**PRELIMINARY OFFICIAL STATEMENT**

**Dated May 3, 2024**

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

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

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

**THE CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.**

**$1,645,000***
**CITY OF PLAINS, TEXAS**
**(Yoakum County)**
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024**

**Dated Date: May 1, 2024** — **Due: February 15,**
**Interest to Accrue from the Date of Initial Delivery** — **as shown on the inside cover page**

**PAYMENT TERMS** . . . Interest on the $1,645,000* City of Plains, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") will accrue from the date of initial delivery, will be payable February 15 and August 15 of each year commencing February 15, 2025 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City of Plains, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the issuance of the Certificates (the "Ordinance"). See "THE CERTIFICATES - Authority for Issuance" and "– Security and Source of Payment".

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, and equipping additions, improvements, extensions, and equipment for the City's water and sewer system; and (ii) legal, fiscal and engineering fees in connection therewith including paying the costs of issuance of the Certificates.

**CUSIP PREFIX: 726549**
**SEE MATURITY SCHEDULE, 9 Digit CUSIP AND REDEMPTION PROVISIONS ON THE REVERSE OF THIS PAGE**

**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser of the Certificates (the "Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see "APPENDIX C - Form of Bond Counsel's Opinion").

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about June 11, 2024.

# BIDS DUE MONDAY, MAY 13, 2024 AT 9:30 AM, CENTRAL TIME

* Preliminary, subject to change.

**CUSIP Prefix[1]: 726549**

**MATURITY SCHEDULE***

| February 15 Maturity | Principal Amount | Interest Rate | Initial Yield | CUSIP Suffix[1] |
|---|---|---|---|---|
| 2025 | $ 20,000 | | | |
| 2026 | 40,000 | | | |
| 2027 | 40,000 | | | |
| 2028 | 45,000 | | | |
| 2029 | 45,000 | | | |
| 2030 | 45,000 | | | |
| 2031 | 50,000 | | | |
| 2032 | 50,000 | | | |
| 2033 | 55,000 | | | |
| 2034 | 55,000 | | | |
| 2035 | 55,000 | | | |
| 2036 | 60,000 | | | |
| 2037 | 60,000 | | | |
| 2038 | 65,000 | | | |
| 2039 | 70,000 | | | |
| 2040 | 70,000 | | | |
| 2041 | 75,000 | | | |
| 2042 | 80,000 | | | |
| 2043 | 80,000 | | | |
| 2044 | 85,000 | | | |
| 2045 | 90,000 | | | |
| 2046 | 95,000 | | | |
| 2047 | 100,000 | | | |
| 2048 | 105,000 | | | |
| 2049 | 110,000 | | | |

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

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* Preliminary, subject to change.

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**OPTIONAL REDEMPTION** . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2034, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

*For purpose of compliance with Rule 15c2-12 promulgated by the United States Securities and Exchange Commission (the "Rule"), this document as the same may be supplemented or corrected from time-to-time, may be treated as an Official Statement of the City with respect to the Certificates described herein, which has been "deemed final" by the City as of the date hereof (or of any such supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of the Rule.*

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

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

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

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

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

*NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES.*

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

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

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

## PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

**THE CITY** .................................... The City of Plains is a political subdivision and Type A municipal corporation of the State, located in Yoakum County, Texas. The City covers approximately 1.5 square miles (see "INTRODUCTION - Description of City").

**THE CERTIFICATES** ..................... The Certificates are issued as $1,645,000* Combination Tax and Revenue Certificates of Obligation, Series 2024. The Certificates are issued as serial certificates maturing February 15 in each of the years 2025 through 2049, unless the Purchaser designates one or more maturities as a Term Certificate. See "THE CERTIFICATES - Description of the Certificates".

**PAYMENT OF INTEREST** ............. Interest on the Certificates accrues from the date of delivery, and is payable February 15, 2025, and each August 15 and February 15 thereafter until maturity or prior redemption. See "THE CERTIFICATES - Description of the Certificates".

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

**SECURITY FOR THE CERTIFICATES** ........................... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus net revenues of the City's Waterworks and Sewer System, as provided in the Ordinance (see "THE CERTIFICATES – Security and Source of Payment").

**OPTIONAL REDEMPTION** ............ The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2034, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

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

**QUALIFIED TAX-EXEMPT OBLIGATIONS** ......................... The City will designate the Certificates as "qualified tax-exempt obligations" for financial institutions.

**USE OF PROCEEDS** ....................... Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, and equipping additions, improvements, extensions, and equipment for the City's water and sewer system; and (ii) legal, fiscal and engineering fees in connection therewith including paying the costs of issuance of the Certificates.

**RATING** ...................................... The Certificates are rated "A" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") (see "OTHER INFORMATION - Rating").

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

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

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* Preliminary, subject to change.

**SELECTED FINANCIAL INFORMATION**

| Fiscal Year Ended 9/30 | Estimated Population [1] | Taxable Assessed Valuation [2] | Taxable Assessed Valuation Per Capita | G.O. Tax Debt Outstanding at End of Year [3] | Ratio of G.O. Tax Debt to Taxable Assessed | G.O. Tax Debt Per Capita | % of Total Tax Collections to Tax Levy |
|---|---|---|---|---|---|---|---|
| 2020 | 1,355 | $ 44,289,052 | $ 32,686 | $ - | 0.00% | $ - | 99.40% |
| 2021 | 1,335 | 43,869,519 | 32,861 | - | 0.00% | - | 99.72% |
| 2022 | 1,316 | 42,882,489 | 32,585 | - | 0.00% | - | 101.36% |
| 2023 | 1,316 | 43,262,097 | 32,874 | 3,040,000 | 7.03% | 2,310 | 99.58% |
| 2024 | 1,316 | 45,944,666 | 34,912 | 4,615,000 [4] | 10.04% | 3,507 | 82.53% [5] |

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(1) Source: Municipal Advisory Council of Texas.
(2) As reported by the Yoakum County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes Self-Supporting Debt.
(4) Projected, includes the Certificates. Preliminary, subject to change.
(5) Collections as of March 31, 2024.

For additional information regarding the City, please contact:

| | | |
|---|---|---|
| Mr. Steve Vasquez | | Mr. Vince Viaille |
| City Administrator | | Mr. Paul Jasin |
| City of Plains | | Specialized Public Finance Inc. |
| 1015 Avenue F | or | 4925 Greenville Avenue, Suite 1350 |
| Plains, Texas 79355 | | Dallas, Texas 75206 |
| Phone: (806) 456-2288 | | Phone: (214) 373-3911 |

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

| City Council | Length of Service | Term Expires |
|---|---|---|
| Robert Whitfield[1]<br>Mayor | 5 Years | May, 2024 |
| Elsa Moya[1]<br>Mayor Pro Tem | 5 Years | May, 2025 |
| Vicki Bayer[2]<br>Council Member | 3 Years | May, 2024 |
| Lela Garcia[3]<br>Council Member | 2 Years | May, 2024 |
| Steven Lopez<br>Council Member | 1 Year | May, 2025 |
| Karen Redman-Williams<br>Council Member | 4 Years | May, 2025 |

(1) Elsa Moya ran unopposed for Mayor in the May 4, 2024 election and is expected to be sworn in as Mayor on May 13, 2024. The City Council is also expected to select a Mayor Pro Tem on May 13, 2024.
(2) Vicki Bayer ran unopposed in the May 4, 2024 election and will serve a term that expires in May 2026.
(3) Rodney Guetersloh ran unopposed in the May 4, 2024 election and is expected to be sworn in to replace Lela Garcia on May 13, 2024.

### SELECTED ADMINISTRATIVE STAFF

| Name | Position | Length of Service |
|---|---|---|
| Steve Vasquez | City Administrator | 5 Years |
| Pam Rowe | City Secretary | 33 Years |

### CONSULTANTS AND ADVISORS

Auditors ........................................ Terry & King, CPAs, P.C.
Lubbock, Texas

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

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

**PRELIMINARY OFFICIAL STATEMENT**

**RELATING TO**

**$1,645,000***
**CITY OF PLAINS, TEXAS**
**(Yoakum County)**
**COMBINATION TAX AND REVENUE**
**CERTIFICATES OF OBLIGATION, SERIES 2024**

## INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $1,645,000* City of Plains, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in an ordinance adopted by the City Council of the City of Plains, Texas (the "City Council") authorizing the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

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

**DESCRIPTION OF THE CITY** . . . The City of Plains, Texas (the "City") is a political subdivision and Type A municipal corporation of the State, duly organized and existing under the laws of the State. The City was incorporated in 1953. The governing body consists of the Mayor and five council members, elected by the voters residing in the City. In addition to the members of the City Council, other officers of the City include the City Administrator, City Secretary and the City Attorney. The City covers approximately 1.5 square miles.

## THE CERTIFICATES

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, and equipping additions, improvements, extensions, and equipment for the City's water and sewer system; and (ii) legal, fiscal and engineering fees in connection therewith including paying the costs of issuance of the Certificates.

**DESCRIPTION OF THE CERTIFICATES** . . . The Certificates are dated May 1, 2024 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from the date of delivery and will be payable on February 15 and August 15, commencing February 15, 2025 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

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

**SECURITY AND SOURCE OF PAYMENT** . . . The Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and are additionally payable from a limited pledge (not to exceed $1,000) of surplus net revenues of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt services, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system.

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

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* Preliminary, subject to change.

**Optional Redemption** . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2034, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of the Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificate, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

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

**Defeasance** . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all defeased Certificates shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable 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 the defeasance is approved by the City Council, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the defeasance is approved by the City Council, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded as being outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the 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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

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

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

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

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

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

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

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

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

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

**TRANSFER, EXCHANGE AND REGISTRATION** . . . In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the registered owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange (i) any Certificate during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Certificate.

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

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

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

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

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

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

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

| | |
|---|---|
| **SOURCES OF FUNDS:** | |
| Principal Amount | $ - |
| Cash Premium | - |
| Total Sources of Funds | $ - |
| | |
| **USES OF FUNDS:** | |
| Deposit to the Project Construction Fund | $ - |
| Costs of Issuance | - |
| Rounding Amount | - |
| Total Uses of Funds | $ - |

**INFECTIOUS DISEASE OUTBREAK – COVID-19** . . . In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities. Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment.

The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and City revenues and expenses. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus on the City's operations or financial condition.

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## BOND INSURANCE

The City has submitted applications to municipal bond insurance companies (an "Insurer") to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy (a "Policy"). In the event the Certificates are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the insurance premium will be paid by the Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to any such municipal bond insurance policy.

## BOND INSURANCE RISKS

*If a Policy is purchased, the following are risk factors relating to bond insurance.*

**BOND INSURANCE RISK FACTORS** . . . In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES - Certificateholders' Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Certificateholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from ad valorem taxes levied, within the limited prescribed by law, as further described in "THE CERTIFICATES – Security and Source of Payment". In the event the 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 or the marketability (liquidity) of the Certificates.

