance increased from \$536,783 to \$806,147, an increase of \$269,364. This was a result of transfers in from other funds.

PROPRIETARY FUNDS

Enterprise Funds

Water and Sewer Fund

The City's enterprise operations consist of the Water and Sewer Fund, Harbor Fund, Civic Center and Aquatic Center.

Operating revenues for the Water and Sewer Fund were \$4,810,574, an increase of \$188,328 over prior year. Operating expenses were \$4,276,502 which is \$27,844 less than the prior year.

Consumption

Historical consumption and its percentage increase (decrease) from the previous year, over the last three years, are presented in the following table:

**Table 6
Water Consumption**

| Fiscal Year | 9/30/2022 | 9/30/2021 | % Increase (Decrease) | 9/30/2020 | % Increase (Decrease) |
|-------------------|-------------|-------------|-----------------------|-------------|-----------------------|
| Total Consumption | 506,264,000 | 567,423,000 | -10.78% | 530,644,000 | 6.93% |

**Table 7
Growth (Reduction) in Customer Base
Utility System Fund**

| Fiscal Year | 9/30/2022 | 9/30/2021 | % Increase (Decrease) | 9/30/2020 | % Increase (Decrease) |
|-------------------------|-----------|-----------|-----------------------|-----------|-----------------------|
| Total Meter Connections | 4,632 | 4,510 | 2.71% | 4,421 | 2.01% |

Harbor Fund

The Harbor Fund is funded with rental revenue. In accordance with Governmental Accounting Standards Board Statement No. 87, Leases, the city has adopted a new approach to accounting for and reporting its lease transactions. This standard mandates that all leases (with a few exceptions) be recognized on the statement of net position. This recognition provides a clearer representation of the city's leasing activities, ensuring that receivables from long-term leases are accounted for on the city's financial statements. As a result, our financial statements now

provide a more comprehensive view of the city’s leases. Revenues for the Harbor totaled \$366,075 which is an increase of \$4,939 over the prior year. Operating expenses for the same period were \$294,941, which is \$83,870 more than the prior year.

Aquatic Center

The Aquatic Center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$250,751, which is \$74,393 more than revenues from the prior year. Operating expenses for the same period were \$407,252, which is \$374,463 more than was expended in the prior year. This is the result of repairs associated with reopening the Aquatic Center after the COVID pandemic.

Civic Center

The Civic Center is funded with revenue from short-term rentals. Revenues for the Civic Center totaled \$107,746, which is \$36,864 more than revenues from prior year. Operating expenses for the same period were \$484,672, which is \$204,163 more than was expended in the prior year. This is the result of repairs associated with reopening the Civic Center after the COVID pandemic.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$56,475,827 in capital assets, net of depreciation.

Table 8

**Capital Assets at Year-end
(Net of Depreciation)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-----------------------------------|-------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | \$ 7,507,865 | \$ 7,507,865 | \$ 397,778 | \$ 397,778 | \$ 7,905,643 | \$ 7,905,643 |
| Construction in Progress | 8,869,307 | 7,248,885 | - | - | 8,869,307 | 7,248,885 |
| Buildings and Improvements | 5,528,521 | 5,868,177 | 601,900 | 633,583 | 6,130,421 | 6,501,760 |
| Improvements other than buildings | 1,374,808 | 1,300,297 | 4,692,870 | 817,549 | 6,067,678 | 2,117,846 |
| Machinery and equipment | 1,739,630 | 1,535,848 | 433,441 | 621,023 | 2,173,071 | 2,156,871 |
| Vehicles | 457,151 | 672,671 | 190,275 | 132,670 | 647,426 | 805,341 |
| Infrastructure | 13,201,561 | 12,254,195 | 11,392,828 | 10,390,852 | 24,594,389 | 22,645,047 |
| Right-of-use asset | 70,314 | - | 17,578 | - | 87,892 | - |
| Totals | \$ 38,749,157 | \$ 36,387,938 | \$ 17,726,670 | \$ 12,993,455 | \$ 56,475,827 | \$ 49,381,393 |

The City began accounting for infrastructure for Governmental Activities in 2006 as required by GASB 34. Prior to 2006, infrastructure for Governmental Activities was expensed in accordance with the accounting rules in effect at that time.

Debt Administration

The City of Aransas Pass is authorized to issue bonds, for any purpose for which a city may issue bonds under the constitution and laws of the State of Texas.

Type of Debt Issued

The types of debt the City has issued are revenue bonds, general obligation refunding bond, and combination tax and revenue certificates of obligation. At September 30, 2022, the City had no bonds of any type approved that had not been issued.

Bond Ratings

The City’s bond rating as of last issue from Standard and Poor’s was AA-.

Bonds Outstanding

At the end of the fiscal year, the City had \$19,995,000 in bonds outstanding as shown in Table 9.

Table 9

Outstanding Debt at Year-end

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| General Obligation Bonds (backed by the City) | \$ 5,560,000 | \$ 9,710,000 | \$ 4,565,000 | \$ 5,085,000 | \$ 10,125,000 | \$ 14,795,000 |
| Revenue Bonds (Backed by specific tax and fee revenues) | 8,605,000 | 5,175,000 | 1,265,000 | 1,340,000 | 9,870,000 | 6,515,000 |
| Totals | \$ 14,165,000 | \$ 14,885,000 | \$ 5,830,000 | \$ 6,425,000 | \$ 19,995,000 | \$ 21,310,000 |

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

It has become clear that within our city limits, an economic tri-partite is the Aransas Pass economic foundation. Those three parts are: (1) recreational fishing and tourism; (2) residential; and (3) retail. It is further clear, that a majority of the City Council is quite conscience of the local environment and is in favor of less industry within the city limits; and even within our ETJ (Extra Territorial Jurisdiction) but more residential and retail. The City is not opposed to industry, but wish to see clean industries.

For the past five years we have written in this space that the economic outlook for Aransas Pass is bright. At the local level, that forecast remains accurate. However, we continue to keep a watchful eye on the national economy, which has a direct impact on all cities. Evidence of the strong local economy can be seen in sales tax revenue for the most recent complete fiscal year (FY23). From 2017 to 2023 local sales taxes are up 51.43%. That is an extraordinary increase. Also, the Hurricane Harvey recovery is essentially complete. That means, we have many millions in FEMA recovery dollars invested in our community. A city does not grow economically until it has a healthy number of rooftops. New homes are being built and being planned for local subdivisions. Also, developers continue to build in-fill homes on lots where a substandard home was demolished.

The new Motel 6 opened several months ago and seems to be doing well. Other motels here in town continue to be an important part of the city. Also, virtually all of the businesses that opened post-Harvey but pre-COVID still have their doors open.

The City's two primary revenue sources are the property tax and the Sales tax. Both are doing well. This is allowing the city to catch up on some long-neglected improvements. Property valuations rapidly are regaining and sometimes surpassing their post-Harvey decline. The number of water and sewer customers has rebounded and exceeded pre-Harvey numbers. Our water loss has gone from the pre-Harvey figure of 45% to less than 10%. A city should not be over a Nationally accepted level of 10% or less.

As has been the case for the past few years, city staff continues to work hard to keep expenditures down, while providing citizens with quality services.

In sum, economic activity in our area continues to do well. All of this progress has brought growth to our region and our city, and its people are now seeing Aransas Pass as a great place to live.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to inform the citizens, taxpayers and customers of the City of Aransas Pass as well as its investors and creditors about the City's finances and to provide accountability for the public support that it receives. If you have any questions about the report or need additional financial information, contact the Finance Director's Office at the City of Aransas Pass, 600 W. Cleveland, Aransas Pass, Texas 78336.

The City's Basic Financial Statements start on page 23

Basic Financial Statements

City of Aransas Pass, Texas

Statement of Net Position September 30, 2022

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,638,571 | \$ 11,151 | \$ 1,649,722 |
| Receivables, net of allowance for uncollectible amounts | | | |
| Property taxes | 497,918 | - | 497,918 |
| Accounts | - | 1,070,257 | 1,070,257 |
| Occupancy taxes | 122,077 | - | 122,077 |
| Sales taxes | 233,346 | - | 233,346 |
| Other receivables | 150,217 | - | 150,217 |
| Intergovernmental | 173,866 | - | 173,866 |
| Internal Balances | (5,562,079) | 5,562,079 | - |
| Prepays | 990 | - | 990 |
| Inventories | 52,366 | - | 52,366 |
| Restricted Assets: | | | |
| Cash and cash equivalents | 7,895,486 | 383,104 | 8,278,590 |
| Investments | 685,680 | - | 685,680 |
| Sales tax receivable | 205,263 | - | 205,263 |
| Capital assets not being depreciated: | | | |
| Land | 7,507,865 | 397,778 | 7,905,643 |
| Construction in progress | 8,869,307 | - | 8,869,307 |
| Capital assets being depreciated: | | | |
| Depreciable buildings, machinery and equipment | 37,728,116 | 31,757,172 | 69,485,288 |
| Less: Accumulated depreciation | (15,426,445) | (14,445,858) | (29,872,303) |
| Intangible Assets: | | | |
| Right-of-Use asset | 70,314 | 17,578 | 87,892 |
| Total assets | <u>44,842,858</u> | <u>24,753,261</u> | <u>69,596,119</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 442,132 | 67,412 | 509,544 |
| Deferred outflows related to OPEB | 60,839 | 9,277 | 70,116 |
| Total deferred outflows of resources | <u>502,971</u> | <u>76,689</u> | <u>579,660</u> |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 1,606,260 | 172,680 | 1,778,940 |
| Accrued interest payable | 69,134 | 28,008 | 97,142 |
| Unearned revenue | 2,907 | 1,969,478 | 1,972,385 |
| Current portion of long-term liabilities: | | | |
| Long-term debt | 2,244,951 | 2,167,988 | 4,412,939 |
| Compensated absences | 34,746 | 5,251 | 39,997 |
| Lease liability | 14,026 | 3,266 | 17,292 |
| Long-term liabilities, excluding current portion: | | | |
| Long-term debt | 12,183,524 | 3,670,000 | 15,853,524 |
| Compensated absences | 196,892 | 29,761 | 226,653 |
| Lease liability | 57,142 | 14,526 | 71,668 |
| Net pension liability | 359,531 | 54,819 | 414,350 |
| OPEB liability | 297,004 | 45,285 | 342,289 |
| Total liabilities | <u>17,066,117</u> | <u>8,161,062</u> | <u>25,227,179</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 911,401 | 138,963 | 1,050,364 |
| Deferred inflows related to OPEB | 18,807 | 2,869 | 21,676 |
| Deferred inflows related to leases | - | 2,659,924 | 2,659,924 |
| Total deferred inflows of resources | <u>930,208</u> | <u>2,801,756</u> | <u>3,731,964</u> |
| NET POSITION | | | |
| Net Investment In Capital Assets | 24,320,682 | 11,879,092 | 36,199,774 |
| Restricted for: | | | |
| Public Library | 75,089 | - | 75,089 |
| Debt Service | 806,147 | - | 806,147 |
| Municipal Development | 2,017,555 | - | 2,017,555 |
| Law Enforcement | 1,577,246 | - | 1,577,246 |
| Tourism | 296,709 | - | 296,709 |
| Emergency Services | 388,416 | - | 388,416 |
| Municipal Court Security, Tech, Jury and Truancy | 56,039 | - | 56,039 |
| PD Explorer | 1,700 | - | 1,700 |
| Scholarships | 4,593 | - | 4,593 |
| Unrestricted | (2,194,672) | 4,584,841 | 2,390,169 |
| Total net position | <u>\$ 27,349,504</u> | <u>\$ 16,463,933</u> | <u>\$ 43,813,437</u> |