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

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the City's Financial Advisor or the Purchaser has made independent investigation into the claims-paying ability of any potential insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is given.

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

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## TAX INFORMATION

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates.

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

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

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

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

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

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

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

**Tax Abatement Agreements** . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "AD VALOREM TAX PROCEDURES – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM TAX PROCEDURES – City Application of Property Tax Code" herein.

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

**Public Hearing and Maintenance and Operation Tax Rate Limitations**…The following terms as used in this section have the meanings provided below:

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

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

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

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

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

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

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

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

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

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

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

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year. **The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the 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.

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

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $57,216,456 for the 2023 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

**PENALTIES AND INTEREST** . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

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

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES** . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY APPLICATION OF TAX CODE** . . . The City grants a freeze to the market value of the residence homestead of persons 65 years of age or older rather than a set exemption amount; the disabled are also granted a freeze on their homestead.

The City has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

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

The City does not tax nonbusiness personal property; and the Yoakum County Appraisal District collects taxes for the City.

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

The City does not tax freeport property.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does participate in tax increment financing zones.

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

| | | |
|---|---|---|
| 2023/2024 Market Valuation Established by Yoakum County Appraisal District | $103,270,370 | |
| Less Exemptions/Reductions at 100% Market Value | 57,325,704 | |
| 2023/2024 Taxable Assessed Valuation | $45,944,666 | |
| City Funded Debt Payable from Ad Valorem Taxes (as of 3/31/2024) | $ 2,970,000 | |
| The Certificates | 1,645,000 | (1) |
| Total Debt Payable from Ad Valorem Taxes | $ 4,615,000 | |
| Less: Self-Supporting Debt (as of 3/31/2024) | $ 4,615,000 | (2) |
| General Purpose Funded Debt Payable from Ad Valorem Taxes | $ - | |
| Ratio Funded Debt to Taxable Assessed Valuation | 10.04% | |
| Ratio General Purpose Funded Debt to Taxable Assessed Valuation | 0.00% | |

2024 Estimated Population - 1,316
Per Capita Taxable Assessed Valuation - $34,912
Per Capita Funded Debt - $3,507
Per Capita General Purpose Funded Debt Payable from Ad Valorem Taxes - $0

(1) Preliminary, subject to change.
(2) Includes Certificates 100% self-supporting debt.

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

| Fiscal Year Ended 9/30 | Estimated Population [(1)] | Taxable Assessed Valuation [(2)] | Taxable Assessed Valuation Per Capita | G.O. Tax Debt Outstanding at End of Year [(3)] | Ratio of G.O. Tax Debt to Taxable Assessed | G.O. Tax Debt Per Capita |
|---|---|---|---|---|---|---|
| 2020 | 1,355 | $ 44,289,052 | $ 32,686 | $ - | 0.00% | $ - |
| 2021 | 1,335 | 43,869,519 | 32,861 | - | 0.00% | - |
| 2022 | 1,316 | 42,882,489 | 32,585 | - | 0.00% | - |
| 2023 | 1,316 | 43,262,097 | 32,874 | 3,040,000 | 7.03% | 2,310 |
| 2024 | 1,316 | 45,944,666 | 34,912 | 4,615,000 [(4)] | 10.04% | 3,507 |

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

**TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY**

| Fiscal Year Ended 9/30 | Tax Rate | Distribution: General Fund | Distribution: Interest and Sinking Fund | Tax Levy | % of Total Tax Collections to Tax Levy |
|---|---|---|---|---|---|
| 2020 | $ 0.3579 | $ 0.3579 | $ - | $ 158,511 | 99.40% |
| 2021 | 0.3668 | 0.3668 | - | 160,918 | 99.72% |
| 2022 | 0.3881 | 0.3881 | - | 166,427 | 101.36% |
| 2023 | 0.3993 | 0.3993 | - | 172,754 | 99.58% |
| 2024 | 0.7100 | 0.3829 | 0.3271 | 326,207 | 82.53% [(1)] |

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(1) Collections as of March 31, 2024.

**TABLE 4 - TEN LARGEST TAXPAYERS [(1)]**

| Name of Taxpayer | 2023/2024 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|---|---|---|
| Lea County Electric Co-Op | $ 1,201,180 | 2.61% |
| BW Gas & Convenience Retail, LLC | 1,023,830 | 2.23% |
| Standard Energy Services | 1,018,500 | 2.22% |
| WTG Fules Inc | 877,480 | 1.91% |
| Pump Depot Inc | 639,848 | 1.39% |
| Capital Asset Resources | 556,500 | 1.21% |
| BW Gas & Convenience Retail, LLC | 542,132 | 1.18% |
| Braden & Darinda McWhirter | 540,531 | 1.18% |
| J&J Farm Supply | 492,980 | 1.07% |
| Juliann & Keith Shane Garner | 391,164 | 0.85% |
| | $ 7,284,145 | 15.85% |

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(1) As shown in Table 4, above, the top ten taxpayers of the City account for approximately 15% of the City's tax base. Adverse developments in economic conditions could adversely impact the taxable values in the City, resulting in less tax revenue. If any major taxpayer were to default in the payment of taxes, the City's ability to make timely payment of debt service on the Certificates may be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process.

**TABLE 5 - TAX ADEQUACY** [(1)]

| | |
|---|---|
| 2024 Net Tax Supported Debt Principal and Interest Requirements | $ 204,320 |
| $0.4585 Tax Rate at 97% Collection Produces | $ 204,337 |
| | |
| Average Net Tax Supported Debt Annual Principal and Interest Requirements, 2024 - 2049 | $ 304,294 |
| $0.6828 Tax Rate at 97% Collection Produces | $ 304,299 |
| | |
| Maximum Net Tax Supported Debt Principal and Interest Requirements, 2033 | $ 321,325 |
| $0.7211 Tax Rate at 97% Collection Produces | $ 321,368 |

(1) Includes the Certificates and self-supporting debt. Preliminary, subject to change.

**ESTIMATED OVERLAPPING DEBT**

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

| Taxing Jurisdiction | Total G.O. Funded Tax Debt As of 3/31/24 | Estimated % Applicable | City's Overlapping G.O. Tax Debt As of 3/31/24 |
|---|---|---|---|
| City of Plains | $ 4,615,000 [(1)] | 100.00% | $ 4,615,000 |
| Yoakum County | - | 2.21% | - |
| Plains ISD | 9,460,000 | 3.86% | 365,156 |
| Total Direct and Overlapping G.O. Debt | | | $ 4,980,156 |
| Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation | | | 10.84% |
| Per Capita Overlapping G.O. Debt | | | $ 3,784 |

(1) Includes the Certificates and self-supporting debt. Preliminary, subject to change.

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## DEBT INFORMATION

**TABLE 6 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

| Fiscal Year Ended | Outstanding Debt | | | The Certificates [1] | | | Total Debt Service | Less: Waterworks & Sewer System Self-Supporting | Net Tax Supported Debt Service |
|---|---|---|---|---|---|---|---|---|---|
| 9/30 | Principal | Interest | Total | Principal | Interest | Total | Requirements | Debt | Requirements |
| 2024 | $ 70,000 | $ 134,320 | $ 204,320 | $ - | $ - | $ - | $ 204,320 | $ 204,320 | $ - |
| 2025 | 60,000 | 142,063 | 202,063 | 20,000 | 88,552 | 108,552 | 310,614 | 310,614 | - |
| 2026 | 65,000 | 138,000 | 203,000 | 40,000 | 73,925 | 113,925 | 316,925 | 316,925 | - |
| 2027 | 70,000 | 133,613 | 203,613 | 40,000 | 72,325 | 112,325 | 315,938 | 315,938 | - |
| 2028 | 75,000 | 128,900 | 203,900 | 45,000 | 70,625 | 115,625 | 319,525 | 319,525 | - |
| 2029 | 80,000 | 123,863 | 203,863 | 45,000 | 68,825 | 113,825 | 317,688 | 317,688 | - |
| 2030 | 85,000 | 118,500 | 203,500 | 45,000 | 67,025 | 112,025 | 315,525 | 315,525 | - |
| 2031 | 90,000 | 112,813 | 202,813 | 50,000 | 65,125 | 115,125 | 317,938 | 317,938 | - |
| 2032 | 95,000 | 106,800 | 201,800 | 50,000 | 63,125 | 113,125 | 314,925 | 314,925 | - |
| 2033 | 105,000 | 100,300 | 205,300 | 55,000 | 61,025 | 116,025 | 321,325 | 321,325 | - |
| 2034 | 110,000 | 94,138 | 204,138 | 55,000 | 58,825 | 113,825 | 317,963 | 317,963 | - |
| 2035 | 115,000 | 88,513 | 203,513 | 55,000 | 56,488 | 111,488 | 315,000 | 315,000 | - |
| 2036 | 120,000 | 83,238 | 203,238 | 60,000 | 53,900 | 113,900 | 317,138 | 317,138 | - |
| 2037 | 125,000 | 78,338 | 203,338 | 60,000 | 51,200 | 111,200 | 314,538 | 314,538 | - |
| 2038 | 130,000 | 73,238 | 203,238 | 65,000 | 48,388 | 113,388 | 316,625 | 316,625 | - |
| 2039 | 135,000 | 67,938 | 202,938 | 70,000 | 45,350 | 115,350 | 318,288 | 318,288 | - |
| 2040 | 140,000 | 62,350 | 202,350 | 70,000 | 42,200 | 112,200 | 314,550 | 314,550 | - |
| 2041 | 145,000 | 56,472 | 201,472 | 75,000 | 38,938 | 113,938 | 315,409 | 315,409 | - |
| 2042 | 155,000 | 50,188 | 205,188 | 80,000 | 35,250 | 115,250 | 320,438 | 320,438 | - |
| 2043 | 160,000 | 43,494 | 203,494 | 80,000 | 31,250 | 111,250 | 314,744 | 314,744 | - |
| 2044 | 165,000 | 36,588 | 201,588 | 85,000 | 27,125 | 112,125 | 313,713 | 313,713 | - |
| 2045 | 175,000 | 29,253 | 204,253 | 90,000 | 22,750 | 112,750 | 317,003 | 317,003 | - |
| 2046 | 180,000 | 21,488 | 201,488 | 95,000 | 18,125 | 113,125 | 314,613 | 314,613 | - |
| 2047 | 190,000 | 13,275 | 203,275 | 100,000 | 13,250 | 113,250 | 316,525 | 316,525 | - |
| 2048 | 200,000 | 4,500 | 204,500 | 105,000 | 8,125 | 113,125 | 317,625 | 317,625 | - |
| 2049 | - | - | - | 110,000 | 2,750 | 112,750 | 112,750 | 112,750 | |
| | $3,040,000 | $2,042,176 | $5,082,176 | $ 1,645,000 | $1,184,464 | $2,829,464 | $ 7,911,640 | $ 7,911,640 | $ - |

(1) Interest on the Certificates has been calculated as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

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**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

The City has no authorized but unissued general obligation bonds. The City may also incur non-voted debts payable from or secured by its collection of taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, and leases for various purposes.

**ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT**

The City does not have any immediate plans to issue additional general obligation debt.

**OTHER OBLIGATIONS**

**LEASES**

During fiscal year 2020, the City issued a note payable for the purchase of a garbage truck. The loan is payable in 48 monthly payments of $2,260. The loan has an effective interest rate of 3.99%.

During fiscal year 2021, the City issued a note payable for the purchase of a Hydro Vac. The loan is payable in 60 monthly payments of $1,182. The loan has an effective interest rate of 4.75%.

**PENSION PLAN**

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

**Contributions**

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Plains were required to contribute 7% of their annual compensation in the fiscal year 2023. The City of Plains contributed at the following rates: 10.28% (October-December 2022) and 10.17% (January-September 2023). The City's contributions to TMRS for the year ended September 30, 2023 were $52,348, and were more than the required contributions.

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

**OTHER POST EMPLOYMENT BENEFIT PLAN**

The City participates in the Texas Municipal Retirement System (TMRS) defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). The SDBF is considered to be a single-employer plan. 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 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 another 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).

**Contributions**

The contribution rates for SDBF for the City were .33% and .22% in calendar years 2023 and 2022, respectively. The City's contributions to SDBF for the year ended September 30, 2023, were $1,560, and were equal to the required contributions.

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

## FINANCIAL INFORMATION

**TABLE 7 - CHANGES IN NET POSITION**

| | Fiscal Years Ended September 30, | | | | |
|---|---|---|---|---|---|
| REVENUES | 2023 | 2022 | 2021 | 2020 | 2019 |
| Program Revenues: | | | | | |
| Charges for Services | $ 38,249 | $ 30,909 | $ 28,309 | $ 30,816 | $ 35,311 |
| Grants and Contributions | 394,985 | 193,550 | 160,308 | 144,288 | 115,933 |
| General Revenues: | | | | | |
| Property Taxes | 174,984 | 168,793 | 162,444 | 158,332 | 152,103 |
| Nonproperty Taxes | 239,945 | 189,207 | 162,006 | 151,156 | 194,374 |
| Investment Earnings | 64,782 | 19,312 | 11,184 | 29,687 | 48,834 |
| Other | 5,640 | 34,432 | 27,571 | 45,099 | 47,051 |
| Total Revenues | $ 918,585 | $ 636,203 | $ 551,822 | $ 559,378 | $ 593,606 |
| EXPENSES | | | | | |
| General Administration | $ 280,212 | $ 254,022 | $ 239,530 | $ 228,144 | $ 219,339 |
| General Service | 25,949 | 34,409 | 31,785 | 28,571 | 21,606 |
| Court and Code Enforcement | 12,191 | 10,895 | 10,762 | 14,798 | 2,943 |
| Streets and Service | 24,899 | 25,642 | 20,926 | 20,836 | 22,598 |
| Fire Department | 69,833 | 60,610 | 86,777 | 69,386 | 74,431 |
| Health and Welfare | 239,315 | 174,526 | 191,102 | 186,310 | 192,778 |
| Total Expenses | $ 652,399 | $ 560,104 | $ 580,882 | $ 548,045 | $ 533,695 |
| Excess (Deficiency) Before Other Resources, Uses & Transfers | $ 266,186 | $ 76,099 | $ (29,060) | $ 11,333 | $ 59,911 |
| Insurance Proceeds Gain/(Loss) on Asset Sales Transfers In (Out) | (173,803) | 30,599 | 207,039 | 143,924 | 214,529 |
| Increase (Decrease) in Net Position | $ 92,383 | $ 106,698 | $ 177,979 | $ 155,257 | $ 274,440 |
| Net Position - Beginning | $2,379,080 | $2,272,382 | $2,094,403 | $1,939,146 | $1,664,706 |
| Prior period adjustment | - | - | - | | - |
| Net Position - Ending | $2,471,463 | $2,379,080 | $2,272,382 | $2,094,403 | $1,939,146 |

Source: City's annual financial reports.

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**TABLE 8 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

| | Fiscal Year Ended September 30, | | | | |
|---|---|---|---|---|---|
| Revenues: | 2023 | 2022 | 2021 | 2020 | 2019 |
| Property Taxes | $ 172,028 | $ 168,692 | $ 160,474 | $ 157,561 | $ 152,907 |
| Sales Taxes | 214,463 | 163,770 | 139,683 | 127,965 | 170,193 |
| Franchise Taxes | 25,482 | 25,437 | 22,323 | 23,191 | 24,181 |
| Interest | 64,782 | 19,312 | 11,184 | 29,687 | 48,834 |
| Intergovernmental | 370,782 | 102,208 | 107,184 | 105,268 | 106,975 |
| Donations | 24,203 | 91,342 | 30,047 | 26,346 | 8,957 |
| Ambulance | 38,249 | 30,909 | 28,309 | 30,816 | 35,311 |
| Grant Revenues | - | - | 23,077 | 12,674 | - |
| Miscellaneous | 5,640 | 34,432 | 27,571 | 45,099 | 47,050 |
| Total Revenues | $ 915,629 | $ 636,102 | $ 549,852 | $ 558,607 | $ 594,408 |
| | | | | | |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Administration | $ 269,953 | $ 250,570 | $ 236,266 | $ 219,020 | $ 202,807 |
| General Service | 35,511 | 24,213 | 21,589 | 23,354 | 16,390 |
| Court and Code Enforcement | 12,191 | 10,895 | 10,762 | 14,798 | 2,943 |
| Streets and Service | 19,682 | 20,426 | 15,709 | 15,620 | 17,381 |
| Fire Department | 54,605 | 45,382 | 135,600 | 72,171 | 54,182 |
| Health and Welfare | 330,861 | 186,292 | 175,549 | 157,129 | 159,976 |
| Capital Outlay | - | 108,665 | - | 45,478 | - |
| Total Expenditures | $ 722,803 | $ 646,443 | $ 595,475 | $ 547,570 | $ 453,679 |
| | | | | | |
| Excess of Revenue Over (Under) Expenditures | $ 192,826 | $ (10,341) | $ (45,623) | $ 11,037 | $ 140,729 |
| | | | | | |
| Other Financing Sources (Uses): | | | | | |
| Transfers In/Out | $ (173,803) | $ 30,599 | $ 207,039 | $ 143,924 | $ 214,529 |
| Sale of Assets | - | - | - | - | - |
| Total Other Financing Sources (Uses) | $ (173,803) | $ 30,599 | $ 207,039 | $ 143,924 | $ 214,529 |
| | | | | | |
| Net Change in Fund Balance | $ 19,023 | $ 20,258 | $ 161,416 | $ 154,961 | $ 355,258 |
| | | | | | |
| Fund Balances - Beginning | $1,748,174 | $1,727,916 | $1,566,500 | $1,411,539 | $1,056,281 |
| | | | | | |
| Restatement of Beginning Fund Balance | $ - | $ - | $ - | $ - | $ - |
| | | | | | |
| Fund Balances - Ending | $1,767,197 | $1,748,174 | $1,727,916 | $1,566,500 | $1,411,539 |

Source: City's annual financial reports.

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**TABLE 9 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

| Fiscal Year Ended 9/30 | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita (1) |
|---|---|---|---|---|
| 2020 | $ 189,310 | 119.43% | $ 0.4274 | $ 140 |
| 2021 | 206,825 | 128.53% | 0.4715 | 155 |
| 2022 | 242,891 | 145.94% | 0.5664 | 185 |
| 2023 | 318,432 | 184.34% | 0.7361 | 242 |
| 2024 | 187,601 (2) | 57.51% | 0.4083 | 143 |

Source: Texas State Comptroller.
(1) Based on Municipal Advisory Council of Texas population estimates.
(2) As of March 31, 2024.

**FINANCIAL POLICIES**

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

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

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

The government reports the following major governmental fund:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government except for those required to be accounted for in other funds.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

The American Rescue fund is a special revenue fund used to account for the American Rescue Plan Act grant funds.

The capital projects fund is used to account for funds reserved for capital improvements.

## INVESTMENTS

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

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

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

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

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

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

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

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

**TABLE 10 - CURRENT INVESTMENTS**

As of March 31, 2024, the City's investable funds were invested in the following categories:

| Type of Investment | Market Value | % of Total Market Value |
|---|---|---|
| Bank Accounts | $ 1,552,559 | 100.00% |
| | $ 1,552,559 | 100.00% |

## TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## CONTINUING DISCLOSURE OF INFORMATION

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

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

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended (the "Rule").

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

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

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

**AVAILABILITY OF INFORMATION FROM MSRB** . . . The City has agreed to provide the foregoing information only as described above to the MSRB. The foregoing information to be provided described under “Annual Reports” and “Notice of Certain Events” may also be obtained from: City of Plains, Texas; Director of Finance, City of Plains, Texas; 72 West College Avenue, Plains, Texas 76903; Phone: (325) 657-4270.

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

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

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

**COMPLIANCE WITH PRIOR UNDERTAKINGS** . . . During the last five years the City believes that it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## OTHER INFORMATION

**RATING** . . . The Certificates are rated “A” by S&P. The rating reflects only the views of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Certificates.

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

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

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

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

**LEGAL MATTERS** . . . The City will furnish the Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City and, based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate of the City as described under "OTHER INFORMATION - Certification of the Official Statement" will also be furnished to the Purchasers. Though it represents the Financial Advisor and investment banking firms such as the Purchasers from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates.

The 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.

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

When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called four special sessions. The fourth special session concluded on December 5, 2023.

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

The foregoing legislation is intended to reduce the amount of property taxes paid by homeowners and businesses and will result in an increase in the State's share of the cost of funding public education.

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

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

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

**INITIAL PURCHASER** . . . After requesting competitive bids for the Certificates, the City accepted the bid of ______________ (the "Purchaser") to purchase the Certificates at the interest rates shown on the inside cover of this Official Statement at a price of par plus a cash premium of $__________. The initial reoffering yields on the Certificates shown on the inside cover of this Official Statement were provided to the City by the Purchaser and will produce compensation to the Purchaser in the amount of$__________. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

**CERTIFICATION OF THE OFFICIAL STATEMENT** . . . At the time of payment for and delivery of the Certificates, the City will furnish to the Purchaser a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates, and the acceptance of the best bid therefor, and on the date of their delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in 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 the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

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

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

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

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

____________________________________

Mayor
City of Plains, Texas

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

## THE CITY

### LOCATION AND POPULATION

The City is the county seat of Yoakum County. It was founded in 1907 by W.J. Luna. The City of Plains was incorporated in 1953 as a Type A General Law city, subject and operating under Chapter 22 of the Local Government Code.

The City lies at the intersection of IH-380, IH-82, and SH-214, 13 miles east of the Texas-New Mexico border.

The City's 2024 estimated population is 1,316.

### POPULATION

United States Census Bureau population figures for the County are as follows:

| | Yoakum County |
|---|---|
| 2010 Census | 7,879 |
| 2020 Census | 7,694 |
| 2023 Census (estimate) | 7,468 |

### YOAKUM COUNTY LABOR FORCE ESTIMATES

| | | Annual Averages | | | |
|---|---|---|---|---|---|
| | February, 2024 | 2023 | 2022 | 2021 | 2020 |
| Civilian Labor Force | 3,557 | 3,414 | 3,286 | 3,303 | 3,505 |
| Total Employment | 3,422 | 3,298 | 3,153 | 3,052 | 3,084 |
| Unemployment | 135 | 116 | 133 | 251 | 421 |
| Percent Unemployment | 3.8% | 3.4% | 4.0% | 7.6% | 12.0% |

Source: Texas Labor Market Information.

# APPENDIX B

EXCERPTS FROM THE

CITY OF PLAINS, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Plains, Texas Annual Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

**Terry & King, CPAs, P.C.**

5707 114th Street
P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Independent Auditors' Report on Financial Statements

Honorable Mayor and City Council
City of Plains, Texas
P.O. Box 550
Plains, Texas 79355

**Report on the Audit of the Financial Statements**

**Opinions**
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Plains, Texas, as of and for the year ended September 30, 2023, 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 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 unit, each major fund, and the aggregate remaining fund information of the City of Plains, Texas as of September 30, 2023, 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 and the standards applicable to financial audits contained in *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 of Plains, Texas 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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, budgetary comparison information, and Pension and OPEB schedules, identified as required supplementary information, 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 of Plains, Texas' basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards,* we have also issued our report dated January 8, 2024, on our consideration of the City of Plains, Texas' 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 Plains, Texas' 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 Plains, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Terry & King

Terry & King, CPAs, P.C.
Lubbock, Texas
January 8, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Plains' financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2023. Please read this in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's net position increased as a result of this year's operations. While the net position of our business-type activities increased by $560,413 or 24%, net position of our governmental activities increased by $92,383 (4%).

- During the year, the City had expenses that were $266,186 less than the $918,585 generated in tax and other revenues for governmental programs before transfers.

- In the City's business type activities, charges for services increased $38,988 to $1,214,890 (or 3%). Operating expenses increased $34,809 to $1,252,159.

- The General Fund reported a surplus this year of $192,826 prior to inter-fund transfers out of $173,803.

- The resources available for appropriation were $257,792 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by $108,294.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities 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 14. 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**

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting,* which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and the changes to its position. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

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

- Governmental activities – Most of the City's basic services are reported here, including the ambulance, fire, public works, and parks departments, and general administration. Property taxes, franchise taxes, and state and federal grants finance most of these activities.

- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water, gas, sewer and garbage services are reported here.

**Reporting the City's Most Significant Funds – Fund Financial Statements**

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. Currently the City's governmental funds consist of the General Fund and a special revenue fund to account for grant funds. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.

- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**THE CITY AS A WHOLE**

The City's combined net position was $5,374,704. Our following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was $5,374,704 at September 30, 2023. (See Table A-1).

Table A-1
City of Plains' Net Position

| | Governmental Activities | | | Business-type Activities | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | Percentage Change | 2023 | 2022 | Percentage Change | 2023 | 2022 | Percentage Change |
| Current assets: | | | | | | | | | |
| Cash in Bank | 1,778,449 | 1,947,075 | -9% | 588,303 | 56,026 | 950% | 2,366,752 | 2,003,101 | 18% |
| Cash in Bank - Restricted | - | - | 0% | 3,116,819 | 60,000 | 5095% | 3,116,819 | 60,000 | 5095% |
| Accounts Receivable-Utilities, net | - | - | 0% | 86,984 | 74,369 | 17% | 86,984 | 74,369 | 17% |
| Taxes Receivable, net | 9,481 | 6,526 | 45% | - | - | 0% | 9,481 | 6,526 | 45% |
| Due from Other Governments | - | - | 0% | - | - | 0% | - | - | 0% |
| Notes Receivable - current | - | - | 0% | 12,000 | 12,000 | 0% | 12,000 | 12,000 | 0% |
| Total current assets: | 1,787,930 | 1,953,601 | -8% | 3,804,106 | 202,395 | 1780% | 5,592,036 | 2,155,996 | 159% |
| Noncurrent assets: | | | | | | | | | |
| Notes Receivable - noncurrent | - | - | 0% | 83,840 | 97,840 | -14% | 83,840 | 97,840 | -14% |
| Net Pension Asset | - | 101,755 | -100% | - | 202,264 | -100% | - | 304,019 | -100% |
| Net Capital Assets | 626,015 | 572,684 | 9% | 2,484,657 | 2,078,934 | 20% | 3,110,672 | 2,651,618 | 17% |
| Total noncurrent assets | 626,015 | 674,439 | -7% | 2,568,497 | 2,379,038 | 8% | 3,194,512 | 3,053,477 | 5% |
| Total Assets | 2,413,945 | 2,628,040 | -8% | 6,372,603 | 2,581,433 | 147% | 8,786,548 | 5,209,473 | 69% |
| Deferred Outflows of Resources | | | | | | | | | |
| Deferred Outflows - Lease Contract | - | - | 0% | 6,247 | 8,329 | -25% | 6,247 | 8,329 | -25% |
| Deferred Outflows - Pension & OPEB | 92,549 | 14,705 | 529% | 142,099 | 56,223 | 153% | 234,648 | 70,928 | 231% |
| Total Deferred Outflows of Resources | 92,549 | 14,705 | 529% | 148,346 | 64,552 | 130% | 240,895 | 79,257 | 204% |
| Current liabilities: | | | | | | | | | |
| Accounts Payable | 11,252 | 7,103 | 58% | 124,553 | 15,207 | 719% | 135,805 | 22,310 | 509% |
| Accrued Interest Payable | - | - | 0% | 5,597 | - | 100% | 5,597 | - | 100% |
| Total current liabilities | 11,252 | 7,103 | 58% | 130,150 | 15,207 | 756% | 141,402 | 22,310 | 534% |
| Noncurrent liabilities: | | | | | | | | | |
| Due to Others | - | - | 0% | 62,385 | 61,135 | 2% | 62,385 | 61,135 | 2% |
| Net Pension Liability | 10,895 | - | 100% | 16,417 | - | 100% | 27,312 | - | 100% |
| Total OPEB Liability | 7,481 | 12,553 | -40% | 19,740 | 27,288 | -28% | 27,221 | 39,841 | -32% |
| Premium on Bond Issuance | - | - | 0% | 83,685 | - | 100% | 83,685 | - | 100% |
| Due within one year | - | - | 0% | 102,553 | 37,741 | 172% | 102,553 | 37,741 | 172% |
| Due in more than one year | - | - | 0% | 2,996,937 | 59,491 | 4938% | 2,996,937 | 59,491 | 4938% |
| Total noncurrent liabilities | 18,376 | 12,553 | 46% | 3,281,717 | 185,655 | 1668% | 3,300,093 | 198,208 | 1565% |
| Deferred Inflows of Resources | | | | | | | | | |
| Deferred Inflows - Pension & OPEB | 5,403 | 52,211 | -90% | 8,193 | 102,295 | -92% | 13,596 | 154,506 | -91% |
| Deferred Inflows - Grant Revenues | - | 191,798 | -100% | 197,648 | - | 100% | 197,648 | 191,798 | 3% |
| Total Deferred Inflows of Resources | 5,403 | 244,009 | -98% | 205,841 | 102,295 | 101% | 211,244 | 346,304 | -39% |
| Net Position: | | | | | | | | | |
| Net investment in capital assets | 626,015 | 572,684 | 9% | 2,350,297 | 1,981,702 | 19% | 2,976,312 | 2,554,386 | 17% |
| Restricted - Collateralized Deposits | - | - | 0% | 60,000 | 60,000 | 0% | 60,000 | 60,000 | 0% |
| Restricted - Debt Service | - | | | 8,004 | - | 100% | 8,004 | - | 100% |
| Unrestricted | 1,845,448 | 1,806,396 | 2% | 484,940 | 301,126 | 61% | 2,330,388 | 2,107,522 | 11% |
| Total Net Position | 2,471,463 | 2,379,080 | 4% | 2,903,241 | 2,342,828 | 24% | 5,374,704 | 4,721,908 | 14% |

The net position of the City's governmental activities increased 4% ($2,471,463 compared to $2,379,080). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from $1,806,396 at September 30, 2022 to $1,845,448 at the end of this year. The net position of the City's business-type activities increased 24%, from $2,342,828 to $2,903,241.

Table A-2
Changes in City of Plains' Net Position

| | Governmental Activities | | | Business-type Activities | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | Percentage Change | 2023 | 2022 | Percentage Change | 2023 | 2022 | Percentage Change |
| Program Revenues: | | | | | | | | | |
| Charges for Services | 38,249 | 30,909 | 24% | 1,214,890 | 1,175,902 | 3% | 1,253,139 | 1,206,811 | 4% |
| Grants & Contributions | 394,985 | 193,550 | 104% | 413,948 | 28,025 | 1377% | 808,933 | 221,575 | 265% |
| General Revenues: | | | | | | | | | |
| Property Taxes | 174,984 | 168,793 | 4% | - | - | 0% | 174,984 | 168,793 | 4% |
| Nonproperty Taxes | 239,945 | 189,207 | 27% | - | - | 0% | 239,945 | 189,207 | 27% |
| Investment Earnings | 64,782 | 19,312 | 235% | 9,931 | - | 100% | 74,713 | 19,312 | 287% |
| Other | 5,640 | 34,432 | -84% | - | - | 0% | 5,640 | 34,432 | -84% |
| Total Revenues | 918,585 | 636,203 | 44% | 1,638,769 | 1,203,927 | 36% | 2,557,354 | 1,840,130 | 39% |
| Expenses: | | | | | | | | | |
| General Administration | 280,212 | 254,022 | 10% | - | - | 0% | 280,212 | 254,022 | 10% |
| General Service | 25,949 | 34,409 | -25% | - | - | 0% | 25,949 | 34,409 | -25% |
| Court and Code Enforcement | 12,191 | 10,895 | 12% | - | - | 0% | 12,191 | 10,895 | 12% |
| Streets and Service | 24,899 | 25,642 | -3% | - | - | 0% | 24,899 | 25,642 | -3% |
| Fire Department | 69,833 | 60,610 | 15% | - | - | 0% | 69,833 | 60,610 | 15% |
| Health and Welfare | 239,315 | 174,526 | 37% | - | - | 0% | 239,315 | 174,526 | 37% |
| Utilities | - | - | 0% | 1,252,159 | 1,217,350 | 3% | 1,252,159 | 1,217,350 | 3% |
| Total Expenses | 652,399 | 560,104 | 16% | 1,252,159 | 1,217,350 | 3% | 1,904,558 | 1,777,454 | 7% |
| Excess (Deficiency) Before Other Resources, Uses & Transfers | 266,186 | 76,099 | 250% | 386,610 | (13,423) | -2980% | 652,796 | 62,676 | 942% |
| Insurance Proceeds | - | - | 0% | - | - | 0% | - | - | 0% |
| Gain/(Loss) on Asset Sales | - | - | 0% | - | - | 0% | - | - | 0% |
| Transfers In (Out) | (173,803) | 30,599 | -668% | 173,803 | (30,599) | -668% | - | - | 0% |
| Increase (Decrease) in Net Position | 92,383 | 106,698 | 13% | 560,413 | (44,022) | -1373% | 652,796 | 62,676 | 942% |
| Net Position - Beginning | 2,379,080 | 2,272,382 | 5% | 2,342,828 | 2,386,850 | -2% | 4,721,908 | 4,659,232 | 1% |
| Net Position - Ending | 2,471,463 | 2,379,080 | 4% | 2,903,241 | 2,342,828 | 24% | 5,374,704 | 4,721,908 | 14% |

The City's total revenues were $2,557,354. A significant portion, 64%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (19%), non-property taxes (26%), earnings on investments (7%), charges for services (4%), grants and contributions (43%) and other (1%).