City of Aransas Pass, Texas

Statement of Activities

For the Year Ended September 30, 2022

| <u>Functions/Programs</u> | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | <u>Total</u> | |
|---|------------------|-------------------------|--|--|----------------------------|---------------|-----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | | Business-type Activities |
| Primary Government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 2,924,697 | \$ - | - | \$ 7,001,633 | \$ 4,076,936 | \$ - | \$ 4,076,936 |
| Public safety | 5,793,186 | 880,809 | - | - | (4,912,377) | - | (4,912,377) |
| Public works | 1,928,132 | 533,456 | - | - | (1,394,676) | - | (1,394,676) |
| Sanitation, health and welfare | 1,551,858 | 2,047,118 | - | - | 495,260 | - | 495,260 |
| Culture and recreation | 631,811 | - | - | - | (631,811) | - | (631,811) |
| Tourism | 331,311 | 371,989 | - | - | 40,678 | - | 40,678 |
| Interest and fiscal charges | 440,489 | - | - | - | (440,489) | - | (440,489) |
| Total governmental activities | 13,601,484 | 3,833,372 | - | 7,001,633 | (2,766,479) | - | (2,766,479) |
| Business-type activities: | | | | | | | |
| Water & Sewer | 4,453,259 | 4,810,574 | - | - | - | 357,315 | 357,315 |
| Harbor | 295,449 | 336,075 | - | - | - | 40,626 | 40,626 |
| Aquatic Center | 407,252 | 250,751 | - | - | - | (156,501) | (156,501) |
| Civic Center | 484,672 | 107,746 | - | - | - | (376,926) | (376,926) |
| Total business-type activities | 5,640,632 | 5,505,146 | - | - | - | (135,486) | (135,486) |
| Total primary government | \$ 19,242,116 | \$ 9,338,518 | \$ - | \$ 7,001,633 | (2,766,479) | (135,486) | (2,901,965) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 6,318,268 | - | 6,318,268 |
| Sales taxes | | | | | 5,414,631 | - | 5,414,631 |
| Franchise taxes | | | | | 383,030 | - | 383,030 |
| Mixed beverage taxes | | | | | 22,911 | - | 22,911 |
| Industrial district | | | | | 183,154 | - | 183,154 |
| Intergovernmental | | | | | 161,689 | - | 161,689 |
| Rents and royalties | | | | | 147,103 | - | 147,103 |
| Interest income | | | | | 121,062 | 29,121 | 150,183 |
| Donations | | | | | 32,827 | - | 32,827 |
| Other | | | | | 169,247 | - | 169,247 |
| Transfers, internal activity | | | | | (6,740,080) | 6,740,080 | - |
| Total general revenues, transfers and contributions | | | | | 6,213,842 | 6,769,201 | 12,983,043 |
| Change in net position | | | | | 3,447,363 | 6,633,715 | 10,081,078 |
| Net position-beginning of year | | | | | 23,513,681 | 9,781,889 | 33,295,570 |
| Prior period adjustment | | | | | 388,460 | 48,329 | 436,789 |
| Net position-beginning of year as restated | | | | | 23,902,141 | 9,830,218 | 33,732,359 |
| Net position-end of year | \$ 27,349,504 | \$ 16,463,933 | \$ 43,813,437 | \$ 43,813,437 | \$ 16,463,933 | \$ 43,813,437 | \$ 43,813,437 |

City of Aransas Pass, Texas

Balance Sheet Governmental Funds September 30, 2022

| | General Fund | Capital Projects Fund | Debt Service Fund | Aransas Pass Municipal Development District | Aransas Pass Crime Control & Prevention District | Total Nonmajor Funds | Total |
|---|----------------------|-----------------------------|-------------------------|--|---|----------------------------|----------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 1,625,775 | \$ - | \$ 12,796 | \$ - | \$ - | \$ - | \$ 1,638,571 |
| Receivables, net of allowances for uncollectible | | | | | | | |
| Delinquent property taxes | 157,095 | - | 340,823 | - | - | - | 497,918 |
| Accounts | - | - | - | - | - | - | - |
| Occupancy taxes | - | - | - | - | - | 122,077 | 122,077 |
| Sales taxes | 233,346 | - | - | - | - | - | 233,346 |
| Intergovernmental | - | 150,217 | - | - | - | - | 150,217 |
| Other receivables | 173,866 | - | - | - | - | - | 173,866 |
| Prepaid expenses | - | 990 | - | - | - | - | 990 |
| Due from other funds | 8,953,941 | - | 452,528 | - | - | 417,486 | 9,823,955 |
| Inventories | 52,366 | - | - | - | - | - | 52,366 |
| Restricted cash and cash equivalents | 1,208,722 | 3,323,535 | - | 1,809,353 | 1,197,974 | 355,902 | 7,895,486 |
| Restricted investments | - | - | - | 331,434 | 354,246 | - | 685,680 |
| Sales tax receivable | - | - | - | 102,698 | 102,565 | - | 205,263 |
| Total assets | <u>\$ 12,405,111</u> | <u>\$ 3,474,742</u> | <u>\$ 806,147</u> | <u>\$ 2,243,485</u> | <u>\$ 1,654,785</u> | <u>\$ 895,465</u> | <u>\$ 21,479,735</u> |
| LIABILITIES PLUS DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 392,509 | \$ 1,064,068 | \$ - | \$ - | \$ - | \$ 149,681 | \$ 1,606,258 |
| Due to other funds | 6,633,131 | 8,444,813 | - | 225,930 | 77,539 | 4,620 | 15,386,033 |
| Deferred revenue | 2,907 | - | - | - | - | - | 2,907 |
| Total liabilities | <u>7,028,547</u> | <u>9,508,881</u> | <u>-</u> | <u>225,930</u> | <u>77,539</u> | <u>154,301</u> | <u>16,995,198</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | | | | | | | |
| Inventories | 52,366 | - | - | - | - | - | 52,366 |
| Restricted for: | | | | | | | |
| Capital Projects | - | (6,034,139) | - | - | - | - | (6,034,139) |
| Municipal Development | - | - | - | 2,017,555 | - | - | 2,017,555 |
| Law Enforcement | - | - | - | - | 1,577,246 | - | 1,577,246 |
| Emergency Services Technology | - | - | - | - | - | 388,416 | 388,416 |
| Municipal Court Technology Fees | - | - | - | - | - | 741 | 741 |
| Municipal Court Building Security Fund | - | - | - | - | - | 46,790 | 46,790 |
| Municipal Court Jury and Truancy Fund | - | - | - | - | - | 8,508 | 8,508 |
| Hotel Occupancy Tax Reserves | - | - | - | - | - | 296,709 | 296,709 |
| Library Overbid | - | - | - | - | - | - | - |
| Scholarship Fund | - | - | - | - | - | - | - |
| PD Explorer | - | - | - | - | - | - | - |
| Committed to: | | | | | | | |
| Capital Improvements | - | - | - | - | - | - | - |
| Assigned | - | - | 806,147 | - | - | - | 806,147 |
| Unassigned | 5,324,198 | - | - | - | - | - | 5,324,198 |
| Total fund balances | <u>5,376,564</u> | <u>(6,034,139)</u> | <u>806,147</u> | <u>2,017,555</u> | <u>1,577,246</u> | <u>741,164</u> | <u>4,484,537</u> |
| Total liabilities and fund balances | <u>\$ 12,405,111</u> | <u>\$ 3,474,742</u> | <u>\$ 806,147</u> | <u>\$ 2,243,485</u> | <u>\$ 1,654,785</u> | <u>\$ 895,465</u> | <u>\$ 21,479,735</u> |

City of Aransas Pass, Texas
Reconciliation of the Balance Sheet of Government Funds
to the Statement of Net Position
September 30, 2022

| | | |
|---|------------|--------------|
| Total fund balances - governmental funds balance sheet | | \$ 4,484,537 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 38,749,157 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not | | |
| Notes and bonds payable | 14,428,475 | |
| Compensated absences | 231,638 | |
| Right-of-use asset | 71,168 | |
| Accrued interest on bonds | 69,137 | |
| Pension liability | 359,531 | |
| OPEB liability | 297,004 | |
| Deferred outflows related to pensions | (442,132) | |
| Deferred outflows related to OPEB | (60,839) | |
| Deferred inflows related to pensions | 911,401 | |
| Deferred inflows related to OPEB | 18,807 | |
| | | (15,884,190) |
| Net position of governmental activities - Statement of Net Position | | 27,349,504 |

City of Aransas Pass, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

| | General Fund | Capital Projects Fund | Debt Service Fund | Aransas Pass Municipal Development District | Aransas Pass Crime Control & Prevention District | Other Non-Major Governmental Funds | Total |
|--|---------------------|-----------------------------|-------------------------|--|---|---|---------------------|
| REVENUES | | | | | | | |
| Taxes | | | | | | | |
| Property taxes | \$ 3,530,005 | \$ - | \$ 2,788,263 | \$ - | \$ - | \$ - | \$ 6,318,268 |
| Sales taxes | 2,866,083 | - | - | 1,274,346 | 1,274,202 | - | 5,414,631 |
| Franchise taxes | 383,030 | - | - | - | - | - | 383,030 |
| Mixed beverage taxes | 22,911 | - | - | - | - | - | 22,911 |
| Occupancy taxes | - | - | - | - | - | 371,989 | 371,989 |
| Licenses and permits | 533,456 | - | - | - | - | - | 533,456 |
| Intergovernmental | 161,689 | - | - | - | - | - | 161,689 |
| Charges for services | 1,990,950 | - | - | - | - | 56,168 | 2,047,118 |
| Fines | 142,199 | - | - | - | - | 9,666 | 151,865 |
| Interest income | 62,589 | 27,647 | 89 | 15,594 | 13,189 | 1,954 | 121,062 |
| Industrial development district | 183,154 | - | - | - | - | - | 183,154 |
| Drug forfeitures | 728,944 | - | - | - | - | - | 728,944 |
| Rents and royalties | 147,103 | - | - | - | - | - | 147,103 |
| Donations | 32,827 | - | - | - | - | - | 32,827 |
| Grants received | 15,061 | 5,414,092 | - | - | - | - | 5,429,153 |
| FEMA proceeds | - | 1,572,480 | - | - | - | - | 1,572,480 |
| Other | 169,247 | - | - | - | - | - | 169,247 |
| Total revenues | 10,969,248 | 7,014,219 | 2,788,352 | 1,289,940 | 1,287,391 | 439,777 | 23,788,927 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 2,811,363 | - | - | 3,300 | 3,300 | - | 2,817,963 |
| Public safety | 5,505,200 | - | - | - | - | 104,643 | 5,609,843 |
| Public works | 1,799,790 | - | - | - | - | - | 1,799,790 |
| Sanitation, health and welfare | 1,506,022 | - | - | - | - | - | 1,506,022 |
| Culture and recreation | 622,643 | - | - | - | - | - | 622,643 |
| Tourism | - | - | - | - | - | 331,311 | 331,311 |
| Capital outlay | 1,089,555 | 2,795,670 | - | - | - | - | 3,885,225 |
| Debt service: | | | | | | | |
| Principal | - | - | 1,640,465 | 600,000 | - | - | 2,240,465 |
| Interest and fiscal charges | 2,150 | - | 330,761 | 107,876 | - | - | 440,787 |
| Total expenditures | 13,336,723 | 2,795,670 | 1,971,226 | 711,176 | 3,300 | 435,954 | 19,254,049 |
| Excess (deficiency) of revenues over under expenditures | (2,367,475) | 4,218,549 | 817,126 | 578,764 | 1,284,091 | 3,823 | 4,534,878 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 1,982,494 | - | - | - | - | 44,000 | 2,026,494 |
| Transfers out | (289,900) | (6,197,149) | (547,762) | (240,381) | (1,491,382) | - | (8,766,574) |
| Bond proceeds | 1,315,000 | - | - | - | - | - | 1,315,000 |
| Total other financing sources and uses | 3,007,594 | (6,197,149) | (547,762) | (240,381) | (1,491,382) | 44,000 | (5,425,080) |
| Net change in fund balances | 640,119 | (1,978,600) | 269,364 | 338,383 | (207,291) | 47,823 | (890,202) |
| Fund balances-beginning of year | 4,446,545 | (4,055,539) | 536,783 | 1,679,172 | 1,784,537 | 693,341 | 5,084,839 |
| Prior period adjustment | 289,900 | - | - | - | - | - | 289,900 |
| Fund balances-beginning as restated | 4,736,445 | (4,055,539) | 536,783 | 1,679,172 | 1,784,537 | 693,341 | 5,374,739 |
| Fund balances-end of year | \$ 5,376,564 | \$ (6,034,139) | \$ 806,147 | \$ 2,017,555 | \$ 1,577,246 | \$ 741,164 | \$ 4,484,537 |

City of Aransas Pass, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2022

| | | |
|---|-----------|------------------|
| Net change in fund balances - governmental funds | \$ | (890,202) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays exceeded depreciation expense in the current period. | | 2,909,889 |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the | | 1,747,587 |
| Interest expense reported in the statement of activities does not require the use of current financial resources and is therefore not reported as an expenditure in the governmental funds. | | 2,448 |
| Lease liability is reported in the statement of activities does not require the use of current financial resources and is therefore not reported as an expenditure in the governmental funds. | | 71,168 |
| Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures in the governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that have matured in the current year. | | 29,529 |
| Net pension liability reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds. | | (790,209) |
| Other post employment benefits reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds. | | (21,307) |
| | | - |
| Prior period adjustment | | 388,460 |
| Change in net position of governmental activities - statement of activities | <u>\$</u> | <u>3,447,363</u> |

City of Aransas Pass, Texas

Statement of Net Position

Enterprise Funds

September 30, 2022

Exhibit A-7

| | Major Fund | Non-Major | Total |
|---------------------------------------|--------------------------|---------------------|----------------------|
| | Water & Sewer | Funds | |
| | Fund | Funds | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,100 | \$ 10,051 | \$ 11,151 |
| Accounts Receivable (net) | 1,023,977 | 46,280 | 1,070,257 |
| Leases Receivable (net) | - | 2,596,801 | 2,596,801 |
| Restricted cash | 383,104 | - | 383,104 |
| Due from other funds | 5,456,878 | 306,240 | 5,763,118 |
| Total current assets | <u>6,865,059</u> | <u>2,959,372</u> | <u>9,824,431</u> |
| Noncurrent Assets: | | | |
| Capital assets: | | | |
| Land | 397,778 | - | 397,778 |
| Buildings, machinery and vehicles | 23,399,418 | 8,357,754 | 31,757,172 |
| Less accumulated depreciation | <u>(11,419,350)</u> | <u>(3,026,508)</u> | <u>(14,445,858)</u> |
| Total noncurrent assets | <u>12,377,846</u> | <u>5,331,246</u> | <u>17,709,092</u> |
| Intangible Assets: | | | |
| Right-of-use Asset | 17,578 | - | 17,578 |
| Total assets | <u>19,260,483</u> | <u>8,290,618</u> | <u>27,551,101</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 53,900 | 13,512 | 67,412 |
| Deferred outflows related to OPEB | 7,417 | 1,860 | 9,277 |
| Total deferred outflows of resources | <u>61,317</u> | <u>15,372</u> | <u>76,689</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 163,156 | 9,524 | 172,680 |
| Accrued interest payable | 28,008 | - | 28,008 |
| Deferred revenue | 1,950,399 | 19,079 | 1,969,478 |
| Due to other funds | 23,699 | 177,340 | 201,039 |
| Compensated absences payable | 4,250 | 1,001 | 5,251 |
| Lease liability | 3,266 | - | 3,266 |
| Bonds, notes, and loans payable | 2,160,000 | 7,988 | 2,167,988 |
| Total current liabilities | <u>4,332,778</u> | <u>214,932</u> | <u>4,547,710</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 24,085 | 5,676 | 29,761 |
| Lease liability | 14,526 | - | 14,526 |
| Net pension liability | 43,830 | 10,989 | 54,819 |
| Total OPEB liability | 36,207 | 9,078 | 45,285 |
| Bonds and notes payable | 3,670,000 | - | 3,670,000 |
| Total noncurrent liabilities | <u>3,788,648</u> | <u>25,743</u> | <u>3,814,391</u> |
| Total liabilities | <u>8,121,426</u> | <u>240,675</u> | <u>8,362,101</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 111,108 | 27,855 | 138,963 |
| Deferred inflows related to OPEB | 2,293 | 576 | 2,869 |
| Deferred inflows related to Leases | - | 2,659,924 | 2,659,924 |
| Total deferred inflows of resources | <u>113,401</u> | <u>2,688,355</u> | <u>2,801,756</u> |
| NET POSITION | | | |
| Net invested in capital assets | 6,547,846 | 5,331,246 | 11,879,092 |
| Unrestricted | <u>4,539,127</u> | <u>45,714</u> | <u>4,584,841</u> |
| Total net position | <u>\$ 11,086,973</u> | <u>\$ 5,376,960</u> | <u>\$ 16,463,933</u> |

The accompanying notes are an integral part of this statement.