The total cost of all programs and services was $1,904,558; 66% of these costs were for utilities production and administration expenses. Expenses for governmental activities consisted of costs for general administration (42%), general services (4%), courts and code enforcement (2%), streets and services (4%), fire department (11%), and health and welfare (37%).

**Governmental Activities**

Revenues for the City's governmental activities increased $282,382 or 44%, while total expenses increased by 16%.

- Property tax rates increased from $0.38805 per $100 valuation to $0.399321 per $100 valuation. The ad valorem tax levy for the previous fiscal year was $166,650, compared to $172,545 for the current year. Total tax collections increased, changing from $165,359 in the prior year to $168,303 in the current year.

- Nonproperty tax revenues increased $50,738.

- Interest income increased $45,470.

- Miscellaneous income decreased $28,792.

- Intergovernmental Revenues increased $268,574. The county contributed an additional $254,000 to the city's ambulance services.

- The cost of all *governmental* activities this year was $652,399. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was $174,984 because some of the costs were paid by those who directly benefited from the programs ($38,249), by nonproperty taxes ($239,945), and by grants and contributions ($394,985).

**Business-type Activities**

Revenues of the City's business-type activities (see table A-2) increased by 36% ($1,203,927 to $1,638,769) and expenses increased by 3% ($1,217,350 to $1,252,159).

## THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of $1,767,197, which is an increase from the prior year's total of $1,748,174. The following items effecting fund balance should be noted:

- In the prior year, revenues were less than expenditures by $10,341 prior to transfers. In the current year, revenues were more than expenditures by $192,826 prior to transfers. The general fund transferred $173,803 to the enterprise funds in the current year.

- The city received an additional $254,000 from the county to be used for ambulance services.

- The revenues in the general fund increased approximately 44% from the prior period and expenses for the general fund increased approximately 12% from the prior period.

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget once. Even with these adjustments, actual revenues were $257,792 above budgeted amounts and expenditures were $108,294 less than final budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2023, the City had $10,608,619 invested in a broad range of capital assets, including ambulance and fire equipment, buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of $697,839 from last year.

Table A-3
Fixed Assets

| Governmental Activities: | Balance 10-1-22 | Additions | Deletions/ Reclassifications | Balance 9-30-23 |
|---|---|---|---|---|
| Land | $ 15,117 | - | - | 15,117 |
| Buildings& Improvements | 896,802 | - | - | 896,802 |
| Furniture & Equipment | 821,952 | 105,441 | - | 927,393 |
| Accumulated Depreciation | (1,161,188) | (52,109) | - | (1,213,297) |
| Net Capital Assets | $ 572,683 | $ 53,332 | $ - | $ 626,015 |

| Business-Type Activities: | Balance 10-1-22 | Additions | Deletions/ Reclassifications | Balance 9-30-23 |
|---|---|---|---|---|
| Land | $ 307,720 | - | - | 307,720 |
| Construction in Progress | 71,275 | 336,198 | (57,625) | 349,848 |
| Buildings& Improvements | 7,589 | - | - | 7,589 |
| Vehicles | 573,143 | - | - | 573,143 |
| Gas System | 821,826 | - | - | 821,826 |
| Sewer System | 1,876,855 | 241,850 | 57,625 | 2,176,330 |
| Water System | 4,347,885 | - | - | 4,347,885 |
| Garbage Equipment | 170,616 | 14,350 | - | 184,966 |
| | | | | |
| Accumulated Depreciation | (6,097,975) | (186,675) | - | (6,284,650) |
| Net Capital Assets | $ 2,078,934 | $ 405,723 | $ - | $ 2,484,657 |

More detailed information about the City's capital assets is presented in the notes to the financial statements.

**Debt**

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases. Short-term financing is available in the form of time warrants with a financial institution.

During fiscal year 2020, the City issued a note payable for the purchase of a garbage truck. The loan is payable in 48 monthly payments of $2,260. The loan has an effective interest rate of 3.99%.

During fiscal year 2021, the City issued a note payable for the purchase of a Hydro Vac. The loan is payable in 60 monthly payments of $1,182. The loan has an effective interest rate of 4.75%.

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2023 were issued for $3,040,000 with interest rates ranging from 4.25% to 6.50%. Principal and interest payments are due on February 15 and August 15 each year with the first payment due February 15, 2024 and the last payment due February 15, 2048.

| Business-Type Activities: | Balance 10-1-22 | Additions | Decreases | Balance 9-30-23 | Due Within One Year |
|---|---|---|---|---|---|
| Certificates of Obligation | $ - | $ 3,040,000 | $ - | $ 3,040,000 | $ 70,000 |
| Premium on Bond Issuance | - | 83,685 | - | 83,685 | - |
| Note Payable - Truck | 45,779 | - | 25,778 | 20,001 | 20,001 |
| Note Payable Equipment | 51,454 | - | 11,964 | 39,490 | 12,553 |
| Total Notes Payable | $ 97,233 | $ 3,123,685 | $ 37,742 | $ 3,183,176 | $ 102,554 |

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

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

The City's elected officials considered many factors when setting the fiscal year 2024 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to increase slightly by the close of 2024.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator at the City's office located in Plains, Texas.

*BASIC FINANCIAL STATEMENT*

CITY OF PLAINS
Plains, Texas

STATEMENT OF NET POSITION
September 30, 2023

| | Primary Government | | | | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Unit | Total Reporting Entity |
| ASSETS: | | | | | |
| Cash in Bank | $ 1,778,449 | $ 588,303 | $ 2,366,752 | $ 629,074 | $ 2,995,826 |
| Cash in Bank - Restricted | - | 3,116,819 | 3,116,819 | - | 3,116,819 |
| Accounts Receivable-Utilities, net | - | 86,984 | 86,984 | - | 86,984 |
| Taxes Receivable, Net | 9,481 | - | 9,481 | - | 9,481 |
| Due from Other Governments | - | - | - | - | - |
| Notes Receivable - current | - | 12,000 | 12,000 | - | 12,000 |
| Noncurrent Assets: | | | | | |
| Notes Receivable - noncurrent | - | 83,840 | 83,840 | - | 83,840 |
| Net Pension Asset | - | - | - | - | - |
| Land | 15,117 | 307,720 | 322,837 | 221,771 | 544,608 |
| Construction in Progress | - | 349,848 | 349,848 | - | 349,848 |
| Buildings & Improvements, net | 448,417 | - | 448,417 | - | 448,417 |
| Utility Systems & Equipment, net | - | 1,699,734 | 1,699,734 | - | 1,699,734 |
| Furniture & Equipment, net | 162,481 | 127,355 | 289,836 | - | 289,836 |
| TOTAL ASSETS | $ 2,413,945 | $ 6,372,603 | $ 8,786,548 | $ 850,845 | $ 9,637,393 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | | |
| Deferred Outflows - Lease Contract | $ - | $ 6,247 | $ 6,247 | $ - | $ 6,247 |
| Deferred Outflows - Pension | 90,287 | 136,049 | 226,336 | - | 226,336 |
| Deferred Outflows - OPEB | 2,262 | 6,050 | 8,312 | - | 8,312 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | $ 92,549 | $ 148,346 | $ 240,895 | $ - | $ 240,895 |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | $ 11,252 | $ 124,553 | $ 135,805 | $ - | $ 135,805 |
| Accrued Interest Payable | - | 5,597 | 5,597 | - | 5,597 |
| Noncurrent Liabilities: | | | | | |
| Due to Others | - | 62,385 | 62,385 | - | 62,385 |
| Net Pension Liability | 10,895 | 16,417 | 27,312 | | 27,312 |
| Net OPEB Liability | 7,481 | 19,740 | 27,221 | - | 27,221 |
| Premium on Bond Issuance | - | 83,685 | 83,685 | - | 83,685 |
| Due within one year | - | 102,553 | 102,553 | 12,000 | 114,553 |
| Due in more than one year | - | 2,996,937 | 2,996,937 | 83,840 | 3,080,777 |
| Total Liabilities | 29,628 | 3,411,867 | 3,441,495 | 95,840 | 3,537,335 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| Deferred Inflows - Pension | 647 | 975 | 1,622 | | 1,622 |
| Deferred Inflows - OPEB | 4,756 | 7,218 | 11,974 | - | 11,974 |
| Deferred Grant Revenues | - | 197,648 | 197,648 | - | 197,648 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | $ 5,403 | $ 205,841 | $ 211,244 | $ - | $ 211,244 |
| NET POSITION | | | | | |
| Net Investment in capital assets | 626,015 | 2,350,297 | 2,976,312 | 221,771 | 3,198,083 |
| Restricted - Collaterallized Deposits | - | 60,000 | 60,000 | - | 60,000 |
| Restricted - Debt Service | - | 8,004 | 8,004 | - | 8,004 |
| Unrestricted | 1,845,448 | 484,940 | 2,330,388 | 533,234 | 2,863,622 |
| Total Net Position | $ 2,471,463 | $ 2,903,241 | $ 5,374,704 | $ 755,005 | $ 6,129,709 |

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

# STATEMENT OF ACTIVITIES
Year Ended September 30, 2023

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities | Primary Government: Business-type Activities | Primary Government: Total | Component Unit | Total Reporting Entity |
|---|---|---|---|---|---|---|---|---|---|
| Government Activities: | | | | | | | | | |
| General Administration | 280,212 | $ - | $ - | $ - | $ (280,212) | - | (280,212) | - | (280,212) |
| General Service | 25,949 | - | - | - | (25,949) | - | (25,949) | - | (25,949) |
| Court and Code Enforcement | 12,191 | - | - | - | (12,191) | - | (12,191) | - | (12,191) |
| Streets and Service | 24,899 | - | - | - | (24,899) | - | (24,899) | - | (24,899) |
| Fire Department | 69,833 | - | 21,503 | - | (48,330) | - | (48,330) | - | (48,330) |
| Health and Welfare | 239,315 | 38,249 | 288,135 | 85,347 | 172,416 | - | 172,416 | - | 172,416 |
| Total Government Activities | 652,399 | 38,249 | 309,638 | 85,347 | (219,165) | - | (219,165) | - | (219,165) |
| Business-type Activities | | | | | | | | | |
| Utilities Funds | 1,252,159 | 1,214,890 | - | 413,948 | - | 376,679 | 376,679 | - | 376,679 |
| Total Primary Government | 1,904,558 | 1,253,139 | 309,638 | 499,295 | (219,165) | 376,679 | 157,514 | - | 157,514 |
| Component Unit: | | | | | | | | | |
| Economic Development Corporation | $ 2,066 | $ - | $ - | $ - | | | | $ (2,066) | $ (2,066) |
| General Revenues: | | | | | | | | | |
| Property Taxes, Levied for General Purposes | | | | | 174,984 | - | 174,984 | - | 174,984 |
| Nonproperty Taxes | | | | | 239,945 | - | 239,945 | 107,185 | 347,130 |
| Investment Earnings | | | | | 64,782 | 9,931 | 74,713 | 1,698 | 76,411 |
| Miscellaneous | | | | | 5,640 | - | 5,640 | - | 5,640 |
| Transfers | | | | | (173,803) | 173,803 | - | - | - |
| Total General Revenue | | | | | 311,548 | 183,734 | 495,282 | 108,883 | 604,165 |
| Change in Net Assets | | | | | 92,383 | 560,413 | 652,796 | 106,817 | 759,613 |
| Net Position -- Beginning | | | | | 2,379,080 | 2,342,828 | 4,721,908 | 648,188 | 5,370,096 |
| Net Position -- Ending | | | | | $ 2,471,463 | $ 2,903,241 | $ 5,374,704 | $ 755,005 | $ 6,129,709 |

The accompanying notes are an integral part of this statement.

EXHIBIT B-1

CITY OF PLAINS
Plains, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS
September 30, 2023

| | General Fund | Total Governmental Funds |
|---|---|---|
| ASSETS | | |
| Cash | $ 1,778,449 | $ 1,778,449 |
| Taxes Receivable, net | 9,481 | 9,481 |
| Due from Other Governments | - | - |
| TOTAL ASSETS | $ 1,787,930 | $ 1,787,930 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | $ 11,252 | $ 11,252 |
| Total Liabilities | 11,252 | 11,252 |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Unavailable Revenue - Property Taxes | 9,481 | 9,481 |
| Total Deferred Inflows of Resources | 9,481 | 9,481 |
| FUND BALANCES | | |
| Committed Fund Balances: | | |
| Fire Department | 64,434 | 64,434 |
| Emergency Medical Services | 173,870 | 173,870 |
| Unassigned | 1,528,893 | 1,528,893 |
| Total Fund Balances | 1,767,197 | 1,767,197 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 1,787,930 | $ 1,787,930 |

The accompanying notes are an integral part of this statement.

EXHIBIT C-1R

CITY OF PLAINS
Plains, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2023

| | |
|---|---|
| Total Fund Balances -- Governmental Funds Balance Sheet | $ 1,767,197 |
| Amounts reported for governmental activities in the statement of net assets (A-1) are different because: | |
| Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds | 9,481 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 626,015 |
| Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of $10,895, a deferred resource outflow related to pension in the amount of $90,287, and a deferred resource inflow of $647. This resulted in an increase in net position by $78,745. | 78,745 |
| Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of $7,481, a deferred resource outflow related to OPEB in the amount of $2,262, and a deferred resource inflow of $4,756. This resulted in a decrease in net position of $9,975. | (9,975) |
| Net Position of Governmental Activities -- Statement of Net Position | $ 2,471,463 |

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

CITY OF PLAINS
Plains, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

| | General Fund | Total Governmental Funds |
|---|---|---|
| REVENUES: | | |
| Property Taxes (Including Penalty & Interest) | $ 172,028 | $ 172,028 |
| Sales Taxes | 214,463 | 214,463 |
| Franchise Taxes | 25,482 | 25,482 |
| Interest | 64,782 | 64,782 |
| Intergovernmental | 370,782 | 370,782 |
| Donations | 24,203 | 24,203 |
| Ambulance | 38,249 | 38,249 |
| Grant Revenues | - | - |
| Miscellaneous | 5,640 | 5,640 |
| Total Revenues | 915,629 | 915,629 |
| EXPENDITURES | | |
| Current | | |
| General Administration | 269,953 | 269,953 |
| General Service | 35,511 | 35,511 |
| Court and Code Enforcement | 12,191 | 12,191 |
| Streets and Service | 19,682 | 19,682 |
| Fire Department | 54,605 | 54,605 |
| Health and Welfare | 330,861 | 330,861 |
| Capital Outlay | - | - |
| Total Expenditures | 722,803 | 722,803 |
| Excess of Revenues Over (Under) Expenditures | 192,826 | 192,826 |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers Out | (173,803) | (173,803) |
| Total Other Financing Sources (Uses) | (173,803) | (173,803) |
| Net Change in Fund Balance | 19,023 | 19,023 |
| Fund Balance--Beginning of Year | 1,748,174 | 1,748,174 |
| Fund Balance--End of Year | $ 1,767,197 | $ 1,767,197 |

The accompanying notes are an integral part of this statement.

# CITY OF PLAINS
## Plains, 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, 2023

| | | |
|---|---|---|
| Net Change in Fund Balances -- Total Governmental Funds | | $ 19,023 |
| Amounts reported for governmental activities in the statement of activities ("SOA") 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 useful lives as depreciation expense. This is the amount of capital outlays during the current period. | | 105,440 |
| The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets. | | (52,110) |
| Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period. | | 2,956 |
| Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Change in pension expense | 17,784 | |
| Change in OPEB expense | (710) | |
| | | 17,074 |
| Change in Net Position -- Statement of Activities | | $ 92,383 |

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2023

| | Business-Type Activities-- Enterprise Funds |
|---|---|
| | Utilities Funds |
| ASSETS | |
| Current Assets: | |
| Cash in Bank | $ 588,303 |
| Cash in Bank - Restricted | 3,116,819 |
| Accounts Receivable | 91,208 |
| Allowance for Uncollectible | (4,224) |
| Due from Other Governments | - |
| Note Receivable - Current | 12,000 |
| Total Current Assets | 3,804,106 |
| Noncurrent Assets: | |
| Note Receivable - noncurrent | 83,840 |
| Net Pension Asset | - |
| Land | 307,720 |
| Construction in Progress | 349,848 |
| Buildings and Improvements, net | - |
| Utility Systems & Equipment, net | 1,699,734 |
| Furniture & Equipment, net | 127,355 |
| Total Noncurrent Assets | 2,568,497 |
| TOTAL ASSETS | $ 6,372,603 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows - Lease Contract | 6,247 |
| Deferred Outflows - Pension | 136,049 |
| Deferred Outflows - OPEB | 6,050 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | $ 148,346 |
| LIABILITIES & NET POSITION | |
| Current Liabilities | |
| Accounts Payable | $ 124,553 |
| Accrued Interest Payable | 5,597 |
| Noncurrent Liabilities | |
| Customer Deposits | 62,385 |
| Net Pension Liability | 16,417 |
| Net OPEB Liability | 19,740 |
| Premium on Bond Issuance | 83,685 |
| Due within one year | 102,553 |
| Due in more than one year | 2,996,937 |
| TOTAL LIABILITIES | 3,411,867 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows - Grant Revenues | 197,648 |
| Deferred Inflows - Pension | 975 |
| Deferred Inflows - OPEB | 7,218 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | $ 205,841 |
| NET POSITION | |
| Net investment in capital assets | 2,350,297 |
| Restricted - Collateralized Deposits | 60,000 |
| Restricted - Debt Service | 8,004 |
| Unrestricted | 484,940 |
| TOTAL NET POSITION | $ 2,903,241 |

The accompanying notes are an integral part of this statement.

EXHIBIT D-2

CITY OF PLAINS
Plains, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--
PROPRIETARY FUNDS
For the Year Ended September 30, 2023

| | Business-Type Activities-- Enterprise Funds |
|---|---|
| | Utilities Funds |
| Operating Revenues | |
| Sales | $ 1,196,974 |
| Penalties | 16,316 |
| Tap Fees | 1,600 |
| Miscellaneous | - |
| Total Operating Revenues | 1,214,890 |
| Operating Expenses | |
| Cost of Sales | 267,150 |
| Salaries | 336,292 |
| Payroll Taxes | 7,155 |
| Retirement Costs | 63,556 |
| Supplies | 21,919 |
| Repairs & Maintenance | 128,496 |
| Utilities & Fuel | 53,608 |
| Employee Expenses and Training | 1,379 |
| Insurance | 86,903 |
| Depreciation | 186,675 |
| Professional Fees | 13,500 |
| Miscellaneous | 1,945 |
| Total Operating Expenses | 1,168,578 |
| Operating Income (Loss) Before Operating Transfers | 46,312 |
| Non-Operating Revenues (Expenses) | |
| Interest Income | 9,931 |
| Interest Expense | (9,160) |
| Bond Issuance Costs | (74,421) |
| Total Non-Operating Revenues (Expenses) | (73,650) |
| Transfers and Capital Contributions: | |
| Capital Contributions | 413,948 |
| Transfers In (Out) | 173,803 |
| Total Transfers and Capital Contributions | 587,751 |
| Net Income (Loss) | 560,413 |
| NET POSITION | |
| Net Position, Beginning of Year | 2,342,828 |
| Net Position, End of Year | 2,903,241 |

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

STATEMENT OF CASH FLOWS--
PROPRIETARY FUNDS
For the Year Ended September 30, 2023

| | Business-Type Activities-- Enterprise Funds |
|---|---|
| | Utilities Funds |
| Cash Flows from Operating Activities: | |
| Receipts from Customers | $ 1,203,526 |
| Payments to Suppliers | (572,672) |
| Payments to Employees | (375,848) |
| Net Cash Provided (Used) by Operating Activities | 255,006 |
| Cash Flows from Non-Capital Financing Activities: | |
| Operating Transfers | 173,803 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | 173,803 |
| Cash Flows from Investing Activities: | |
| Interest Income | 9,931 |
| Net Cash Provided by Investing Activities | 9,931 |
| Cash Flows from Capital & Related Financing Activites: | |
| Acquisition of Fixed Assets | (483,199) |
| Proceeds from Debt Acquired for Fixed Assets | 3,049,264 |
| Proceeds from Capital Contributions | 611,596 |
| Payments on Debt Acquired for Fixed Assets | (41,305) |
| Payments Received from Notes Receivable | 14,000 |
| Net Cash Provided (Used) by Capital & Related Financing Activites | 3,150,356 |
| Net Increase (Decrease) in Cash & Cash Equivalents | 3,589,096 |
| Cash & Cash Equivalents--Beginning of Year | 116,026 |
| Cash & Cash Equivalents--End of Year | 3,705,122 |
| Reconciliaton of Operating Income (Loss) to Net Cash Flows from Operating Activities: | |
| Operating Income (Loss) | 46,312 |
| Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | 186,675 |
| (Increase) Decrease in Net Pension Asset/Liability | 218,681 |
| (Increase) Decrease in Deferred Inflows/Outflows Pensions | (188,642) |
| (Increase) Decrease in Net OPEB Asset/Liability | (7,548) |
| (Increase) Decrease in Deferred Inflows/Outflows OPEB | 8,664 |
| (Increase) Decrease in Deferred Lease Payments | 2,082 |
| (Increase) Decrease in Receivables | (12,614) |
| Increase (Decrease) in Liabilities | 1,396 |
| Net Cash Provided (Used) by Operating Activities | 255,006 |

The accompanying notes are an integral part of this statement.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2023

Note A: Summary of Significant Accounting Policies

The City of Plains, Texas was incorporated under the provisions of the State of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (ambulance and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities operations.

The basic financial statements of the City of Plains have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants (AICPA).

1. The Reporting Entity

The City of Plains is a general law type-A municipality governed by an elected mayor and a five member City Council who appoints a City Manager. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "The Financial Reporting Entity" (as amended by GASB Statement No. 39) in that the financial statements include all organizations, activities, functions and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Discretely Presented Component Units

The Plains Economic Development Corporation (PEDC), a non-profit corporation, was created to promote future economic development in Plains, Texas. The PEDC is included in the reporting entity because the City Council approves the appointment of the five-member Board of Directors and approves its annual budget. Accordingly, the City is financially accountable and is able to impose its will on the organization. The PEDC is reported as a governmental fund type component unit. Significant transactions between the City and PEDC included the City's disbursement of PEDC's share of sales tax revenues to PEDC amounting to $107,185 for the year ended September 30, 2023. Separate PEDC financial information can be obtained by writing to Plains Economic Development Corporation, P.O. Box 550, Plains, TX 79355.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2
September 30, 2023

Note A: Summary of Significant Accounting Polices (Continued)

2. Basis 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 over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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 of 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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

In addition, the City reports the following fund types:

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3
September 30, 2023

Note A: Summary of Significant Accounting Policies--Continued

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange 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. Revenues from grants, entitlements, and donations are 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 basis 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 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 assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4
September 30, 2023

Note A: Summary of Significant Accounting Policies (continued)

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City currently has $60,000 restricted as collateral in accordance with a vendor contract. There is also $8,004 restricted for future debt service of the Certificates of Obligation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Currently, the City has fund balances committed of $64,434 for fire department expenditures, and $173,870 for EMS expenditures.

Unassigned: This classification includes the residual fund balance for the General Fund.

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.

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

3. Financial Statement Amounts

a. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments for the City are reported at fair value.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1st 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 1st of the year following the year in which imposed. On January 1st 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 when they become due or past due and receivable within the current period.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5
September 30, 2023

Note A: Summary of Significant Accounting Policies (continued)

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. As of September 30, 2023, the amount deemed uncollectible by this estimate was $3,895. 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. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

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

d. Capital Assets

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

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

| Asset Class | Estimated Useful Lives |
|---|---|
| Infrastructure | 30 |
| Buildings | 50 |
| Building Improvements | 20 |
| Vehicles | 5-15 |
| Office Equipment and Furniture | 3-15 |
| Computer Equipment | 3 |

e. 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 one year of the period end.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6
September 30, 2023

Note A: Summary of Significant Accounting Policies (continued)

f. 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 transfers. 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.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two items which qualifies for reporting in this category.

In addition to liabilities, the statement 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7
September 30, 2023

Note A: Summary of Significant Accounting Policies (continued)

i. Pensions

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

j. Other Post Employment Benefits

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

Note B: Compliance and Accountability

1. Fair Value Measurements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8
September 30, 2023

Note B: Compliance and Accountability (continued)

1. Fair Value Measurements

   There are three general valuation techniques that may be used to measure fair value:

   Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

   Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

   Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note C: Deposits and Investments

Under Texas state law, 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 of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits
At September 30, 2023, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was $5,483,571 and the bank balance was $5,516,102. The City's cash deposits at September 30 and throughout the year 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 and investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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 an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Note C: Deposits and Investments (continued)

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, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City's investments at September 30, 2023 included certificates of deposit ($1,246,961).

The Plains Economic Development Corporation holds land that is being developed for resale. Using Level 2 inputs, it is estimated that fair value equals $221,771, which is the quoted sales price and the price at which lots have sold recently.

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 agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

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

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

CITY OF PLAINS
Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10
September 30, 2023

Note C: Deposits and Investments (continued)

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

The 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 remaining 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. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Note D: Receivables

Receivables as of September 30, 2023 for the City's major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts are as follows:

| | | | |
|---|---|---|---|
| Governmental activities: | | | |
| General Fund | Receivable | Allowance | Net |
| Property taxes | $ 13,376 | $ (3,895) | $ 9,481 |
| Grant Funds | - | - | - |
| Total governmental | $ 13,376 | $ (3,895) | $ 9,481 |
| | | | |
| Business-type activities: | | | |
| Utility Funds | | | |
| Customer accounts | $ 91,209 | $ (4,225) | $ 86,984 |
| Note Receivable-EDC | $ 95,840 | $ - | $ 95,840 |
| Total business-type | $187,049 | $ (4,225) | $182,824 |

The $95,840 note receivable held by the City's Water Fund is a note owed by the PEDC to the City for purchase of land. This is an interest free note due with minimum payments of $1,000 per month.

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Plains, Texas

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Note E: Capital Assets

Capital asset activity for the period ended September 30, 2023, was as follows:

| **Governmental Activities:** | Balance 10-1-22 | Additions | Deletions/ Reclassifications | Balance 9-30-23 |
|---|---|---|---|---|
| Land | $ 15,117 | - | - | $ 15,117 |
| Buildings & Improvements | 896,802 | - | - | 896,802 |
| Furniture & Equipment | 821,952 | 105,441 | - | 927,393 |
| Total Capital Assets | $ 1,733,871 | $105,441 | $ - | $ 1,839,312 |
| Less Accumulated Depreciation: | | | | |
| Buildings& Improvements | $ 425,224 | $ 23,161 | - | $ 448,385 |
| Furniture & Equipment | 735,964 | 28,948 | - | 764,912 |
| Total Accumulated Depreciation | $1,161,188 | $ 52,109 | $ - | $ 1,213,297 |
| Net Capital Assets | $ 572,683 | $ 53,332 | $ - | $ 626,015 |

| **Business-Type Activities:** | Balance 10-1-22 | Additions | Deletions/ Reclassifications | Balance 9-30-23 |
|---|---|---|---|---|
| Land | $ 307,720 | - | - | $ 307,720 |
| Construction in Progress | 71,275 | 336,198 | (57,625) | 349,848 |
| Buildings& Improvements | 7,589 | - | - | 7,589 |
| Vehicles | 573,143 | - | - | 573,143 |
| Gas System | 821,826 | - | - | 821,826 |
| Sewer System | 1,876,855 | 241,850 | 57,625 | 2,176,330 |
| Water System | 4,347,885 | - | - | 4,347,885 |
| Garbage Equipment | 170,616 | 14,350 | - | 184,966 |
| Total Capital Assets | $ 8,176,909 | $ 592,398 | $ - | $ 8,769,307 |
| Less Accumulated Depreciation: | | | | |
| Buildings& Improvements | $ 7,583 | $ 6 | - | $ 7,589 |
| Vehicles | 423,508 | 22,280 | - | 445,788 |
| Gas System | 714,452 | 15,281 | - | 729,733 |
| Sewer System | 1,346,947 | 54,865 | - | 1,401,812 |
| Water System | 3,451,017 | 89,802 | - | 3,540,819 |
| Garbage Equipment | 154,468 | 4,441 | - | 158,909 |
| Total Accumulated Depreciation | $ 6,097,975 | $ 186,675 | $ - | $ 6,284,650 |
| Net Capital Assets | $ 2,078,934 | $ 405,723 | $ - | $ 2,484,657 |

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NOTES TO FINANCIAL STATEMENTS, Page 12
September 30, 2023

Note E: Capital Assets (continued)

Depreciation was charged to functions as follows:

| | |
|---|---|
| General Administration | $ 16,061 |
| General Service | 10,531 |
| Streets and Service | 5,216 |
| Fire Department | 15,228 |
| Health & Welfare | 5,073 |
| Water | 90,188 |
| Gas | 15,668 |
| Sewer | 55,249 |
| Garbage | 25,570 |
| | $238,784 |

Note F: Long-Term Debt

Short term loans are accounted for through the applicable fund. General Fund proceeds from loans (except those issued and retired during the current year) are shown in the financial statements as Other Resources and principal payments as Other Uses. Enterprise fund loans are shown in the appropriate fund.

During fiscal year 2021, the City issued a note payable for the purchase of a Hydro Vac. The loan is payable in 60 monthly payments of $1,182. The loan has an effective interest rate of 4.75%.

During fiscal year 2020, the City issued a note payable for the purchase of a garbage truck. The loan is payable in 48 monthly payments of $2,260. The loan has an effective interest rate of 3.99%.

During fiscal year 2014, the Plains EDC purchase land from the City of Plains for $232,000. An interest-free note was established where the Plains EDC is paying the City $1,000 per month.

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2023 were issued for $3,040,000 with interest rates ranging from 4.25% to 6.50%. Principal and interest payments are due on February 15 and August 15 each year with the first payment due February 15, 2024 and the last payment due February 15, 2048.

The Certificates of Obligation are direct obligations issued on a pledge of the general taxing power and the revenues of the Enterprise Fund for the payment of the debt obligations of the City. These Bonds require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year certificates of obligation are outstanding) funds to pay interest and principal at maturity for any amounts not paid from the revenues of the Enterprise Fund. These Bonds are secured both by a pledge of ad valorem taxes levied on all taxable property within the City and by a lien on and pledge of revenues to be generated by the Enterprise Fund.

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September 30, 2023

Note F: Long-Term Debt (continued)

Changes in long-term obligations for the year ended September 30, 2023 are as follows:

| Governmental Funds: | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Net Pension Liability | $(101,755) | $ 151,164 | $ 38,514 | $ 10,895 | $ - |
| Total OPEB Liability | 12,553 | - | 5,072 | 7,481 | - |
| Total Governmental Funds: | $ (89,202) | $ 151,164 | $ 43,586 | $ 18,376 | $ - |

| Enterprise Funds: | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Certificates of Obligation | $ - | $ 3,040,000 | $ - | $ 3,040,000 | $ 70,000 |
| Premium on Bond Issuance | - | 83,685 | - | 83,685 | - |
| Note Payable – Garbage Truck | 45,779 | - | 25,778 | 20,001 | 20,001 |
| Note Payable – Hydro Vac | 51,454 | - | 11,964 | 39,490 | 12,553 |
| Net Pension Liability | (202,264) | 227,781 | 9,100 | 16,417 | - |
| Total OPEB Liability | 27,288 | - | 7,548 | 19,740 | - |
| Total Enterprise Funds: | $(77,743) | $ 3,351,466 | $ 54,390 | $ 3,219,333 | $ 102,554 |

| Component Unit Plains EDC: | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Note Payable – Land | $ 109,840 | $ - | $ 14,000 | $ 95,840 | $ 14,000 |
| Total Component Unit: | $ 109,840 | $ - | $ 14,000 | $ 95,840 | $ 14,000 |

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September 30, 2023

Note F: Long-Term Debt (continued)

Future payments on long-term obligations as of September 30, 2023 are as follows.

| Year Ending September 30, | Enterprise Funds – Certificates of Obligation | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2024 | $ 70,000 | $ 134,320 | $ 204,320 |
| 2025 | 60,000 | 142,063 | 202,063 |
| 2026 | 65,000 | 138,000 | 203,000 |
| 2027 | 70,000 | 133,613 | 203,613 |
| 2028 | 75,000 | 128,900 | 203,900 |
| 2029-2033 | 455,000 | 562,276 | 1,017,276 |
| 2034-2038 | 600,000 | 417,465 | 1,017,465 |
| 2039-2043 | 735,000 | 280,442 | 1,015,442 |
| 2044-2048 | 910,000 | 105,104 | 1,015,104 |
| Total | $ 3,040,000 | $ 2,042,183 | $ 5,082,183 |

| Year Ending September 30, | Enterprise Funds – Notes Payable | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2024 | $ 32,554 | $ 1,971 | $ 34,525 |
| 2025 | 13,170 | 1,014 | 14,184 |
| 2026 | 13,767 | 480 | 14,247 |
| Total | $ 59,491 | $ 3,465 | $ 62,956 |

| Year Ending September 30, | Component Unit – Plains EDC | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2024 | $ 12,000 | $ - | $ 12,000 |
| 2025 | 12,000 | - | 12,000 |
| 2026 | 12,000 | - | 12,000 |
| 2027 | 12,000 | - | 12,000 |
| 2028-2031 | 47,840 | - | 47,840 |
| Total | $ 95,840 | $ - | $ 95,840 |

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September 30, 2023

Note G: Interfund Transfers

Interfund transfers for the year ended September 30, 2023 consisted of the following:

| Fund | Transfers In | Transfers Out |
|---|---|---|
| General Fund: | | |
| Proprietary Fund | - | 173,803 |
| Total General Fund | - | 173,803 |
| Proprietary Funds: | | |
| General Fund | 173,803 | - |
| Total | $ 173,803 | $ 173,803 |

These interfund transfers represent cash flow transfers in the normal course of business.

Note H: TMRS-Pension Plan

Plan Description

The City of Plains participates as one of 919 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 TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tmrs.com*.

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

Benefits Provided

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

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

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Plains, Texas

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Note H: TMRS-Pension Plan (continued)

| | Plan Year 2023 | Plan Year 2022 |
|---|---|---|
| Employee deposit rate | 7.0% | 7.0% |
| Matching ratio (City to employee) | 1.5 to 1 | 1.5 to 1 |
| Years required for vesting | 5 | 5 |
| Service retirement eligibility | | |
| (expressed as age / years of service) | 60/5, 0/25 | 60/5, 0/25 |
| Updated Service Credit | 100% | 100% |
| Annuity Increase (to retirees) | 0% of CPI | 0% of CPI |

*Employees covered by benefit terms*

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 8 |
| Inactive employees entitled to but not yet receiving benefits | 4 |
| Active employees | 10 |
| Total | 22 |

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Plains were required to contribute 7% of their annual compensation in the fiscal year 2023. The City of Plains contributed at the following rates: 10.28% (October-December 2022) and 10.17% (January-September 2023). The City's contributions to TMRS for the year ended September 30, 2023 were $52,348, and were more than the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

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Plains, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17
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Note H: TMRS-Pension Plan (continued)

*Actuarial assumptions:*

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 2.75% per year, adjusted down for population declines, if any |
| Investment Rate of Return | 6.75% net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global Equity | 35.00% | 7.70% |
| Core Fixed Income | 6.00% | 4.90% |
| Non-Core Fixed Income | 20.00% | 8.70% |
| Other Public and Private | 12.00% | 8.10% |
| Real Estate | 12.00% | 5.80% |
| Hedge Funds | 5.00% | 6.90% |
| Private Equity | 10.00% | 11.80% |
| Total | 100.00% | |

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Note H: TMRS-Pension Plan (continued)

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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.

*Change in the Net Pension Liability*

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
|---|---|---|---|
| Balance at 12/31/21 | $ 2,202,622 | $ 2,506,641 | $ (304,019) |
| Changes for the year: | | | |
| Service cost | 55,255 | | 55,255 |
| Interest | 147,774 | | 147,774 |
| Change of benefit terms | - | | - |
| Difference between expected and actual experience | 25,647 | | 25,647 |
| Changes of assumptions | | | - |
| Contributions - employer | | 47,613 | (47,613) |
| Contributions - employee | | 32,421 | (32,421) |
| Net investment income | | (182,996) | 182,996 |
| Benefit payments, including refunds of employee contributions | (81,996) | (81,996) | - |
| Administrative expense | | (1,583) | 1,583 |
| Other changes | | 1,890 | (1,890) |
| Net changes | 146,680 | (184,651) | 331,331 |
| Balance at 12/31/22 | $ 2,349,302 | $ 2,321,990 | $ 27,312 |

*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%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|---|---|---|---|
| City's net pension liability/(asset) | $ 285,988 | $ 27,312 | $ (192,370) |

*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 at tmrs.com.

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Note H: TMRS-Pension Plan (continued)

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

For the year ended September 30, 2023, the city recognized pension expense of $64,603.

At September 30, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---|---|---|---|
| Differences between expected and actual economic experience | $ | 28,358 | $ | (1,622) |
| Changes in actuarial assumptions | $ | - | $ | - |
| Difference between projected and actual investment earnings | $ | 158,261 | $ | - |
| Contributions subsequent to the measure date December 31, 2022 | $ | 39,717 | $ | - |
| Total | $ | 226,336 | $ | (1,622) |

$39,717 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended Dec 31: | | |
|---|---|---|
| 2023 | $ | 18,187 |
| 2024 | | 49,435 |
| 2025 | | 46,937 |
| 2026 | | 70,438 |
| 2027 | | - |
| Thereafter | | - |
| Total | $ | 184,997 |

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Note I: Supplemental Death Benefits Plan

1. Plan Description

The City participates in the single-employer unfunded defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF had 800 participating cities as of December 31, 2022.

2. OPEB Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the Supplemental Death Benefits Fund is available in the separately-issued TMRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at tmrs.com or by writing to TMRS at P.O. Box 149153, Austin, TX 78714-9153.

3. Benefits Provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the members' actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other post-employment benefit" ("OPEB") and is a fixed amount of $7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of the Pension Trust Fund. 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).

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 5 |
| Inactive employees entitled to but not yet receiving benefits | 1 |
| Active employees | 10 |
| Total | 16 |

4. Contributions

The City contributes to the SDBF monthly based on the payroll of their covered members at an annually actuarially determined rate. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect.

TMRS pools the SDBF contributions with those of the Pension Trust Fund for investment purposes. The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Note I: Supplemental Death Benefits Plan (continued)

**Contribution Rates**

| | 2022 | 2023 |
|---|---|---|
| **City** | **0.22%** | **0.33%** |
| **Current Fiscal Year Employer Contributions** | **$ 1,560** | |

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

***Summary of Actuarial Methods and Assumptions***

| | |
|---|---|
| Valuation Date | December 31, 2022 |
| Actuarial Cost Method | Entry Age Normal |
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.5% including inflation |
| Discount Rate* | 4.05%* |
| 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 Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to 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, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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Note I: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2022, the discount rate used in the development of the Total OPEB Liability was 4.05% compared to 1.84% as of December 31, 2021. In accordance with GASB No. 75, paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.71%) in measuring the Total OPEB Liability.

| | 1% Decrease in Discount Rate (3.05%) | Discount Rate (4.05%) | 1% Increase in Discount Rate (5.05%) |
|---|---|---|---|
| Total OPEB Liability | $ 32,479 | $ 27,221 | $ 23,046 |

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At September 30, 2023, the City reported a liability of $27,221 for total OPEB liability. The total OPEB liability was measured as of December 31, 2022 by an actuarial valuation as of that date.

**Changes Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

As of December 31, 2022, the discount rate used in the development of the Total OPEB Liability was 4.05% compared to 1.84% as of December 31, 2021. Beginning with the December 31, 2019 actuarial valuation, mortality rates are based on the 2019 Municipal Retirees of Texas Mortality Tables. Prior to the December 31, 2019 actuarial valuation, mortality rates were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment.

For the year ended September 30, 2023, the City recognized OPEB expense of $3,386.

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September 30, 2023

Note I: Supplemental Death Benefits Plan (continued)

*Change in the Total OPEB Liability*

| | Total OPEB Liability (a) |
|---|---|
| Balance at 12/31/21 | $ 39,841 |
| Changes for the year: | |
| Service cost | 1,667 |
| Interest | 745 |
| Change of benefit terms | |
| Difference between expected and actual experience | (968) |
| Changes of assumptions | (13,647) |
| Benefit payments, including refunds of employee contributions | (417) |
| Other changes | - |
| Net changes | (12,620) |
| Balance at 12/31/22 | $ 27,221 |

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual actuarial experiences | $ 2,665 | $ 802 |
| Changes in actuarial assumptions | $ 4,361 | $ 11,172 |
| Difference between projected and actual Investment earnings | $ - | $ - |
| Changes in proportion and difference between The employer's contributions and the Proportionate share of contributions | $ - | $ - |
| Total as of Dec. 31, 2022 measurement date | $ 7,026 | $ 11,974 |
| Contributions paid to TRS subsequent to the measurement date | $ 1,286 | $ - |
| Total as of fiscal year-end | $ 8,312 | $ 11,974 |

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended December 31: | OPEB Expense Amount |
|---|---|
| 2023 | $ 404 |
| 2024 | (322) |
| 2025 | (2,547) |
| 2026 | (2,483) |
| 2027 | - |
| Thereafter | - |

Note J: Litigation

There was no litigation pending or in progress against the City at September 30, 2023.

**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

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

**CITY OF PLAINS, TEXAS**
**COMBINATION TAX AND REVENUE**
**CERTIFICATES OF OBLIGATION, SERIES 2024**
**IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____**

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

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

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

IT IS FURTHER OUR OPINION THAT, except as discussed below, the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

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

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

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

Respectfully,