City of Aransas Pass, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
For the Year Ended September 30, 2022

| | Major Fund Water & Sewer Fund | Non-Major Funds | Total |
|---|--|----------------------------|----------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 4,810,574 | \$ 694,572 | \$ 5,505,146 |
| Total operating revenue | <u>4,810,574</u> | <u>694,572</u> | <u>5,505,146</u> |
| OPERATING EXPENSES | | | |
| Personal services | 1,026,450 | 495,817 | 1,522,267 |
| Contractual services | 249,271 | 212,236 | 461,507 |
| Supplies | 1,782,804 | 67,795 | 1,850,599 |
| Maintenance | 294,027 | 50,844 | 344,871 |
| Administrative | 78,161 | 13,011 | 91,172 |
| Utilities | 133,747 | 108,125 | 241,872 |
| Licenses and fees | 12,150 | - | 12,150 |
| Advertising | - | 11,575 | 11,575 |
| Event expenses | - | 1,061 | 1,061 |
| Insurance | 35,276 | 60,280 | 95,556 |
| Depreciation and amortization | 664,616 | 166,121 | 830,737 |
| Total operating expenses | <u>4,276,502</u> | <u>1,186,865</u> | <u>5,463,367</u> |
| Operating income (loss) | <u>534,072</u> | <u>(492,293)</u> | <u>41,779</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest income | 2,677 | 26,444 | 29,121 |
| Interest and fiscal charges | <u>(176,757)</u> | <u>(508)</u> | <u>(177,265)</u> |
| Total nonoperating revenue (expenses) | <u>(174,080)</u> | <u>25,936</u> | <u>(148,144)</u> |
| Income (loss) before contributions and transfers | 359,992 | (466,357) | (106,365) |
| Capital contributions | - | 4,000,248 | 4,000,248 |
| Transfers in | 2,357,311 | 543,587 | 2,900,898 |
| Transfers out | <u>(100,000)</u> | <u>(61,066)</u> | <u>(161,066)</u> |
| Change in net position | 2,617,303 | 4,016,412 | 6,633,715 |
| Total net position-beginning | 8,469,670 | 1,312,219 | 9,781,889 |
| Prior period adjustment, GASB 87 | <u>-</u> | <u>48,329</u> | <u>48,329</u> |
| Total net position-beginning as restated | <u>8,469,670</u> | <u>1,360,548</u> | <u>9,830,218</u> |
| Total net position-ending | <u>\$ 11,086,973</u> | <u>\$ 5,376,960</u> | <u>\$ 16,463,933</u> |

City of Aransas Pass, Texas

Statement of Cash Flows

Exhibit A-9

Enterprise Funds

For the Year Ended September 30, 2022

| | Major Fund Water & Sewer Fund | Non-Major Funds | Total |
|--|-------------------------------------|--------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | \$ 4,818,910 | \$ (1,890,364) | \$ 2,928,546 |
| Cash payments to suppliers for goods and services | (2,604,663) | (539,609) | (3,144,272) |
| Cash payments to employees for services | (1,147,333) | (527,238) | (1,674,571) |
| Net cash provided (used) by operating activities | 1,066,914 | (2,957,211) | (1,890,297) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | |
| Transfers-in from other funds | 2,357,311 | 543,587 | 2,900,898 |
| Transfers-out to other funds | (100,000) | (61,066) | (161,066) |
| (Increase) decrease in amounts due to other funds | (1,073,515) | (189,016) | (1,262,531) |
| Deferred inflows | 51,134 | 2,672,789 | 2,723,923 |
| Deferred outflows | 7,141 | 1,744 | 8,885 |
| Net cash provided (used) by non-capital financing activities | 1,242,071 | 2,968,038 | 4,210,109 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Net acquisition and construction of capital assets | (1,519,650) | (4,026,728) | (5,546,378) |
| Right-of-use asset | (17,578) | - | (17,578) |
| Principal paid on revenue bond maturities and equipment contracts | (595,000) | (10,338) | (605,338) |
| Proceeds from bonds issued | (176,757) | (508) | (177,265) |
| Interest and fiscal charges paid | (176,757) | (508) | (177,265) |
| Net cash provided (used) by financing activities | (2,308,985) | (37,326) | (2,346,311) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest and dividends | 2,677 | 26,444 | 29,121 |
| Net cash provided (used) by investing activities | 2,677 | 26,444 | 29,121 |
| Net increase (decrease) in cash and cash equivalents | 2,677 | (55) | 2,622 |
| Cash and cash equivalents at beginning of year | 381,527 | 10,106 | 391,633 |
| Cash and cash equivalents at end of year | \$ 384,204 | \$ 10,051 | \$ 394,255 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ 534,072 | \$ (492,293) | \$ 41,779 |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 664,616 | 166,121 | 830,737 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (28,431) | (2,596,368) | (2,624,799) |
| Interfund payables | - | - | - |
| Deferred revenue | 36,767 | 9,894 | 46,661 |
| Accounts payable and accrued expenses | (37,019) | (14,682) | (51,701) |
| Lease liability | 17,792 | - | 17,792 |
| Pension liabilities | (118,497) | (29,589) | (148,086) |
| OPEB liabilities | (2,715) | (652) | (3,367) |
| Compensated absences | 329 | 358 | 687 |
| Total Adjustments | 532,842 | (2,464,918) | (1,932,076) |
| Net cash provided (used) by operating activities | \$ 1,066,914 | \$ (2,957,211) | \$ (1,890,297) |

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

A. Summary of Significant Accounting Policies

The combined financial statements of City of Aransas Pass, Texas (the “City”) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The City of Aransas Pass, Texas was incorporated under the General Laws of the State of Texas on April 5, 1910, with said Charter having been amended (Home Rule City Act) on November 27, 1951. The city operates under a home rule charter with a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and parks and recreation, planning and social services, cultural-recreation, public improvements, planning and zoning, and general administrative services.

1. Reporting Entity

The City’s basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City’s reporting entity, as set forth in GASB Statement No. 14, “The Financial Reporting Entity,” include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization’s board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The city also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Blended Component Units

Blended component units provide services exclusively for the City, and/or their Board of Directors are substantially the same as the City Council. The following blended component units are reported:

Aransas Pass Municipal Development District

The Aransas Pass Municipal Development District (the District) was created pursuant to the provisions of Chapter 377 of the Texas Local Government Code by a general election on May 2, 1998. A ½ cent sales tax was approved by the voters to fund the District’s development projects. The City Council appoints all of the District’s board members and can remove them at will. Since the City appoints the board of directors, the District provides services to the exclusive benefit of the City, and makes debt service payments for the City; it has been reported as a blended component unit in a special revenue fund.

Aransas Pass Crime Control and Prevention District

In May 2009, the voters approved the creation of the Aransas Pass Crime Control and Prevention District which will be funded by a ½ cent sales tax. Board Members are appointed by the City Council. Although the District is legally separate from the City, the District will be reported as if it were part of the primary government because it is a financing mechanism for the City to provide public safety to the citizens of the City.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

2. Bases of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of Net Position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

Special Revenue Fund: Aransas Pass Municipal Development Fund: This fund accounts for revenues and expenditures of the Aransas Pass Municipal Development District which is described above.

Special Revenue Fund: Aransas Pass Crime Control and Prevention District: This fund accounts for revenues and expenditures of the Aransas Pass Crime Control and Prevention District which is described above.

Debt Service Fund: This fund accounts for the resources accumulated and payments made for the principal and interest on long-term general obligation debt of the City.

Capital Projects Fund: This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The City reports the following major enterprise fund:

Water and Sewer Fund: This fund accounts for the operations of the City's water and sewer system.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual bases of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

d. Leases

The City is a lessor for noncancellable leases of land and improvements. The City recognizes a lease receivable and a deferred inflow of resources in the Statement of Net Position. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments received to present value, (2) lease term, and (3) lease receipts:

- The City uses the interest rate charged as the discount rate. When the interest rate charged is not provided in the agreement, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments and purchase option prices that the City is reasonable certain to receive.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Infrastructure | 30 |
| Buildings | 30-40 |
| Other Improvements | 20-25 |
| Machinery and Equipment | 20-25 |
| Water and Sewer System | 30-50 |

f. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within 12 months of year end.

g. Compensated Absences

The City allows employees to accumulate earned, but unused vacation which will be paid to employees upon separation for the City's service. This liability is accrued when incurred in the government-wide and proprietary fund financial statements.

h. 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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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.

i. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfer. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of Net Position.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

k. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statements of financial position will sometimes 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

l. Fund Balances-Governmental Funds

Fund balances of the governmental funds are classified as follows:

Non-spendable Fund Balance classification includes amounts that cannot be spent because they are either (a) not in spendable form of (b) legally or contractually required to be maintained intact.

Restricted Fund Balance represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provision, or enabling legislation.

Assigned Fund Balance represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance represents amount which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of restricted, committed funds, and finally unassigned funds.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by the approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter total appropriations must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations. For report purposes, this level has been extended to a functional basis (i.e. General Government, Public Safety, etc.).

The following funds have legally adopted budgets: General Fund, Aransas Pass Municipal Development District, and Aransas Pass Crime Control and Prevention District.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.

Formal budgets are not adopted in the Capital Projects Funds. Effective budgetary control in these funds is achieved through individual project budgeting in conformance with the provisions of bond orders, grant awards and other sources.

5. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Violation: Significant Budget Overages

General Fund:

General government expenditures exceed budget by \$978,336
Public safety expenditures exceeded budget by \$4,816
Sanitation, health and welfare exceeded budget by \$64,604
Capital outlay expended exceeded budget by \$1,022,942

Aransas Pass Crime Control and Prevention District (a special revenue fund):

Transfers out to other funds exceeded the budgeted amount by \$69,382.

Action Taken:

These overages were due to increase in the cost of services and materials. The overage is covered by overages in revenue received exceeding budgeted amount. Unused budgeted funds are available to be transferred from other departments within the General Fund. The Aransas Pass Crime Control and Prevention District has funds in reserves that cover the budget overage.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent the depository bank's amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2022, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,903,411 and the bank balance was \$9,826,188. The City's cash deposits at September 30, 2022 and during the year ended September 30, 2022, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with the local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

As of September 30, 2022, cash and cash equivalents reported in the Statement of Net Position include the following:

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--|-----------------|---------------------|
| TexPool | 1 Day | \$ 4,319,274 |
| Texas Class | 1 Day | \$ 3,326,881 |
| Investments classified as cash equivalent: | | <u>\$ 7,646,155</u> |
| | | |
| Gulf Coast Credit Union | 3 months | \$ 221,746 |
| Navy Army Credit Union | 6 months | \$ 218,557 |
| Coast Life Credit Union | 12 months | \$ 245,377 |
| Investments classified as investments; | | <u>\$ 685,680</u> |

Cash and cash equivalents at September 30, 2022 are as follows:

| | <u>Government Type Activities</u> | | |
|------------------------|-----------------------------------|---------------------|---------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
| Currency on hand | \$ 1,460 | \$ - | \$ 1,460 |
| Demand deposits | 1,291,079 | 978,467 | 2,269,546 |
| Short-term investments | 346,032 | 6,917,019 | 7,263,051 |
| | <u>\$ 1,638,571</u> | <u>\$ 7,895,486</u> | <u>\$ 9,534,057</u> |

| | <u>Business Type Activities</u> | | |
|------------------------|---------------------------------|-------------------|-------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
| Currency on hand | \$ 2,280 | \$ - | \$ 2,280 |
| Demand deposits | 8,871 | - | 8,871 |
| Short-term investments | - | 383,104 | 383,104 |
| | <u>\$ 11,151</u> | <u>\$ 383,104</u> | <u>\$ 394,255</u> |

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City's investment policy seeks to minimize credit risk by limiting the types and term of investments. The policy allows for investments in Public Fund Investment Pools described below which must have an AAA rating.

At September 30, 2022, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

| <u>Investment</u> | <u>Rating</u> | <u>Rating Agency</u> |
|-------------------|---------------|----------------------|
| TexPool | AAA | Standard and Poor's |
| Texas Class | AAA | Standard and Poor's |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to TexPool, TexasClass and Certificates of Deposits.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

This City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes, an example of which is a nonnegotiable certificates of deposit.

Public Funds Investment Pools

Public fund investment pools in Texas ("Pools") are established under the authority of the interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Lease Receivable

The City of Aransas Pass is the lessor for various land and improvements which meet the definition of a lease under GASB Statement No. 87 as noted in Note A. The City recognized \$15,978 in lease revenue and \$26,444 in interest revenue during the current fiscal year related to this lease. As of September 30, 2022, the City's receivable for lease payments was \$2,596,801. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2022, the balance of the deferred inflow of resources was \$2,548,924.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

E. Capital Assets

| Capital asset activity for governmental type activities for the year ended September 30, 2022: | Beginning Balances | Increases | Decreases | Ending Balances |
|---|----------------------|---------------------|-----------------------|----------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 7,507,865 | \$ - | \$ - | \$ 7,507,865 |
| Construction in progress | 7,248,885 | 2,862,457 | (1,242,035) | 8,869,307 |
| Total capital assets not being depreciated | <u>14,756,750</u> | <u>2,862,457</u> | <u>(1,242,035)</u> | <u>16,377,172</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 9,357,661 | - | | 9,357,661 |
| Improvements other than buildings | 4,188,827 | 251,346 | | 4,440,173 |
| Machinery and Equipment | 4,694,481 | 707,507 | | 5,401,988 |
| Vehicles | 1,822,214 | - | | 1,822,214 |
| Infrastructure | 15,201,844 | 1,504,236 | | 16,706,080 |
| Total capital assets being depreciated | <u>35,265,027</u> | <u>2,463,089</u> | <u>-</u> | <u>37,728,116</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,489,484 | 339,656 | | 3,829,140 |
| Improvements other than buildings | 2,888,530 | 176,835 | | 3,065,365 |
| Machinery and Equipment | 3,158,633 | 503,725 | | 3,662,358 |
| Vehicles | 1,149,543 | 215,520 | | 1,365,063 |
| Infrastructure | 2,947,649 | 556,870 | | 3,504,519 |
| Total accumulated depreciation | <u>13,633,839</u> | <u>1,792,606</u> | <u>-</u> | <u>15,426,445</u> |
| Total capital assets being depreciated, net | <u>21,631,188</u> | <u>670,483</u> | <u>-</u> | <u>22,301,671</u> |
| Governmental activities capital assets, net | <u>\$ 36,387,938</u> | <u>\$ 3,532,940</u> | <u>\$ (1,242,035)</u> | <u>\$ 38,678,843</u> |

Note E continues on the following page

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| Capital asset activity for business-type activities for the year ended September 30, 2022: | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|--------------|-----------|--------------------|
| <u>Business-type activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land, right of way | \$ 397,778 | \$ - | \$ - | \$ 397,778 |
| Total capital assets not being depreciated | 397,778 | - | - | 397,778 |
| Capital assets being depreciated: | | | | |
| Buildings | 633,583 | - | - | 633,583 |
| Improvements other than buildings | 3,607,073 | 4,000,248 | - | 7,607,321 |
| Water and sewer system | 19,662,483 | 1,447,018 | - | 21,109,501 |
| Vehicles | 401,332 | 99,112 | - | 500,444 |
| Machinery and Equipment | 1,906,326 | - | - | 1,906,326 |
| Total capital assets being depreciated | 26,210,797 | 5,546,378 | - | 31,757,175 |
| Less accumulated depreciation for: | | | | |
| Buildings | 15,840 | 15,839 | - | 31,679 |
| Improvements other than buildings | 2,773,684 | 140,767 | - | 2,914,451 |
| Water and sewer system | 9,271,631 | 445,042 | - | 9,716,673 |
| Vehicles | 268,662 | 41,507 | - | 310,169 |
| Machinery and Equipment | 1,285,303 | 187,582 | - | 1,472,885 |
| Total accumulated depreciation | 13,615,120 | 830,737 | - | 14,445,857 |
| Total capital assets being depreciated, net | 12,595,677 | 4,715,641 | - | 17,311,318 |
| Business-type activities capital assets, net | \$ 12,993,455 | \$ 4,715,641 | \$ - | \$ 17,709,096 |

Depreciation was charged to function as follows:

Governmental Activities:

| | |
|----------------------|---------------------|
| General Government | \$ 358,521 |
| Public Safety | \$ 717,042 |
| Public Works | \$ 501,930 |
| Public Health and W | \$ 179,261 |
| Culture and Recreati | \$ 35,852 |
| | <u>\$ 1,792,606</u> |

Business Type Activities:

| | |
|--------------|-------------------|
| Water and Se | \$ 664,616 |
| Harbor | \$ 166,121 |
| | <u>\$ 830,737</u> |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

F. Interfund receivables and payables

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

| Receivable Fund | Payable Fund | Amount |
|--|---|----------------------|
| General Fund | Capital Projects Fund | \$ 8,444,813 |
| General Fund | Aransas Pass Municipal Development District | 225,930 |
| General Fund | Aransas Pass Crime Control and Preventin District | 77,539 |
| General Fund | Municipal Court Technology Fund | 4,620 |
| General Fund | Water and Sewer Fund | 23,699 |
| General Fund | Harbor Fund | 1,389 |
| General Fund | Aquatic Center | 19,499 |
| General Fund | Civic Center | 156,452 |
| Debt Service Fund | General Fund | 452,528 |
| E911 Fund | General Fund | 190,648 |
| Hotel Motel Tax Fund | General Fund | 208,422 |
| Municipal Court Building Security Fund | General Fund | 9,908 |
| Other Special Revenue Funds | General Fund | 8,508 |
| Water and Sewer Fund | General Fund | 5,456,878 |
| Harbor Fund | General Fund | 306,240 |
| | | <u>\$ 15,587,073</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

G. Interfund transfers

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

| | Transfers in: | | | | | | Total |
|--|-------------------------|----------------------|-------------------------------------|------------------------|---------------------------|-------------------------|--------------------|
| | General Fund | E911 Fund | Water and Sewer Fund | Harbor Fund | Aquatic Center | Civic Center | |
| Transfers out: | | | | | | | |
| General Fund | | | | | | 142,140 | 142,140 |
| Capital Projects Fund | 547,762 | | 2,196,901 | 4,000,248 | | | 6,744,911 |
| Debt Service Fund | | | 160,410 | | | | 160,410 |
| Aransas Pass Municipal Development District | | 44,000 | | | | 240,381 | 284,381 |
| Aransas Pass Crime Control and Prevention District | 1,447,382 | | | | | | 1,447,382 |
| Water and Sewer Fund | | | | | 100,000.00 | | 100,000 |
| Harbor Fund | | | | | 61,066 | | 61,066 |
| Total | <u>\$1,995,144</u> | <u>\$44,000</u> | <u>\$2,357,311</u> | <u>\$4,000,248</u> | <u>\$ 161,066</u> | <u>\$382,521</u> | <u>\$8,940,290</u> |

During the year, transfers are used to (a) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (b) move general fund resources to provide an annual subsidy to the Aquatic Center and Civic Center, and (c) transfer completed projects out of capital projects fund to the respective fund associated with the construction efforts.

H. Lease payable

The City entered into a five-year agreement as lessee for copying machinery. An initial lease liability was recorded in the amount of \$106,720. As of September 30, 2022, the value of the lease liability was \$87,892. The City is required to make monthly payments of \$1,704. The lease has an interest rate of 3%. The value of the right-to-use asset as of the end of the current fiscal year was \$87,892 and had accumulated amortization of \$18,828

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

I. Long-Term Obligations

1. Long-Term Obligation Activity

The City issues general obligation and revenue bonds, certificates of obligation, and tax notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and proprietary activities. Revenue bonds have been issued for only proprietary activities. Bonds and certificates of obligation are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

Outstanding bonds, certificates of obligation and tax notes consisted of the following at September 30, 2022:

| <u>Bonded Debt</u> | <u>Interest Rate</u> | <u>General Long- Term Debt</u> | <u>Enterprise Fund Debt</u> | <u>Total</u> |
|---|--------------------------|------------------------------------|---------------------------------|----------------------|
| \$4,435,000 General Obligation Refunding Bonds, Series 2007 | 4.025% | 1,250,000 | - | 1,250,000 |
| \$9,500,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 | 2.25% - 3.6% | 3,455,000 | 2,000,000 | 5,455,000 |
| \$2,285,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015 | 1.89% | 155,000 | - | 155,000 |
| \$2,890,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016 | 3.00% | 2,180,000 | - | 2,180,000 |
| \$4,580,000 General Obligation Refunding Bonds Taxable Series 2016 | 2.39% - 3.59% | 2,245,000 | - | 2,245,000 |
| \$1,395,000 Tax Notes, Series 2018 | 2.49% | 190,000 | 280,000 | 470,000 |
| \$2,205,000 General Obligation Refunding Bonds, Series 2018 | 2.83% | 1,300,000 | - | 1,300,000 |
| \$1,455,000 Tax Notes, Series 2019 | 2.57% | 995,000 | - | 995,000 |
| \$1,145,000 Tax Notes, Series 2020 | 1.22% | 305,000 | 660,000 | 965,000 |
| \$1,035,000 Tax Notes, Series 2021 | 1.11% | 890,000 | - | 890,000 |
| \$870,000 Tax Notes, Series 2021A | 3.00% | 435,000 | 325,000 | 760,000 |
| \$2,565,000 General Obligation Refunding Bonds, Series 2021 | 3.00% | - | 2,565,000 | 2,565,000 |
| \$880,000 GO Refunding Bonds, Series 2021 (annexation) | 0.00% | 765,000 | - | 765,000 |
| <u>Notes Payable</u> | | | | |
| Note Payable Spirit of Texas Bank, Street Sweeper | 3.08% | 181,472 | - | 181,472 |
| Note Payable Southside Bank, Pumps & Hoses | 3.08% | 82,004 | - | 82,004 |
| Note Payable Prosperity Bank, Harbor Master Truck | 3.54% | - | 7,993 | 7,993 |
| | | <u>\$ 14,428,476</u> | <u>\$ 5,837,993</u> | <u>\$ 20,266,469</u> |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the ended September 30, 2022, are as follows:

Changes in long-term liabilities

Changes in the City of Aransas Pass, Texas's long-term liabilities for the year ended September 30, 2022 are as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Amounts Due Within One Year |
|----------------------------------|--|---------------------|---------------------|------------------------------------|--|
| <u>Governmental activities:</u> | | | | | |
| General bonded debt | \$ 14,885,000 | \$ 1,380,000 | \$ 2,100,000 | \$ 14,165,000 | \$ 2,160,000 |
| Notes payable | 58,264 | 263,476 | 58,265 | 263,475 | 82,201 |
| Pension liability | 1,149,740 | 1,820,827 | 2,611,036 | 359,531 | - |
| OPEB liability | 275,697 | 26,724 | 5,417 | 297,004 | - |
| Compensated absences | 257,092 | 189,533 | 214,987 | 231,638 | 34,746 |
| Lease liability | - | 71,168 | - | 71,168 | 14,026 |
| State of Texas | 814,982 | - | 814,982 | - | - |
| Total governmental activities | <u>\$ 17,440,775</u> | <u>\$ 3,751,728</u> | <u>\$ 5,804,687</u> | <u>\$ 15,387,816</u> | <u>\$ 2,290,973</u> |
| <u>Business-type activities:</u> | | | | | |
| General bonded debt | \$ 6,425,000 | \$ 2,935,000 | \$ 3,530,000 | \$ 5,830,000 | \$ 855,000 |
| Notes Payable | 18,328 | - | 10,340 | 7,988 | 7,993 |
| Pension liability | 202,905 | 277,625 | 425,711 | 54,819 | - |
| OPEB liability | 48,649 | 2,541 | 5,905 | 45,285 | - |
| Compensated absences | 35,863 | 36,987 | 37,838 | 35,012 | 5,252 |
| Lease liability | - | 17,792 | - | 17,792 | 3,266 |
| Total business-type activities | <u>\$ 6,730,745</u> | <u>\$ 3,269,945</u> | <u>\$ 4,009,794</u> | <u>\$ 5,990,896</u> | <u>\$ 871,511</u> |

2. Debt service requirements on long-term debt at September 30, 2022 are as follows:

| | Governmental Activities | | |
|--------------------------------|---------------------------------|---------------------|----------------------|
| Year Ending September 30, | Principal | Interest | Balance |
| 2023 | \$ 2,160,000 | \$ 394,310 | \$ 2,554,310 |
| 2024 | 2,150,000 | 336,697 | 2,486,697 |
| 2025 | 1,995,000 | 333,760 | 2,328,760 |
| 2026 | 2,055,000 | 217,745 | 2,272,745 |
| 2027 | 1,845,000 | 160,063 | 2,005,063 |
| 2028-2032 | 2,595,000 | 431,481 | 3,026,481 |
| Thereafter | 1,365,000 | 77,850 | 1,442,850 |
| Total governmental activities | <u>\$ 14,165,000</u> | <u>\$ 1,951,906</u> | <u>\$ 16,116,906</u> |
| | Business-type Activities | | |
| Year Ending September 30, | Principal | Interest | Balance |
| 2023 | \$ 855,000 | \$ 157,911 | \$ 1,012,911 |
| 2024 | 590,000 | 139,647 | 729,647 |
| 2025 | 600,000 | 124,745 | 724,745 |
| 2026 | 540,000 | 109,901 | 649,901 |
| 2027 | 550,000 | 95,191 | 645,191 |
| 2028-2032 | 2,060,000 | 273,608 | 2,333,608 |
| Thereafter | 635,000 | 143,058 | 778,058 |
| Total business-type activities | <u>\$ 5,830,000</u> | <u>\$ 1,044,061</u> | <u>\$ 6,874,061</u> |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

3. Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

J. Commitments Under Noncapitalized Leases

The City had no material commitments under noncapitalized leases for the year ended September 30, 2022.

K. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2022:

| | <u>Government</u> | <u>Business</u> |
|-----------------------------------|------------------------|------------------------|
| | <u>Type Activities</u> | <u>Type Activities</u> |
| Crime Control and Prevention | \$ 1,197,974 | \$ - |
| Law Enforcement | 1,121,573 | |
| Tourism | 113,691 | |
| Emergency Services | 199,968 | |
| Municipal Court Technology | 5,361 | |
| Municipal Court Building Security | 36,882 | |
| Capital Projects | 3,323,535 | |
| Municipal Development | 1,809,352 | 383,104 |
| Scholarship Fund | 4,983 | - |
| PD Explorers | 311 | |
| Library Overbid | 78,900 | - |
| Seaman's Memorial Tower | 2,956 | |
| | <u>\$ 7,895,486</u> | <u>\$ 383,104</u> |

Sales tax receivable was restricted from the following purposes at September 30, 2022:

| | <u>Government</u> | <u>Business</u> |
|------------------------------|------------------------|------------------------|
| | <u>Type Activities</u> | <u>Type Activities</u> |
| Crime Control and Prevention | \$ 102,565 | \$ - |
| Municipal Development | 102,698 | - |
| | <u>\$ 205,263</u> | <u>\$ -</u> |

Investments were restricted for the following purposes at September 30, 2022:

| | <u>Government</u> | <u>Business</u> |
|------------------------------|------------------------|------------------------|
| | <u>Type Activities</u> | <u>Type Activities</u> |
| Crime Control and Prevention | \$ 354,246 | \$ - |
| Municipal Development | 331,434 | - |
| | <u>\$ 685,680</u> | <u>\$ -</u> |

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

M. Pension Plan

1. Plan Description

The City of Aransas Pass 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 municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member Governor-appointed Board of Trustee; however TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

Plan Provisions-

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

Plan Design:

| | |
|--|-----------------------------------|
| Employee Deposit Rate: | 6.00% |
| City Match: | 2 to 1 |
| Vested Requirement: | 10 years |
| Eligible for Retirement: | 10 years/age 60; 20 years/any age |
| Updated Service Credit Rate: | 100% Repeating Transfers |
| Updated Service Credit effective Rate: | 2002R |
| COLA: | 70% |
| Supplemental Death Benefit to Active Employees | Yes |
| Supplemental Death Benefit to Retirees | Yes |

Employees covered by benefit terms-

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The long-term expected rate of return on TMRS pension plan was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real rate of Return (Arithmetic) |
|-----------------------|-------------------|--|
| Global Equity | 30.0% | 5.30% |
| Core Fixed Income | 10.0% | 1.25% |
| Non-Core Fixed Income | 20.0% | 4.14% |
| Real Return | 10.0% | 3.85% |
| Real Estate | 10.0% | 4.00% |
| Absolute Return | 10.0% | 3.48% |
| Private Equity | 10.0% | 7.75% |
| Total | 100.0% | |

Discount Rate-

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability:

| | Increase (Decrease) | | |
|--|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)-(b) |
| Balance at 12/31/2020 | \$ 17,143,873 | \$ 15,791,240 | \$ 1,352,633 |
| Changes for the year: | | | |
| Service Cost | 827,842 | - | 827,842 |
| Interest (on the Total Pension Liability) | 1,159,833 | - | 1,159,833 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | 110,777 | - | 110,777 |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 616,172 | (616,172) |
| Contributions - employee | - | 374,589 | (374,589) |
| Net investment income | - | 2,055,437 | (2,055,437) |
| Benefit payments, including refunds of employee contributions | (750,162) | (750,162) | - |
| Administrative expense | - | (9,525) | 9,525 |
| Other changes | - | 65 | (65) |
| Net changes | 1,348,290 | 2,286,576 | (938,286) |
| Balance at 12/31/2021 | \$ 18,492,163 | \$ 18,077,816 | \$ 414,347 |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-

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

| | 1% Decrease in Discount Rate 5.75% | Current Single Rate Assumption 6.75% | 1% Increase in Discount Rate 7.75% |
|------------------------------|---|---|---|
| City's net pension liability | \$3,463,239 | \$414,349 | (\$2,012,096) |

Pension Plan Fiduciary Net Position-

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained on at www.tnrs.com

ii. 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 \$212,785.

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 Deferred Inflows/Outflows | Deferred Inflows of Resources | Deferred Outflows of Resources |
|---|--|---|
| Difference in expected and actual economic experience (net of current year amortization) | \$ - | \$ 66,589 |
| Changes in actuarial assumptions | \$ - | \$ 9,353 |
| Difference in projected and actual investment earnings (net of current year amortization) | \$ (1,050,364) | \$ - |
| Contributions subsequent to the measurement date | \$ - | \$ 433,603 |
| Total | \$ (1,050,364) | \$ 509,545 |

\$433,603 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | Net deferred outflows (inflows) of resources |
|-----------|---|
| 2022 | \$ (156,699) |
| 2023 | (407,187) |
| 2024 | (212,632) |
| 2025 | (197,904) |
| 2026 | - |
| Therafter | - |
| | <u>\$ (974,422)</u> |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

N. Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Benefit Plan description. 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 postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

Employees covered by benefit terms. The following employees were covered by the benefit terms:

| <u>Actuarial Valuation and Measurement Date, December 31, 2021</u> | |
|--|-----|
| Inactive employees currently receiving benefits | 37 |
| Inactive employees entitled to but not yet receiving benefits | 7 |
| Active employees | 120 |
| | 164 |

Total OPEB Liability

The City’s total OPEB liability of \$342,289 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

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 | \$-0- |
| 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 Retires 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 reflect the impairment for younger members who become disabled for males and females, 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, 2021.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|-------------------------|
| Total OPEB Liability, beginning of year | \$ 324,349 |
| Changes for the year: | |
| Service Cost | 18,729 |
| Interest | 6,612 |
| Change of benefit terms | - |
| Difference between expected and actual experience | (12,496) |
| Changes of assumptions | 11,338 |
| Contributions - employer | - |
| Contributions - employee | - |
| Net investment income | - |
| Benefit payments** | (6,243) |
| Administrative expense | - |
| Other changes | - |
| Net changes | 17,940 |
| Total OPEB Liability, December 31, 2021 | \$ 342,289 |

Total OPEB liability as a Percentage of Covered Payroll 5.48%

- * Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).
- ** Due to the plans being considered unfunded OPEB plans under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the total OPEB liability to changes in the discount rate. The following table 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 (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

| | 1% Decrease in Discount Rate 0.84% | Current Discount Rate 1.84% | 1% Increase in Discount Rate 2.84% |
|----------------------|---|--|---|
| Total OPEB Liability | \$ 426,853 | \$ 342,289 | \$ 279,249 |

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$36,608. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Schedule of Deferred Inflows/Outflows | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|-------------------------------------|--------------------------------------|
| Difference in expected and actual economic experience (net of current year amortization) | \$ (21,675) | \$ - |
| Changes in actuarial assumptions | \$ - | \$ 60,095 |
| Difference in projected and actual investment earnings (net of current year amortization) | \$ - | \$ - |
| Contributions subsequent to the measurement date | | \$ 10,020 |
| Total | \$ (21,675) | \$ 70,115 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended December 31, | Net Inflows (Outflows) |
|-------------------------|---------------------------|
| 2022 | \$ 11,267 |
| 2023 | 9,065 |
| 2024 | 11,061 |
| 2025 | 7,235 |
| 2026 | (190) |
| Thereafter | (18) |
| Total | 38,420 |

O. Commitments and Contingent Liabilities:

Litigation

In the opinion of City Attorney and management, there is no pending or threatened litigation against the City that would have a material effect on the City's financial position or operations.

Federal and State Assisted Programs

The City participates in certain federal and state assisted grant programs which are governed by various rules and regulations of the grantor agencies and are subject to program compliance audits by the grantors or their representatives.

The most significant Federal Programs the City participated in for fiscal year end September 30, 2022 was with the Federal Emergency Management Agency (FEMA), due to Hurricane Harvey, which impacted the City on August 25, 2017 and the U.S. Economic Development Administration program which is a grant program the City has utilized to enhance Conn Brown Harbor for future development. Improvements include new roadways with curbs and a hike and bike trail.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

P. Implementation of GASB Statement No. 87 and Prior Period Adjustment

GASB No. 87

During the current fiscal year, the City adopted GASB Statement No. 87, "Leases." This Statement requires lessees to recognize a lease liability and a corresponding intangible right-to-use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance, consistency, and comparability of the information about leasing activities.

To implement GASB 87, the City retrospectively restated its financial statements for the fiscal year beginning October 1, 2021. The effects of this restatement are as follows:

Governmental Activities-General Fund-Harbor Fund:

The result is a Right-of-use asset was established in the amount of \$87,892 with a related lease liability of \$74,934 for the long-term lease on copier equipment.

Construction in Progress

During the current fiscal year a discrepancy was discovered related to construction in progress whereby construction in progress was understated. Consequently, the starting net position for the Governmental Activities was adjusted to correct this error.

The effects of the adjustments are as follows.

| | Governmental Activities | General Fund | Harbor Fund |
|--|------------------------------------|-------------------------|------------------------|
| Beginning net position, as originally stated | \$ 23,513,681 | \$ 4,446,545 | \$ 1,312,219 |
| Restatements: | | | |
| For GASB Statement No. 87 | 98,560 | - | 48,329 |
| Construction in progress | | 289,900 | - |
| Beginning equity, as restated | \$ 23,612,241 | \$ 4,736,445 | \$ 1,360,548 |

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Required Supplementary Information

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

City of Aransas Pass, Texas

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance-- Budget (Non-GAAP Budgetary Basis) and Actual For the Year Ended September 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------------------|---------------------|---------------------------------------|
| | <u>Original Budget</u> | <u>Final Amended Budget</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 3,403,094 | \$ 3,403,094 | \$ 3,530,005 | \$ 126,911 |
| Sales taxes | 2,640,000 | 2,640,000 | 2,866,083 | 226,083 |
| Franchise taxes | 355,000 | 355,000 | 383,030 | 28,030 |
| Mixed beverage taxes | 17,500 | 17,500 | 22,911 | 5,411 |
| Licenses and permits | 515,224 | 515,224 | 533,456 | 18,232 |
| Intergovernmental | 187,750 | 187,750 | 161,689 | (26,061) |
| Charges for services | 1,909,800 | 1,909,800 | 1,990,950 | 81,150 |
| Rents and royalties | 57,863 | 57,863 | 147,103 | 89,240 |
| Industrial development district | 305,840 | 305,840 | 183,154 | (122,686) |
| Fines and fees | 190,905 | 190,905 | 142,199 | (48,706) |
| Drug forfeitures | - | - | 728,944 | 728,944 |
| Donations | 15,300 | 15,300 | 32,827 | 17,527 |
| Grant proceeds | - | - | 15,061 | (15,061) |
| Interest income | 8,000 | 8,000 | 62,589 | 54,589 |
| Other | 10,000 | 10,000 | 169,247 | 159,247 |
| | <u>9,616,276</u> | <u>9,616,276</u> | <u>10,969,248</u> | <u>1,352,972</u> |
| Total revenues | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,833,027 | 1,833,027 | 2,811,363 | (978,336) |
| Public safety | 5,535,297 | 5,535,297 | 5,505,200 | 30,097 |
| Public works | 1,794,974 | 1,794,974 | 1,799,790 | (4,816) |
| Sanitation, health and welfare | 1,441,418 | 1,441,418 | 1,506,022 | (64,604) |
| Culture and recreation | 615,593 | 615,593 | 622,643 | (7,050) |
| Debt service: | | | | |
| Interest and fiscal charges | 2,150 | 2,150 | 2,150 | - |
| Capital outlay | 66,613 | 66,613 | 1,089,555 | (1,022,942) |
| | <u>11,289,072</u> | <u>11,289,072</u> | <u>13,336,723</u> | <u>(2,047,651)</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over expenditures | <u>(1,672,796)</u> | <u>(1,672,796)</u> | <u>(2,367,475)</u> | <u>(694,679)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,488,697 | 1,488,697 | 1,982,494 | (493,797) |
| Transfers out | - | - | (289,900) | 289,900 |
| Bond proceeds | - | - | 1,315,000 | (1,315,000) |
| | <u>1,488,697</u> | <u>1,488,697</u> | <u>3,007,594</u> | <u>1,518,897</u> |
| Total other financing sources and uses | | | | |
| Net change in fund balances | <u>\$ (184,099)</u> | <u>\$ (184,099)</u> | 640,119 | <u>\$ 824,218</u> |
| Fund balances-beginning | | | 4,446,545 | |
| Prior period adjustment | | | 289,900 | |
| Fund balances-beginning as restated | | | <u>4,736,445</u> | |
| Fund balances-ending | | | <u>\$ 5,376,564</u> | |

City of Aransas Pass, Texas
Aransas Pass Municipal Development District
Schedule of Revenues, Expenditures and Changes in Fund Balance--
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended September 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------------------|---------------------|---------------------------------------|
| | <u>Original Budget</u> | <u>Final Amended Budget</u> | | |
| REVENUES | | | | |
| Sales taxes | \$ 1,200,000 | \$ 1,200,000 | \$ 1,274,346 | \$ 74,346 |
| Interest income | 5,000 | 5,000 | 15,594 | 10,594 |
| Total revenues | <u>1,205,000</u> | <u>1,205,000</u> | <u>1,289,940</u> | <u>84,940</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,300 | 3,300 | 3,300 | - |
| Culture and recreation | - | - | - | - |
| Debt service: | | | | |
| Principal | 600,000 | 600,000 | 600,000 | - |
| Interest and fiscal charges | 122,000 | 122,000 | 107,876 | 14,124 |
| Capital outlay | 60,000 | 60,000 | - | 60,000 |
| Total expenditures | <u>785,300</u> | <u>785,300</u> | <u>711,176</u> | <u>74,124</u> |
| Excess (deficiency) of revenues over expenditures | <u>419,700</u> | <u>419,700</u> | <u>578,764</u> | <u>10,816</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (240,000) | (240,000) | (240,381) | (381) |
| Total other financing sources and uses | <u>(240,000)</u> | <u>(240,000)</u> | <u>(240,381)</u> | <u>(381)</u> |
| Net change in fund balances | 179,700 | 179,700 | 338,383 | <u>\$ 10,435</u> |
| Fund balances-beginning | 247,370 | 247,370 | 1,679,172 | |
| Prior period adjustment | - | - | - | |
| Fund balances-beginning as restated | <u>247,370</u> | <u>247,370</u> | <u>1,679,172</u> | |
| Fund balances-ending | <u>\$ 427,070</u> | <u>\$ 427,070</u> | <u>\$ 2,017,555</u> | |

City of Aransas Pass, Texas
Aransas Pass Crime Control and Prevention District
Schedule of Revenues, Expenditures and Changes in Fund Balance--
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended September 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------------------|---------------------|---------------------------------------|
| | <u>Original Budget</u> | <u>Final Amended Budget</u> | | |
| REVENUES | | | | |
| Sales taxes | \$ 1,166,000 | \$ 1,166,000 | \$ 1,274,202 | \$ 108,202 |
| Interest income | 4,000 | 4,000 | 13,189 | 9,189 |
| Total revenues | <u>1,170,000</u> | <u>1,170,000</u> | <u>1,287,391</u> | <u>117,391</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,850 | 3,850 | 3,300 | 550 |
| Total expenditures | <u>3,850</u> | <u>3,850</u> | <u>3,300</u> | <u>550</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,166,150</u> | <u>1,166,150</u> | <u>1,284,091</u> | <u>116,841</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(1,422,000)</u> | <u>(1,422,000)</u> | <u>(1,491,382)</u> | <u>(69,382)</u> |
| Total other financing sources and uses | <u>(1,422,000)</u> | <u>(1,422,000)</u> | <u>(1,491,382)</u> | <u>(69,382)</u> |
| Net change in fund balances | (255,850) | (255,850) | (207,291) | <u>\$ 47,459</u> |
| Fund balances-beginning | 911,411 | 911,411 | 1,784,537 | |
| Fund balances-ending | <u>\$ 655,561</u> | <u>\$ 655,561</u> | <u>\$ 1,577,246</u> | |

City of Aransas Pass, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
Last 10 Fiscal Years (will ultimately be displayed)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| A. TOTAL PENSION LIABILITY | | | | | | | | |
| 1. Service Cost | \$ 827,842 | \$ 736,179 | \$ 640,543 | \$ 624,205 | \$ 669,128 | \$ 605,909 | \$ 555,212 | \$ 450,354 |
| 2. Interest (on the Total Pension Liability) | 1,159,833 | 1,083,625 | 1,028,937 | 972,719 | 972,391 | 915,911 | 906,889 | 896,956 |
| 3. Changes of benefit terms | - | - | - | - | - | - | - | - |
| 4. Difference between expected and actual experience | 110,777 | 22,346 | (243,732) | 21,128 | (851,252) | 87,607 | (81,543) | (548,243) |
| 5. Changes of assumptions | - | - | 121,601 | - | - | - | 35,770 | - |
| 6. Benefit payments, including refunds of employee contributions | (750,162) | (767,773) | (802,176) | (784,538) | (741,358) | (867,254) | (789,086) | (630,130) |
| 7. Net change in total pension liability | 1,348,290 | 1,074,377 | 745,173 | 833,514 | 48,909 | 742,173 | 627,242 | 168,937 |
| 8. Total pension liability -- beginning | 17,143,875 | 16,069,498 | 15,324,325 | 14,490,811 | 14,441,902 | 13,699,729 | 13,072,487 | 12,903,550 |
| 9. Total pension liability -- ending (a) | \$ 18,492,165 | \$ 17,143,875 | \$ 16,069,498 | \$ 15,324,325 | \$ 14,490,811 | \$ 14,441,902 | \$ 13,699,729 | \$ 13,072,487 |
| B. Plan fiduciary net position | | | | | | | | |
| 1. Contributions -- employer | \$ 616,172 | \$ 537,001 | \$ 474,245 | \$ 535,874 | \$ 550,037 | \$ 485,469 | \$ 505,944 | \$ 484,605 |
| 2. Contributions -- employee | 374,589 | 329,141 | 293,045 | 281,808 | 294,554 | 267,904 | 256,449 | 246,394 |
| 3. Net investment income | 2,055,437 | 1,106,013 | 1,957,167 | (390,276) | 1,574,820 | 727,141 | 15,927 | 579,058 |
| 4. Benefit payments, including refunds of employee contributions | (750,162) | (767,773) | (802,176) | (784,538) | (741,358) | (867,254) | (789,086) | (630,130) |
| 5. Administrative Expense | (9,525) | (7,168) | (11,080) | (7,554) | (8,173) | (8,224) | (9,703) | (6,045) |
| 6. Other | 65 | (280) | (333) | (395) | (414) | (443) | (479) | (497) |
| 7. Net change in plan fiduciary net position | 2,286,576 | 1,196,934 | 1,910,868 | (365,081) | 1,669,466 | 604,593 | (20,948) | 673,385 |
| 8. Plan fiduciary net position -- beginning | 15,791,240 | 14,594,304 | 12,683,436 | 13,048,516 | 11,379,050 | 10,774,457 | 10,795,405 | 10,122,020 |
| 9. Plan fiduciary net position -- ending (b) | \$ 18,077,816 | \$ 15,791,238 | \$ 14,594,304 | \$ 12,683,435 | \$ 13,048,516 | \$ 11,379,050 | \$ 10,774,457 | \$ 10,795,405 |
| C. Net pension liability (a) - (b) | \$ 414,349 | \$ 1,352,637 | \$ 1,475,194 | \$ 2,640,890 | \$ 1,442,295 | \$ 3,062,852 | \$ 2,925,271 | \$ 2,277,082 |
| D. Plan fiduciary net position as a percentage of the total pension liability (b) / (a) | 97.76% | 92.11% | 90.82% | 82.77% | 90.05% | 78.79% | 78.65% | 82.58% |
| E. Covered-employee payroll | \$ 6,243,150 | \$ 5,485,688 | \$ 4,848,928 | \$ 4,696,806 | \$ 4,909,228 | \$ 4,465,060 | \$ 4,274,147 | \$ 4,106,569 |
| F. Net pension liability as a percentage of covered employee payroll | 6.64% | 24.66% | 30.42% | 56.23% | 29.38% | 68.60% | 68.44% | 55.45% |

This schedule is presented to fulfill the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown.

City of Aransas Pass, Texas
 Schedule of Contributions
 Texas Municipal Retirement System
 Schedule of Contributions
 Last 10 Fiscal Years (will ultimately be displayed)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially Determined Contribution | \$ 447,689 | \$ 460,910 | \$ 484,605 | \$ 475,192 | \$ 455,115 | \$ 492,245 | \$ 535,874 | \$ 474,245 | \$ 578,405 | \$ 602,698 |
| Contributions in relation to the actuarially determined contribution | \$ 447,689 | \$ 460,910 | \$ 484,605 | \$ 475,192 | \$ 455,115 | \$ 492,245 | \$ 535,874 | \$ 474,245 | \$ 578,405 | \$ 602,698 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered employee payroll | \$ 3,547,478 | \$ 3,652,239 | \$ 4,106,569 | \$ 4,064,945 | \$ 4,186,893 | \$ 4,391,121 | \$ 4,696,806 | \$ 4,848,928 | \$ 5,485,688 | \$ 6,243,150 |
| Contributions as a percentage of covered employee payroll | 12.62% | 12.62% | 11.80% | 11.69% | 10.87% | 11.21% | 11.41% | 9.78% | 10.54% | 9.65% |

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 24 years |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. |
| Mortality | Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018 |
| | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. |
| | Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

Other Information: There were no benefit changes during the year.

This schedule is presented to fulfill the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown.

City of Aransas Pass, Texas
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years (will ultimately be displayed)

| <u>Fiscal Year</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB Liability, beginning of year | \$ 324,349 | \$ 264,405 | \$ 214,805 | \$ 224,571 | \$ 193,641 |
| Service Cost | 18,729 | 14,811 | 9,213 | 7,985 | 6,873 |
| Interest on Total OPEB Liability | 6,612 | 7,445 | 8,104 | 7,534 | 7,412 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | (12,496) | (5,309) | (9,858) | (7,311) | - |
| Changes in assumptions or other inputs | 11,338 | 45,191 | 44,081 | (16,095) | 18,609 |
| Benefit payments** | (6,243) | (2,194) | (1,940) | (1,879) | (1,964) |
| Net changes | 17,940 | 59,944 | 49,600 | (9,766) | 30,930 |
| Total OPEB Liability, end of year | <u>\$ 342,289</u> | <u>\$ 324,349</u> | <u>\$ 264,405</u> | <u>\$ 214,805</u> | <u>\$ 224,571</u> |
| | | | | | |
| Covered Payroll | 6,243,150 | 5,485,688 | 4,848,928 | 4,696,806 | 4,909,228 |
| Total OPEB Liability as a Percentage of Payroll | 5.48% | 5.91% | 5.45% | 4.57% | 4.57% |

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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Financial Advisory Services
Provided By:

