OFFICIAL STATEMENT
Dated: 09/26/2023

S&P Rating "AA-"
NEW ISSUE: Book-Entry-Only **(See "RATINGS" herein)**

In the opinion of Jackson Walker LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest with respect to the Certificates (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. (see "TAX MATTERS – The Certificates" herein).

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

$1,500,000
CITY OF RUNAWAY BAY, TEXAS
(Wise County)
Certificates of Obligation, Series 2023

Dated Date: October 1, 2023 **Due: February 15, as shown on inside cover**

Payment Terms… Interest on the $1,500,000 City of Runaway Bay, Texas, Certificates of Obligation, Series 2023 (the "Certificates"), will accrue from their delivery date to the underwriter listed below (the "Underwriter") and will be payable August 15 and February 15 of each year, commencing on February 15, 2024. The Certificates will be issued only in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Certificates will be payable to the registered owners (the "Owners") at maturity or prior redemption upon presentation at the principal corporate office of the paying agent/registrar (the "Paying Agent/Registrar"), initially UMB Bank, N.A., Austin, Texas. The Certificates will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interests in the Certificates. See "BOOK- ENTRY-ONLY SYSTEM" herein.

Purpose… Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) the construction of a City of Runaway Bay, Texas (the "City") owned water tower, including shut off valves and hydrants, building of a road and equipment for the tower building and (2) professional services related thereto. See "THE CERTIFICATES – Sources and Uses of Funds" herein.

Redemption… The Certificates maturing on and after February 15, 2034, are subject to optional redemption in whole or in part on February 15, 2033, or on any date thereafter at a redemption price equal to the principal amount thereof plus accrued interest as more fully described herein. The Certificates maturing on February 15 in the years 2038 and 2043 (the "Term Certificates") are also subject to mandatory sinking fund redemption prior to stated maturity as described herein. See "THE CERTIFICATES – Optional Redemption" and "Mandatory Redemption" herein.

Security and Source of Payment… The Certificates will constitute direct obligations of the City, payable from ad valorem taxes levied against all taxable property in the City within the limits prescribed by law, and from a limited subordinate pledge of certain revenues derived from the City's waterworks and sewer system (the "System") not to exceed $1,000, as provided in the ordinance authorizing the Certificates.

See MATURITY SCHEDULE on the Inside Cover Page

Legality… *The Certificates are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and Jackson Walker LLP, Bond Counsel, Houston, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, Naman Howell Smith & Lee, PLLC, Austin, Texas.*

Delivery… *The Certificates are expected to be available for delivery to the Underwriters through DTC on or about October 17, 2023.*

RAYMOND JAMES

MATURITY SCHEDULE

$1,500,000 Certificates of Obligation, Series 2023

CUSIP No. Prefix 781501[(c)]

Maturity (2/15)[(a)]	Principal Amount	Interest Rate	Initial Yield/Price[(b)]	CUSIP No. Suffix[(c)]
2024	$50,000	5.500%	3.920%	AT8
2025	45,000	5.500%	3.970%	AU5
2026	50,000	5.500%	3.900%	AV3
2027	50,000	5.500%	3.800%	AW1
2028	55,000	5.500%	3.800%	AX9
2029	55,000	5.500%	3.800%	AY7
2030	60,000	5.500%	3.800%	AZ4
2031	65,000	5.500%	3.850%	BA8
2032	65,000	5.000%	3.900%	BB6
2033	70,000	5.000%	3.900%	BC4

$410,000 5.000% Term Bonds due February 15, 2038, Priced to Yield 4.320%, CUSIP No. Suffix BD2[(a)(b)(c)]
$525,000 5.000% Term Bonds due February 15, 2043, Priced to Yield 4.550%, CUSIP No. Suffix BE0[(a)(b)(c)]

(a) The Certificates maturing on and after February 15, 2034, are subject to optional redemption, in whole or in part, on February 15, 2033, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date or redemption. The Certificates maturing on February 15 in the years 2038 and 2043 (the "Term Certificates) are also subject to mandatory sinking fund redemption prior to stated maturity as described herein. (See "THE CERTIFICATES – Optional Redemption" and "– Mandatory Redemption").

(b) The initial yields and prices are established by, and are the sole responsibility of the Underwriter and may subsequently be changed.

(c) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Certificates. Neither the City, the Financial Advisor, nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF RUNAWAY BAY, TEXAS

CITY COUNCIL

Herman White	Mayor
Carolyn Moody	Mayor Pro Tem
Richard Griffin	Council Member
Steve Holt	Council Member
Todd Low	Council Member
Chris Petty	Council Member

ADMINISTRATIVE OFFICERS

Herman White	Mayor
Misty Choate	City Secretary
Terry Welch	City Attorney

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Jackson Walker LLP, Houston, Texas	Bond Counsel
George, Morgan & Sneed, P.C., Weatherford, Texas	Independent Auditor
Government Capital Securities Corporation, Southlake, Texas	Municipal Advisor

For additional information regarding the City, please contact:

Herman White
Mayor
City of Runaway Bay
101 Runaway Bay Drive
Runaway Bay, Texas 76426
(940) 575-4745
hwhite@runawaybaytexas.com

Jake Lawrence
Government Capital Securities Corporation
559 Silicon Drive, Suite 102
Southlake, TX 76092
(817) 722-0220
jlawrence@govcapsecurities.com

USE OF INFORMATION IN OFFICIAL STATEMENT

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

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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 EXEMPTED 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.

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

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

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

Neither the City, the Financial Advisor nor the Underwriter make any representation as to the accuracy, completeness or adequacy of the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement, including the schedules and appendices hereto. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement including the Appendices hereto.

The Issuer	The City of Runaway Bay, Texas (the "City"), is located in Wise County, Texas. For information regarding the City, see Appendices A and B.
The Certificates	$1,500,000 Certificates of Obligation, Series 2023, dated October 1, 2023, maturing on the dates and in the amounts set forth on the inside front cover of this Official Statement. Interest on the Certificates will accrue from their date of delivery and will be paid semiannually on August 15 and February 15, commencing February 15, 2024 until maturity or prior redemption.
Purpose of Certificates	Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) the construction of a City owned water tower, including shut off valves and hydrants and building of a road and equipment for the tower building and (2) professional services related thereto. See "THE CERTIFICATES – Sources and Uses of Funds" herein.
Authorization and Security	The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, Chapter 1502, Texas Government Code, and an ordinance to be enacted by the City Council of the City (the "City Council") on September 19, 2023. The Certificates are payable from ad valorem taxes to be levied, within the limits prescribed by law, on all taxable property within the City and a limited subordinate pledge in an amount not to exceed $1,000 of certain revenues derived from the City's waterworks and sewer system (the "System") as provided in the ordinance authorizing the Certificates.
Optional Redemption	The Certificates maturing on and after February 15, 2034, are subject to optional redemption in whole or in part on February 15, 2033, or on any date thereafter at a price of par plus accrued interest as more fully described herein. See "THE CERTIFICATES – Optional Redemption" herein.
Mandatory Redemption	The Certificates maturing on February 15, 2038 and 2043 (the "Term Certificates") are also subject to mandatory sinking fund redemption prior to stated maturity as described herein. See "THE CERTIFICATES – Mandatory Redemption" herein.
Tax Exemption	In the opinion of Jackson Walker LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest with respect to the Certificates (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. (see "TAX MATTERS – The Certificates" herein).
Qualified Tax Exempt Obligations	The City has designated the Certificates as "qualified tax-exempt obligations". (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)

Ratings	The Certificates have been assigned a rating of AA- by S&P Global Ratings ("S&P"). An explanation of the significance of such rating may be obtained from S&P. See "RATINGS" herein.
Book-Entry-Only System	The Certificates are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry only system described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the purchasers 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 DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.
Payment Record	The City has never defaulted on the payment of its bonded indebtedness.

(*Remainder of Page Intentionally Left Blank*)

SELECTED FINANCIAL INFORMATION
(Unaudited)

2022 Certified Taxable Assessed Valuation…….. (100% of Market Value as of January 1, 2022)	$234,657,163
City Debt:	
Outstanding Tax Supported Debt (as of August 15, 2023)…….….	$2,980,000
Plus: The Certificates……..	$1,500,000
Total Tax Supported Debt…….	$4,480,000
Debt Service Fund Balance (as of Sept. 30, 2021)……..	$0.00

	% of 2022 Assessed Valuation	2020 Per Capita (1,546)
Debt Ratios:		
Direct Tax Supported Debt……..	1.91%	$2,879

2022 Tax Rate (per $100 of Assessed Valuation)	
Maintenance and Operation	$0.36658
Debt Service ……	0.15201
Total ……	$0.51859

Estimated Annual Debt Service Requirements……..	
Average……	$ 301,437.96
Maximum (2038)…….	$ 314,881.26

Tax Collections	
Current Year…….	In process
Total Collections……..	In process

_____
(a) Provided by the Wise County Appraisal District (the "Appraisal District") and net of exemptions. Such value is further subject to changes as additions, corrections and deletions are made to the tax roll.
(b) Includes self-supporting debt.

OFFICIAL STATEMENT
RELATING TO

$1,500,000
CITY OF RUNAWAY BAY, TEXAS
(Wise County)
Certificates of Obligation, Series 2023

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the schedules and the appendices hereto, provides certain information regarding the issuance by the City of Runaway Bay, Texas (the "City") of its 1,500,000 Certificates of Obligation, Series 2023 (the "Certificates").

The Certificates will be authorized to be issued, sold and delivered by an ordinance enacted by the City's governing body (the "City Council"), and such ordinance is referred to herein as the "Ordinance." Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Ordinance, except as otherwise indicated herein.

The City is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the laws of the State. For information regarding the City, see Appendices A and B of this Official Statement.

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

THE CERTIFICATES

Purpose

Proceeds from the sale of the Certificates will be used to pay contractual obligations to be incurred for (1) the construction of a City owned water tower, including shut off valves and hydrants and building of a road and equipment for the tower building and (2) professional services related thereto. See "THE CERTIFICATES – Sources and Uses of Funds" herein.

Authorization

The Certificates are direct obligations of the City, issued pursuant to Chapter 271, Subchapter C, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and the Ordinance.

Security for the Certificates

The Certificates are payable from ad valorem taxes to be levied and collected, within the limits prescribed by law, on all taxable property within the City, and by a limited, subordinate pledge of certain revenues derived from the City's waterworks and sewer system, as provided in the Ordinance.

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 integral multiples of $5,000, on February 15, 2033 or any date thereafter, such redemption date or dates to be fixed by the City, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying

Agent/Registrar (as defined herein) to select by lot the Certificates, or portions thereof, within each maturity to be redeemed.

Mandatory Redemption

The Certificates maturing on February 15 in the years 2038 and 2043 (the "Term Certificates") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided), on the following dates, in each case at a redemption price equal to the principal amount of the Certificates or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:

	Mandatory Redemption Dates	Principal Amounts
Term Certificates Maturing	February 15, 2034	$75,000
	February 15 2035	80,000
February 15, 2038	February 15, 2036	80,000
	February 15, 2037	85,000
	February 15, 2038*	90,000
	*stated maturity	

	Mandatory Redemption Dates	Principal Amounts
Term Certificates Maturing	February 15, 2039	$ 95,000
February 15, 2043	February 15, 2040	100,000
	February 15, 2041	105,000
	February 15, 2042	110,000
	February 15, 2043*	115,000
	*stated maturity	

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 each registered owner of a Certificate 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. If notice is so given and sufficient funds are provided for the payment of the redemption price of the Certificates, interest shall cease to accrue after the date fixed for redemption whether or not the Certificates have been submitted for payment. 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 THE FUNDS NECESSARY TO REDEEM SUCH CERTIFICATES HAVING BEEN PROVIDED, 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.

Sources and Uses of Funds

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

Sources	
Principal Amount	$1,500,000.00
Original Issue Premium	76,116.70
Total Sources of Funds	$1,576,116.70
Uses	
Deposit to Project Fund	$1,500,000.00
Costs of Issuance	54,000.00
Underwriter's Discount	20,923.83
Deposit to Debt Service Fund	1,192.87
Total Uses of Funds	$1,576,116.70

GENERAL INFORMATION REGARDING THE CERTIFICATES

General Description

The Certificates will be dated October 1, 2023 (the "Dated Date"), and will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the date of delivery to the underwriter listed on the cover page hereof (the "Underwriter"), and interest will be paid semiannually on each August 15 and February 15, commencing February 15, 2024. Interest will accrue on the Certificates on the basis of a 360-day year consisting of twelve 30-day months. The Certificates will be issued as book-entry-only securities pursuant to arrangements made with The Depository Trust Company, New York, New York. See "BOOK-ENTRY-ONLY SYSTEM."

Principal of the Certificates will be payable to the registered owners (the "Owners") at maturity or prior redemption upon presentation and surrender of such Certificates at the principal corporate office of the paying agent/registrar (the "Paying Agent/Registrar"), initially BOKF, NA, Dallas, Texas. Interest on the Certificates will be payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to Owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment" herein), or by such other customary banking arrangement, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owners. If the date for the payment of the principal of or interest on a Certificate shall be a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Certificates will mature on the dates, in the amounts and bear interest at the rates as set forth on inside cover page of this Official Statement.

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and Jackson Walker LLP, Houston, Texas, Bond Counsel. (See "LEGAL MATTERS and Appendix C – Form of Opinion of Bond Counsel").

Defeasance

The Ordinance provides that the City may defease the Certificates and discharge its obligation to the holders of any or all of the Certificates to pay the principal of and interest thereon in any manner now or hereafter permitted by

law, including by depositing with the Registrar or with the Comptroller of the State of Texas either: (a) cash in an amount equal to the principal amount of and interest thereon to the date of maturity or redemption; or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, which, in the case of (i), (ii), or (iii), may be in book entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Certificates are to be redeemed prior to their respective dates of maturity, provision shall be made for the giving of notice of redemption as provided in the Ordinance. Any surplus amount not required to accomplish such defeasance shall be returned to the City.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment 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 authorize.

Amendments to the Ordinance

In the Ordinance, the City has reserved the right to amend such Ordinance without the consent of any holder of the Certificates in any manner not detrimental to the interests of the holders of the Certificates, including the curing of any ambiguity, defect or omission therein.

The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates 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 (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.

OWNERSHIP

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificate for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Certificate is overdue, and neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

All payments made to the person deemed to be the owner of any Certificate in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar upon such Certificate to the extent of the sums paid.

OWNER'S REMEDIES

The Ordinance does not provide for the appointment of a trustee to represent the interests of the Certificate holders upon any failure of the City to perform in accordance with the terms of the Ordinance or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, the Ordinance does not establish specific events of default with respect to the Certificates and, under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of Certificates could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificates; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess, and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due or perform other material terms and covenants contained in the Ordinance. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of 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 Certificate holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions 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, including rights afforded to creditors under the Bankruptcy Code.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Municipal Advisor, and the Underwriters 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 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 Certificates in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's

participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities depository). In that event, physical 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.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

UMB Bank, N.A., Austin, Texas has been named to serve as initial Paying Agent/Registrar for the Certificates. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a commercial bank; a trust company organized under applicable law; or other entity duly qualified and legally authorized to serve and perform the duties of the 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.

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

Future Registration

In the event the book-entry-only system should be discontinued, printed Certificates will be delivered to the Owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the 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. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificate 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 at the Owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered Owner or assignee of the Owner after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the 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 of like kind and in authorized denominations and for a like aggregate principal amount as the Certificate or Certificates surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in the settlement and transfer of the Certificates.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date is the last business day of the month next preceding such interest payment date, as specified in the Ordinance. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (the "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 (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least 5 days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Certificate appearing on the 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.

Limitation on Transfer of Certificates

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate, or any portion thereof, called for redemption prior to maturity within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

Replacement of Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to them that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

AD VALOREM PROPERTY TAXATION

Valuation of Taxable Property

Title I of the Texas Tax Code (the "Property Tax Code") provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Hood County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the

income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

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

Chapter 380 Agreements

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

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% physically 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.

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.

Debt Tax Rate Limitations

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

Issuer and Taxpayer Remedies

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

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The 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.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property 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 Property Tax Code

The City does not grant a local option exemption of the appraised value of all residence homesteads.

The City does not grant a local option exemption of the appraised value of the residence homestead of persons 65 years of age or older.

The City does not grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

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

The City does not grant the Freeport Exemption

The City has not taken action to tax Goods-in-Transit

The City does not participate in a TIRZ

The City does not have any tax abatement agreements or Chapter 380 Agreements

2023 LEGISLATIVE SESSION

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

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 two special sessions. The second special session concluded on July 13, 2023.

During the second called special session, property tax legislation was passed that, among other things, (i) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (ii) establishes a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at $5,000,000 or less to 20

percent; (iii) excepts certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (iv) expands the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorize the legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. The foregoing legislation is intended to reduce the amount of property taxes paid by homeowners and businesses and will result in an increase the State's share of the cost of funding public education.

Implementation of the foregoing legislation is subject to voter approval of a constitutional amendment that will be submitted to the voters at an election to be held on November 7, 2023. If the constitutional amendment is approved by voters, certain additional legislation will take effect including but not limited to certain increases to the no-tax-due threshold for franchise tax. 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.

RETIREMENT PLAN

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System, an agent multi-employer public employee retirement system. For a discussion of the Retirement Plan, see "Appendix D Audited Financial Statements for the Fiscal Year Ended September 30, 2022."

INVESTMENT POLICIES

Accounting Principles Generally Accepted in the United States

The City policy is to adhere to accounting principles generally accepted in the United States (see "Appendix D Audited Financial Statements for the Fiscal Year Ended September 30, 2022").

Legal Investments

Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is 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 or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (i) that are issued by or through an institution that has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause

(1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

Investment Policies

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, 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 Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type,

(2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City 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 shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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 strategy statements and (b) state law. No person may invest City funds without express written authority from City Council.

Additional Provisions

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

Current Investments

As of September 30, 2022, the City's investment portfolio was invested in the following categories. As of such date, the market value of such investments was approximately 100% of their book value.

Type of Investment	Amount
Cash	$1,274,830
Total	$1,274,830

RATINGS

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

PENDING LITIGATION

There is no material litigation currently pending against the City.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Certificates are valid and binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel to the effect that (i) the Certificates issued in compliance with the provisions of the Ordinance are valid and legally binding obligations of the City and (ii) the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions (see "TAX MATTERS"). Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Certificates, and the opinion of Bond Counsel will make no statement as to such matters, or any other information that may have been relied on by anyone in making the decision to purchase the Certificates. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The applicable legal opinion will be printed on or attached to the definitive Certificates.

Bond Counsel has reviewed the statements and information appearing in the Official Statement under the captions "THE CERTIFICATES" (except the subcaption "Sources and Uses of Funds"), "GENERAL INFORMATION REGARDING THE CERTIFICATES," "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance with Prior Undertakings") fairly summarizes the procedures and documents referred to therein and is correct as to matters of law. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy, completeness, or fairness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy, completeness, or fairness of any of the information contained herein.

TAX MATTERS

Tax Exemption

In the opinion of Jackson Walker LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest with respect to the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest with respect to the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Jackson Walker LLP is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates(excluding amounts stated to be interest and payable at least annually over the term of such Series 2023B Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest with respect to the Certificates which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of Underwriter, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2023B Certificates. Beneficial owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue

discount, including the treatment of beneficial owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium 2023B Certificates") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Series 2023B Certificates, like the Premium 2023B Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium 2023B Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial owners of Premium 2023B Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2023B Certificates. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest with respect to the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest with respect to the Certificates being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2023B Certificates. The opinion of Jackson Walker LLP assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of execution and delivery of the Certificates may adversely affect the value of, or the tax status of interest on, the Series 2023B Certificates. Accordingly, the opinion of Jackson Walker LLP is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest with respect to the Certificates is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Certificates may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2023B Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Jackson Walker LLP is expected to express no opinion.

The opinion of Jackson Walker LLP is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Jackson Walker LLP's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Jackson Walker LLP cannot give and has not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Qualified Tax-Exempt Obligations

Section 265(b) of the Code provides, in pertinent part, that interest paid or incurred by 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)(3) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of 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)(3) of the Code. In furtherance of that designation, the City has covenanted to take such action that will assure, or to refrain from such action that will adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations."

LEGAL INVESTMENTS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Certificates are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE

No registration statement relating to the Certificates has been filed with the United States Securities and Exchange Commission 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 registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any other jurisdiction in which the Certificates may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration and qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

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 does not have outstanding more than $10,000,000 in aggregate principal amount of municipal securities (excluding securities offered in transactions that were exempt from the Rule). Pursuant to the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included this Official Statement, but only to the extent that such information is customarily prepared by the City and publicly available. Currently, the only information that is customarily prepared by the City and publicly available consists of an annual audit of the City's financial statements. The City will update and provide this information within twelve months after the end of each fiscal year.

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 (the "Rule"). 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 such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

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

Material Event Notices

The City will file with the MSRB notice of any of the following events with respect to the Certificates in a timely manner (not more than 10 business days after 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 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 (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties.

Neither the Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement, or liquidity enhancement. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having

supervision or jurisdiction over substantially all of the assets or business of the City. The term "financial obligation" used in clauses (15) and (16) of the immediately preceding paragraph means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee or either (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The City has complied in all material respects with its continuing disclosure agreements pursuant to the Rule during the past 5 years.

OTHER INFORMATION

Financial Advisor

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the City for certain information concerning the City and the Certificates. The fee of the Financial Advisor for services with respect to the Certificates is contingent upon the issuance and sale of the Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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

Underwriting

Raymond James and Associates, Inc. has agreed to purchase the Certificates from the City for $1,555,192.87 (being the principal amount of the Certificates, plus a premium of $76,116.70 less an Underwriter's discount of $20,923.83).

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

Forward-Looking Statements

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

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

Concluding Statement

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

The City has reviewed and approved the Official Statement and said instrument has been authorized for use and distribution by the Underwriters for the purpose of offering the Certificates.

/s/ Herman White
Mayor, City of Runaway Bay, Texas

ATTEST:

/s/ Misty Choate
Secretary, City of Runaway Bay, Texas

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APPENDIX A

FINANCIAL INFORMATION REGARDING
THE
CITY OF RUNAWAY BAY, TEXAS

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FINANCIAL INFORMATION FOR THE CITY

ASSESSED VALUATION **TABLE 1**

2022-2023 Total Value of Taxable Property		$261,466,076
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 2,351,791	
Disabled and Deceased Veterans' Exemptions	294,387	
Productivity Value Loss	0	
Homestead 10% Cap Adjustment	17,030,865	
Abatement	0	
Other	2,480,900	
Total Exempt Property	4,650,970	26,808,913
2022-2023 Net Taxable Assessed Valuation (100% of Actual)[(a)]		$234,657,163

[(a)] *See "AD VALOREM TAXATION - City Application of Property Tax Code" in the Official Statement for a description of the City's taxation procedures.*

Source: Wise County Appraisal District

PRINCIPAL TAXPAYERS **TABLE 2**

Name	Type of Business	2022/23 Net Taxable Assessed Valuation	% of Total 2022/23 Assessed Valuation*
Herman Berry White III	Residential Land	$1,933,100	0.82%
RB Golf Resort LTD	Golf Course/Country Club	1,922,835	0.82%
Runaway Bay Golf Course LLC	Golf Course/Country Club	1,877,689	0.80%
Oncor Delivery Co.	Electric Utility	1,817,218	0.77%
K2B Enterprise Inc.	Gas Station/Convenience Store	1,227,890	0.52%
TA DFW Residential LLC	Commercial Building	1,189,767	0.51%
Aubrey Harrison & Stephanie Renee Ellington	Individual Residence	1,076,927	0.46%
First State Bank	Financial Banking	892,993	0.38%
Patricia West	Commercial Banking	861,449	0.37%
Herman Berry White III	Residential Land	853,946	0.36%
Total		$13,653,814	5.81%

* Based on 2022-2023 Net Taxable Assessed Valuation of $234,657,163.

Source: Wise County Appraisal District

PROPERTY TAX RATES AND COLLECTIONS[(a)] **TABLE 3**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Collection % Current	Collection % Total[(b)]	Fiscal Year Ended
2018	$139,037,899	$0.59707	99.85%	99.85%	9-30-19
2019	150,797,997	0.59707	100.31%	100.31%	9-30-20
2020	169,385,164	0.60844	100.19%	100.19%	9-30-21
2021	189,890,615	0.57518	100.00%	100.00%	9-30-22
2022	234,657,163	0.51859	In process		9-30-23

_____

(a) See "AD VALOREM TAXATION - City Application of Property Tax Code" in the Official Statement for a description of the City's taxation procedures.

(b) Excludes interest and penalties.

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Wise County Appraisal District, and the City's 2022 Annual Financial Statements.

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

TAX RATE DISTRIBUTION **TABLE 4**

	2022-23	2021-22	2020-21	2019-20	2018-19
Maintenance & Operations	$0.36658	$0.42251	$0.43893	$0.45700	$0.45700
I & S Fund	0.15201	0.15267	0.16951	0.14007	0.14007
TOTAL	$0.51859	$0.57518	$0.60844	$0.59707	$0.59707

_____

Source: The City

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PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 5**

Fiscal Year 30-Sept	Existing Debt Service	Principal	Interest	Total Debt Service
2023	$ 192,181.26	$ -	$ -	$ 192,181.26
2024	194,406.26	50,000	62,488.06	306,894.32
2025	196,481.26	45,000	73,162.50	314,643.76
2026	193,481.26	50,000	70,550.00	314,031.26
2027	195,406.26	50,000	67,800.00	313,206.26
2028	192,256.26	55,000	64,912.50	312,168.76
2029	193,481.26	55,000	61,887.50	310,368.76
2030	193,981.26	60,000	58,725.00	312,706.26
2031	194,281.26	65,000	55,287.50	314,568.76
2032	194,381.26	65,000	51,875.00	311,256.26
2033	194,281.26	70,000	48,500.00	312,781.26
2034	193,981.26	75,000	44,875.00	313,856.26
2035	193,481.26	80,000	41,000.00	314,481.26
2036	192,781.26	80,000	37,000.00	309,781.26
2037	191,881.26	85,000	32,875.00	309,756.26
2038	196,381.26	90,000	28,500.00	314,881.26
2039	191,381.26	95,000	23,875.00	310,256.26
2040	191,303.13	100,000	19,000.00	310,303.13
2041	195,881.25	105,000	13,875.00	314,756.25
2042	195,112.50	110,000	8,500.00	313,612.50
2043	194,181.25	115,000	2,875.00	312,056.25
2044	193,087.50	-	-	193,087.50
Total	**$4,264,072.05**	**$1,500,000**	**$867,563.06**	**$6,631,635.11**

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APPENDIX B

GENERAL INFORMATION REGARDING
THE CITY OF RUNAWAY BAY, TEXAS

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General

The City of Runaway Bay, Texas (the "City") is a city located on Highway 380 on the banks of Lake Bridgeport, approximately 59 miles from Ft. Worth, Texas. The 2020 population was 1,546. Nearby chemical and petrochemical industries provide employment for many of the City's residence.

The City offers access to several financial institutes, churches of various denominations, and daycare centers. The local economy is gaining strength and the City has recently seen increases in construction and sales tax.

Education

The City is served by the Bridgeport Independent School District. The District serves approximately 2,200 students in the City of Bridgeport, Texas and surrounding communities. The District is comprised of 1 elementary school for grades Pre-kindergarten through second, one intermediate school for third through fifth, one middle school for sixth through eighth, and one high school grades 9th through 12th. All campuses offer enriched curricula with special programs for gifted/talented students as well as students achieving below grade level and are equipped with computers and cafeteria service. The high school offers college classes.

Wise County

Wise County, Texas (the "County") is located in north-west central Texas, encompassing 923 square miles, and was created in 1856. The County is traversed by Highways 81, 287, and 380 and State Highways 101, 114 and 199. The economy is diversified by manufacturing, state supported institutions and agriculture. According to the 2020 U.S. Census, the County's 2020 population was 68,632.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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October 17, 2023

City of Runaway Bay, Texas Certificates of Obligation, Series 2023

Ladies and Gentlemen:

We have acted as bond counsel to the City of Runaway Bay, Texas (the "City") in connection with the issuance of $1,500,000 aggregate principal amount of Obligations designated as "City of Runaway Bay, Texas Certificates of Obligation, Series 2023" (the "Obligations"). The Obligations are authorized by an ordinance adopted by the City Council of the City (the "City Council") on September 26, 2023 (the "Ordinance"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed the Ordinance, the tax certificate of the City dated the date hereof (the "Tax Certificate"), certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated

damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Obligations and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Obligations constitute the valid and binding obligations of the City.

2. The City Council has power and is obligated to levy an annual ad valorem tax, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Obligations.

3. The Obligations are also secured by a limited (in an amount not to exceed $1,000) subordinate pledge of revenues derived from operation of the City's waterworks and sewer system.

4. Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Obligations is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Obligations included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Faithfully yours,

JACKSON WALKER LLP

APPENDIX D

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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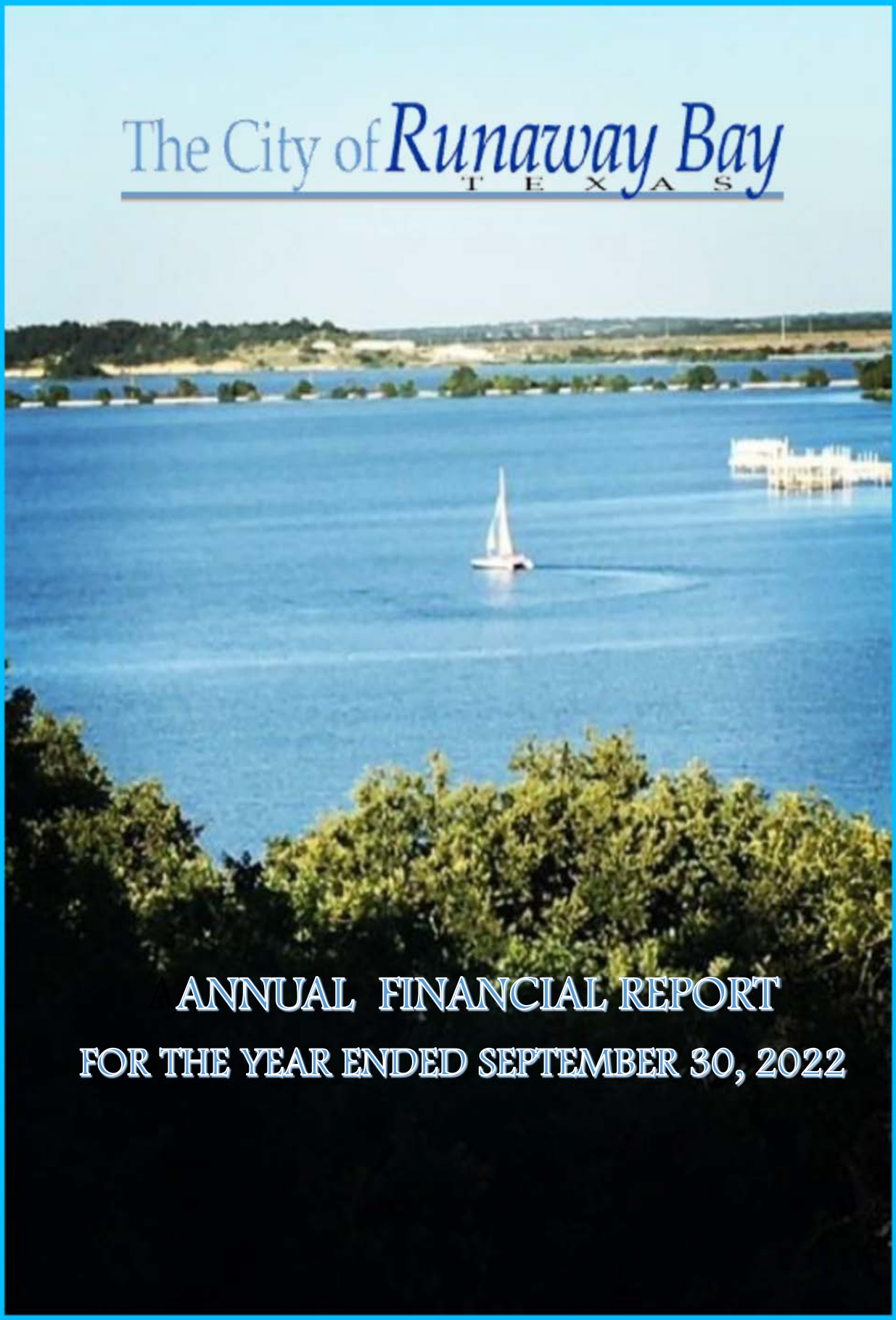

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

CITY OF RUNAWAY BAY, TEXAS
Annual Financial Report
For the year ended September 30, 2022

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CITY OF RUNAWAY BAY, TEXAS
Annual Financial Report
For the year ended September 30, 2022

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City of Runaway Bay, Texas

City Council
And Principal Officials

September 30, 2022

CITY COUNCIL

Herman White	**Mayor**
Carolyn Moody	**Mayor Pro-Tem**
Richard Griffin	**Council member**
Steve Holt	**Council member**
Todd Low	**Council member**
Chris Petty	**Council member**

FINANCIAL SECTION

GMS CERTIFIED PUBLIC ACCOUNTANTS
GEORGE | MORGAN | SNEED

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Runaway Bay, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 Responsibility 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

George, Morgan & Sneed, P.C.
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www.gms-cpa.com

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 management's discussion and analysis on pages 5-12 and budgetary comparison information, schedule of changes in net pension liability, and schedule of contributions and related ratios, and schedule of changes in total OPEB liability on pages 43-49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

George, Morgan & Lucas, P.C.

Weatherford, Texas
March 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Runaway Bay, Texas, we offer readers of The City of Runaway Bay's financial statements this narrative overview and analysis of the financial activities of The City of Runaway Bay for the fiscal year ended September 30, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Runaway Bay exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $5,922,808 (*net position*) compared to $5,368,686 for the prior year. Unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors was $2,489,960 at year end.

- The City's total net position increased by $554,122. The City's operations increased the governmental activities net position by $241,832 and increased business-type activities net position by $312,290 respectively.

- As of the close of the current fiscal year, the City of Runaway Bay's governmental funds reported combined ending fund balances of $1,184,695. This compares to an ending fund balance of $1,131,279 in the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $604,651, or 35% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report consists of three components 1) management's discussion and analysis, 2) the basic financial statements (government–wide financial statements, fund financial statements and notes to the financial statements) and 3) supplementary information.

Government-wide financial statements.

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All of the City's services are included here, such as general government, public safety, highways and streets, culture and recreation and economic development in the governmental activities and water and sewer, and marina and mowing in the business-type or proprietary activities.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

Fund financial statements.

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

Governmental funds. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that 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. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide a reconciliation that explains the relationship (or differences) between them.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains one type of proprietary funds. The City uses enterprise funds to account for its water and sewer and marina and mowing activities.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

Notes to the financial statements provide additional information that is necessary for a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

Supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $5,922,808 as of September 30, 2022. Below is a summary of the City's Statement of Net Position.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 2,316,404	$ 1,436,808	$ 2,544,738	$ 3,073,872	$ 4,861,142	$ 4,510,680
Capital assets	611,632	521,081	5,433,001	4,545,636	6,044,633	5,066,717
Total Assets	2,928,036	1,957,889	7,977,739	7,619,508	10,905,775	9,577,397
Deferred outflows of resources	18,853	22,192	5,107	5,879	23,960	28,071
Current liabilities	497,775	57,568	483,825	292,146	981,600	349,714
Long-term liabilities	112,566	128,450	3,561,841	3,707,725	3,674,407	3,836,175
Total liabilities	610,341	186,018	4,045,666	3,999,871	4,656,007	4,185,889
Deferred inflows of resources	339,865	39,212	11,055	11,681	350,920	50,893
Net Position:						
Net investment in capital assets	589,941	478,490	2,298,141	1,867,852	2,888,082	2,346,342
Restricted	544,766	585,885	-	-	544,766	585,885
Unrestricted	861,976	690,476	1,627,984	1,745,983	2,489,960	2,436,459
Total Net Position	$ 1,996,683	$ 1,754,851	$ 3,926,125	$ 3,613,835	$ 5,922,808	$ 5,368,686

The largest portion of the City's net position (48%) reflects its investment in capital assets (e.g. land, buildings and improvements, vehicles and machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (10%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors was $2,489,960 at the end of the year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate categories – governmental and business-type activities.

Below is a summary of the City's Statement of Activities.

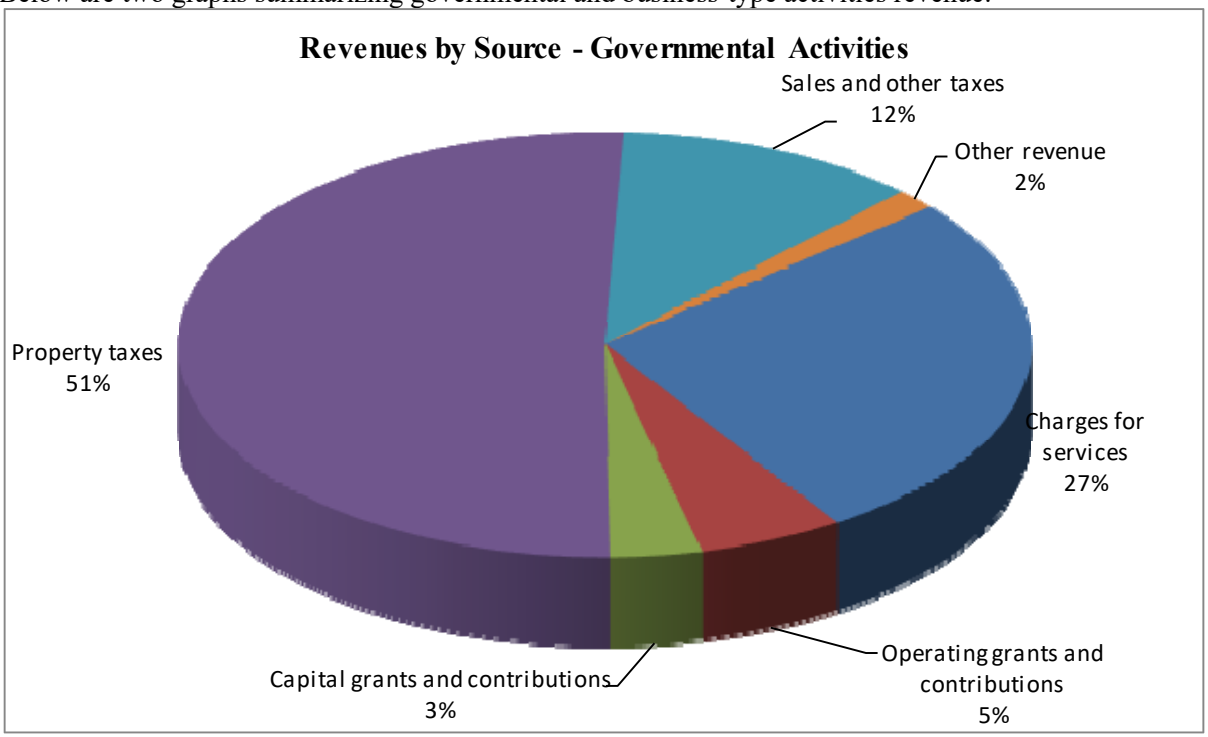
Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	$ 538,844	$ 380,150	$ 1,831,914	$ 1,547,019	$ 2,370,758	$ 1,927,169
Operating grants and contributions	110,830	53,965	-	-	110,830	53,965
Capital grants and contributions	70,000	-	-	-	70,000	-
General revenues:						
Property taxes	1,021,138	967,394	-	-	1,021,138	967,394
Sales and other taxes	232,162	197,111	-	-	232,162	197,111
Other Revenue	31,508	4,971	31,878	47,498	63,386	52,469
Total revenues	2,004,482	1,603,591	1,863,792	1,594,517	3,868,274	3,198,108
Expenses						
General government	466,314	380,356	-	-	466,314	380,356
Public Safety	633,736	581,162	-	-	633,736	581,162
Highways and streets	427,717	317,552	-	-	427,717	317,552
Culture and recreation	54,493	47,498	-	-	54,493	47,498
Economic development	13,499	4,810	-	-	13,499	4,810
Water and sewer	-	-	1,639,125	1,126,292	1,639,125	1,126,292
Marina and mowing	-	-	77,670	68,021	77,670	68,021
Interest on long-term debt	1,598	2,300	-	-	1,598	2,300
Total expenses	1,597,357	1,333,678	1,716,795	1,194,313	3,314,152	2,527,991
Increase (decrease) in net position before transfers	407,125	269,913	146,997	400,204	554,122	670,117
Transfers	(165,293)	(415,815)	165,293	415,815	-	-
Increase (decrease) in net position	241,832	(145,902)	312,290	816,019	554,122	670,117
Net Position October 1	1,754,851	1,900,753	3,613,835	2,797,816	5,368,686	4,698,569
Net Position September 30	$ 1,996,683	$ 1,754,851	$ 3,926,125	$ 3,613,835	$ 5,922,808	$ 5,368,686

Governmental Activities. Governmental activities increased the City's net position by $241,832 in the current year. Total governmental activities revenues increased $400,891 (25%) to $2,004,482. Charges for services increased $158,694 because of an increase in number of permits for new construction and increase in fines and fees for traffic violations. Grants and contributions revenue increased $126,865 because the City received grants for part of the cost of a new fire truck and donations for park improvements. Total governmental activities expenses increased $263,679 (20%) to $1,597,357. The largest increases were in personnel costs because vacant positions were filled and 2 positions were added.

Business-type activities. Business-type activities increased the City's net position by $312,290 in the current year. The business-type activities total revenues increased $269,275 (17%) to $1,863,792. The increase is primarily due to tap fees and bore fees because of new construction. Total expenses increased $522,482 (44%). The largest increases in water and sewer expenses were $327,466 for repairs and $82,093 for personnel costs because 2 positions were added.

Below are two graphs summarizing governmental and business-type activities revenue:



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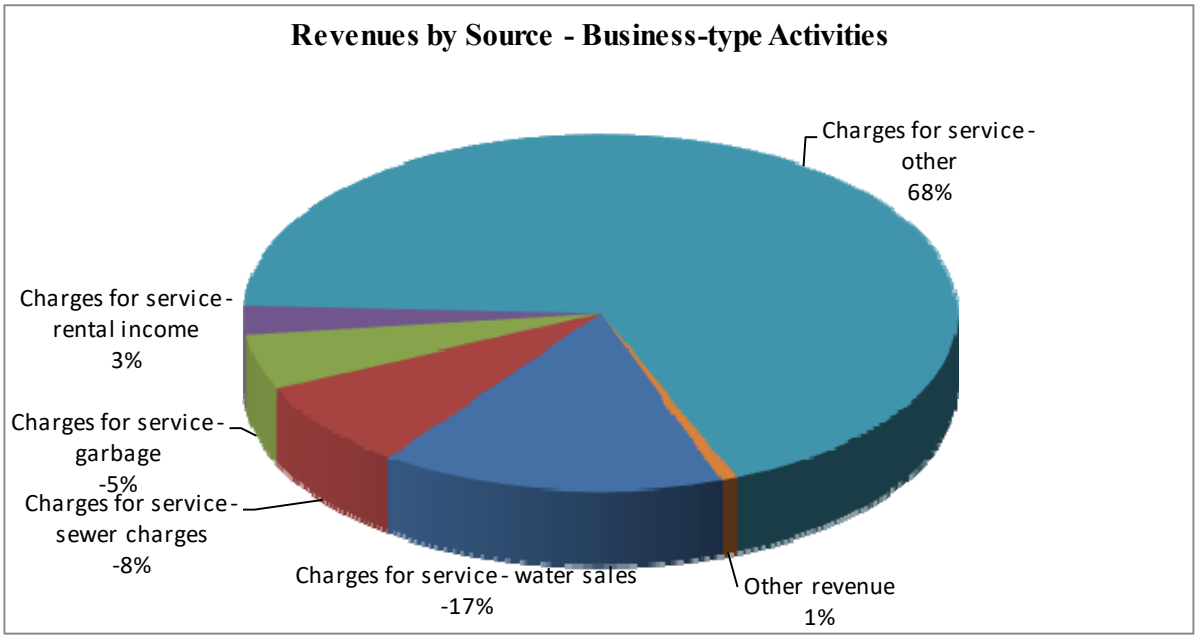

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of $1,184,695. $604,651 (51%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either restricted, committed or assigned.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $604,651. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 35% of total fund expenditures. The fund balance of the City's general fund increased $29,326 during the current fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund and Marina and Mowing Fund at the end of the year amounted to $1,355,747 and $272,237 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year the City amended its budget. Budget amendments increased revenues $347,364 with the largest increase in grants and increased expenditures by $425,936 with the largest increase in capital outlay for a fire truck. Actual revenues were $40,988 more than budgeted. Actual expenditures of the general fund were $66,438 less than budgeted.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2022, amounts to $6,044,633 (net of accumulated depreciation). Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- $156,088 Ford F-550 Fire Truck and Accessories
- $37,251 Todd Park playground improvements

Business-type activities:

- $966,141 Water treatment plant CIP
- $63,876 Standpipe and WS Mod CIP
- $18,675 2 10HP Pumps at WWTP

The City of Runaway Bay's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	$ 66,229	$ 66,230	$ 55,505	$ 55,505	$ 121,734	$ 121,735
Construction in progress	-	-	3,809,239	2,801,487	3,809,239	2,801,487
Buildings and improvements	309,782	316,892	1,177,483	1,281,226	1,487,265	1,598,118
Vehicles	220,123	117,419	21,138	19,786	241,261	137,205
Machinery and equipment	15,498	20,540	369,636	387,632	385,134	408,172
Total	$ 611,632	$ 521,081	$ 5,433,001	$ 4,545,636	$ 6,044,633	$ 5,066,717

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had $3,458,108 in long-term debt outstanding. Of this amount $2,980,000 are certificates of obligation secured by a combination of tax and revenue. The City's outstanding tax supported debt is rated "AA-" by Standard & Poor's Ratings Services.

City of Runaway Bay's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Notes payable	$ 21,691	$ 42,604	$ 456,417	$ 500,000	$ 478,108	$ 542,604
Certificates of Obligation	-	-	2,980,000	3,070,000	2,980,000	3,070,000
Total	$ 21,691	$ 42,604	$ 3,436,417	$ 3,570,000	$ 3,458,108	$ 3,612,604

Additional information about the City's debt is presented in the notes to the financial statements.

Economic factors and the Next Year's Budgets and Rates

The annual budget provides funding for services, programs, and projects that can be reasonably accomplished set by the City Council and organized by departmental function for ease of review and administration. Proposed Tax Rate of 0.518592 which is lower than the 2021-2022 budget.

In considering the City budget for fiscal year 2023, the City Council and Management Team considered the following:

- Water system improvements
- Continued growth in population

City Employees will continue to operate with the goals of efficiency and effectiveness while maintaining high service levels for health, safety, welfare and comfort for the citizens of Runaway Bay.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers and all investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact the City Administrator's office at 101 Runaway Bay Drive, Runaway Bay, Texas 76426.

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

CITY OF RUNAWAY BAY, TEXAS
Statement of Net Position
September 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	$ 1,644,340	$ 2,039,602	$ 3,683,942
Receivables (Net of allowances)			
Property taxes	26,469	-	26,469
Other taxes	75,867	-	75,867
Accounts	-	155,037	155,037
Leases	278,622		278,622
Miscellaneous	50,313	-	50,313
Supplies inventory	-	141,895	141,895
Restricted assets:			
Cash and cash equivalents	-	164,741	164,741
Net pension asset	240,793	43,463	284,256
Capital assets (net of accumulated depreciation):			
Non-depreciable assets	66,229	3,864,744	3,930,973
Depreciable assets	545,403	1,568,257	2,113,660
Total Assets	2,928,036	7,977,739	10,905,775
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows - pensions	10,381	3,577	13,958
Deferred outflows - OPEB	8,472	1,530	10,002
Total Deferred Outflows of Resources	18,853	5,107	23,960
LIABILITIES:			
Accounts payable	37,054	293,392	330,446
Accrued payroll	23,961	7,705	31,666
Due to state - court costs	45,478	-	45,478
Current Liabilities Payable from Restricted Assets:			
Interest payable	-	17,987	17,987
Customer deposits	-	164,741	164,741
Noncurrent liabilities:			
Due within one year	44,187	148,553	192,740
Due in more than one year	68,379	3,413,288	3,481,667
Total Liabilities	610,341	4,045,666	4,656,007
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows - leases	278,622	-	278,622
Deferred inflows - pensions	58,305	10,524	68,829
Deferred inflows - OPEB	2,938	531	3,469
Total Deferred Inflows of Resources	339,865	11,055	350,920
NET POSITION:			
Net Investments in Capital Assets	589,941	2,298,141	2,888,082
Restricted Net Position (Expendable)			
Municipal court	90,001	-	90,001
Fire department	98,655	-	98,655
Debt Service	236,183	-	236,183
Economic development	119,927	-	119,927
Unrestricted Net Position	861,976	1,627,984	2,489,960
Total Net Position	$ 1,996,683	$ 3,926,125	$ 5,922,808

The notes to the financial statements are an integral part of this statement.

EXHIBIT B-1

CITY OF RUNAWAY BAY, TEXAS
Statement of Activities
For the Year Ended September 30, 2022

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	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government							
Governmental activities:							
General government	$ 466,314	$ 280,001	$ -	$ -	$ (186,313)	$ -	$ (186,313)
Public safety	633,736	243,719	74,154	70,000	(245,863)	-	(245,863)
Highways and streets	427,717	-	-	-	(427,717)	-	(427,717)
Culture and recreation	54,493	15,124	36,676	-	(2,693)	-	(2,693)
Economic development	13,499	-	-	-	(13,499)	-	(13,499)
Interest on long-term debt	1,598	-	-	-	(1,598)	-	(1,598)
Total governmental activities	1,597,357	538,844	110,830	70,000	(877,683)	-	(877,683)
Business-type activities:							
Water and sewer	1,639,125	1,714,184	-	-	-	75,059	75,059
Marina and mowing	77,670	117,730	-	-	-	40,060	40,060
Total business-type activities	1,716,795	1,831,914	-	-	-	115,119	115,119
Total primary government	$ 3,314,152	$ 2,370,758	$ 110,830	$ 70,000	$ (877,683)	$ 115,119	$ (762,564)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes					$ 750,089	$ -	$ 750,089
Property Taxes, levied for debt service					271,049	-	271,049
Sales and Use Taxes					174,000	-	174,000
Franchise Taxes					54,863	-	54,863
Hotel Motel Taxes					3,299	-	3,299
Investment Earnings					29,606	10,472	40,078
Other Revenue					1,902	22,227	24,129
Gain or (loss) on sale of capital assets					-	(821)	(821)
Transfers					(165,293)	165,293	-
Total General Revenues and Transfers					1,119,515	197,171	1,316,686
Change in Net Position					241,832	312,290	554,122
Net Position October 1, 2021					1,754,851	3,613,835	5,368,686
Net Position September 30, 2022					$ 1,996,683	$ 3,926,125	$ 5,922,808

The notes to the financial statements are an integral part of this statement.

EXHIBIT C-1

CITY OF RUNAWAY BAY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2022

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Assets:				
Cash and cash equivalents	$ 1,274,830	$ 229,266	$ 140,244	$ 1,644,340
Receivables (Net of allowances)				
Property taxes	19,552	6,917	-	26,469
Other taxes	64,127	-	11,740	75,867
Leases	278,622	-	-	278,622
Miscellaneous	50,313	-	-	50,313
Due from other funds	-	-	2,597	2,597
Total assets	$ 1,687,444	$ 236,183	$ 154,581	$ 2,078,208
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 36,815	$ -	$ 239	$ 37,054
Accrued payroll	23,961	-	-	23,961
Due to state - court costs	45,478	-	-	45,478
Unearned revenue	391,282	-	-	391,282
Due to other funds	2,597	-	-	2,597
Total liabilities	500,133	-	239	500,372
Deferred inflows of resources:				
Deferred property tax	19,552	6,917	-	26,469
Leases	278,622	-	-	278,622
Other deferred revenue	88,050	-	-	88,050
Total deferred inflows of resources	386,224	6,917	-	393,141
Fund Balances:				
Restricted fund balance				
Municipal court	90,001	-	-	90,001
Fire department	98,655	-	-	98,655
Debt Service	-	229,266	-	229,266
Economic development	-	-	119,927	119,927
Assigned fund balance				
Public Safety	7,780	-	-	7,780
Cemetery	-	-	34,415	34,415
Unassigned Fund Balance	604,651	-	-	604,651
Total fund balances	801,087	229,266	154,342	1,184,695
Total liabilities, deferred inflows of resources, and fund balances	$ 1,687,444	$ 236,183	$ 154,581	$ 2,078,208

The notes to the financial statements are an integral part of this statement.

EXHIBIT C-2

CITY OF RUNAWAY BAY, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2022

Total Fund Balances - Governmental Funds	$ 1,184,695
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was $1,998,454 and the accumulated depreciation was $1,386,822.	611,632
Notes payable and compensated absences are not due and payable in the current period and, therefore are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the statement of net position.	(51,777)
Property taxes, franchise taxes, and municipal court fines and fees are not available soon enough to pay for the current period's expenditures and therefore are deferred inflows of resources in the fund financial statements.	114,519
Included in the items related to assets is the recognition of the City's net pension asset required by GASB 68 in the amount of $240,793 a deferred resource inflow - pensions in the amount of $58,305, and a deferred resource outflow - pensions in the amount of $10,381. This results in an increase in net position.	192,869
Included in the items related to noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of $60,789, and a deferred resource outflow - OPEB of $8,472, and a deferred resource inflow - OPEB of $2,938. This amounts to a decrease in net position.	(55,255)
Net Position of Governmental Activities	$ 1,996,683

The notes to the financial statements are an integral part of this statement.

EXHIBIT C-3

CITY OF RUNAWAY BAY, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2022

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property taxes	$ 743,736	$ 269,229	$ -	$ 1,012,965
Sales and use tax	117,406	-	56,594	174,000
Franchise	54,863	-	-	54,863
Hotel motel taxes	-	-	3,299	3,299
Court fines	214,818	-	-	214,818
Licenses and permits	264,859	-	-	264,859
Charges for service	28,316	-	1,950	30,266
Grants and contributions	180,830	-	-	180,830
Interest income	29,306	-	300	29,606
Other revenue	688	-	1,214	1,902
Total revenues	1,634,822	269,229	63,357	1,967,408
Expenditures:				
Current				
General government	473,636	-	1,208	474,844
Public safety	593,043	-	-	593,043
Highways and streets	405,217	-	-	405,217
Culture and recreation	44,612	-	-	44,612
Economic Development	-	-	6,299	6,299
Capital Outlay	194,988	-	7,200	202,188
Debt service:				
Principal	-	20,898	-	20,898
Interest and fiscal charges	-	1,598	-	1,598
Total expenditures	1,711,496	22,496	14,707	1,748,699
Excess (deficiency) of revenue over (under) expenditures)	$ (76,674)	$ 246,733	$ 48,650	$ 218,709
Other financing sources (uses):				
Transfers in	106,000	-	-	106,000
Transfers out	-	(253,293)	(18,000)	(271,293)
Total other financing sources (uses)	106,000	(253,293)	(18,000)	(165,293)
Net change in fund balances	29,326	(6,560)	30,650	53,416
Fund balance, October 1, 2021	771,761	235,826	123,692	1,131,279
Fund balance, September 30, 2022	$ 801,087	$ 229,266	$ 154,342	$ 1,184,695

The notes to the financial statements are an integral part of this statement.

EXHIBIT C-4

CITY OF RUNAWAY BAY, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes is Fund Balances of
The Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2022

Total Net Change in Fund Balances - Governmental Funds	53,416
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including $193,339 of capital outlays and $20,898 of debt principal payments is to increase net position.	214,237
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(102,788)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	37,075
Compensated absences payable are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The changes in these balances are reported as expenses in the governmental statement of activities.	4,042
GASB 68 requires the City to recognize their net pension liability, deferred resource inflow related to TMRS, and deferred resource outflow related to TMRS. The changes in these balances increased net pension.	47,075
GASB 75 requires the City to recognize their OPEB liability and deferred resource outflow related to OPEB. The changes in these balances decreased net pension.	(11,225)
Change in Net Position of Governmental Activities	241,832

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-1

CITY OF RUNAWAY BAY, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2022

	Enterprise Funds		
	Water and Sewer Fund	Marina and Mowing Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 1,768,012	$ 271,590	$ 2,039,602
Receivables (Net of allowances):			
Accounts	154,074	963	155,037
Supplies inventory	141,895	-	141,895
Restricted Assets:			
Cash and cash equivalents	152,941	11,800	164,741
Total current assets	2,216,922	284,353	2,501,275
Noncurrent Assets:			
Net pension asset	43,463	-	43,463
Capital assets, at cost:			
Land and land improvements	2,000	53,505	55,505
Construction in progress	3,809,239	-	3,809,239
Buildings and improvements	3,657,209	765,160	4,422,369
Vehicles and equipment	146,707	-	146,707
Machinery and equipment	929,375	50,399	979,774
Less: accumulated depreciation	(3,658,813)	(321,780)	(3,980,593)
Capital assets, net	4,885,717	547,284	5,433,001
Total noncurrent assets	4,929,180	547,284	5,476,464
Total assets	7,146,102	831,637	7,977,739
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows - pensions	3,577	-	3,577
Deferred outflows - OPEB	1,530	-	1,530
Total Deferred Outflows of Resources	5,107	-	5,107
LIABILITIES:			
Current Liabilities:			
Accounts payable	293,076	316	293,392
Accrued payroll	7,705	-	7,705
Compensated absences payable	4,766	-	4,766
Current Liabilities Payable from Restricted Assets:			
Current portion of long-term debt	143,787	-	143,787
Interest payable	17,987	-	17,987
Customer deposits payable	152,941	11,800	164,741
Total current liabilities	620,262	12,116	632,378
Noncurrent Liabilities:			
Compensated absences payable	95	-	95
Long-term portion of bonds payable	3,402,218	-	3,402,218
OPEB Liability	10,975	-	10,975
Total noncurrent liabilities	3,413,288	-	3,413,288
Total liabilities	4,033,550	12,116	4,045,666
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows - pensions	10,524	-	10,524
Deferred inflows - OPEB	531	-	531
Total Deferred Inflows of Resources	11,055	-	11,055
NET POSITION:			
Net Investment in Capital Assets	1,750,857	547,284	2,298,141
Unrestricted	1,355,747	272,237	1,627,984
Total net position	$ 3,106,604	$ 819,521	$ 3,926,125

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-2

CITY OF RUNAWAY BAY, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2022

	Enterprise Funds		
	Water and Sewer Fund	Marina and Mowing Fund	Totals
Operating revenues:			
Charges for sales and services	1,714,184	-	$ 1,714,184
Rental income	-	117,730	117,730
Miscellaneous	9,691	12,536	22,227
Total operating revenue	1,723,875	130,266	1,854,141
Operating expenses:			
Personnel costs	250,411	19,572	269,983
Supplies	24,403	6,627	31,030
Services & contracts	493,387	13,201	506,588
Repairs and maintenance	571,114	9,305	580,419
Bad debt expense	11,824	-	11,824
Depreciation	178,328	28,965	207,293
Total operating expenses	1,529,467	77,670	1,607,137
Operating income (loss)	194,408	52,596	247,004
Nonoperating revenues (expenses):			
Interest revenue	9,234	1,239	10,472
Gain or (loss) on sale of capital assets	(821)	-	(821)
Interest expense and fiscal charges	(109,658)	-	(109,658)
Total nonoperating revenues (expenses)	(101,245)	1,239	(100,007)
Income (loss) before transfers	93,163	53,835	146,997
Transfers (to) from other funds:			
Transfers in	271,293	-	271,293
Transfers out	(106,000)	-	(106,000)
Change in Net Position	258,455	53,835	312,290
Net Position, October 1, 2021	2,848,149	765,686	3,613,835
Net Position, September 30, 2022	$ 3,106,604	$ 819,521	$ 3,926,125

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-3

CITY OF RUNAWAY BAY, TEXAS
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2022

	Enterprise Funds		
	Water and Sewer Fund	Marina and Mowing Fund	Totals
Cash flows from operating activities:			
Cash received from customers	$ 1,724,676	$ 130,565	$ 1,855,241
Cash paid to suppliers	(1,046,430)	(29,540)	(1,075,970)
Cash paid to employees	(246,399)	(16,102)	(262,501)
Net cash provided by operating activities	431,847	84,923	516,770
Cash flow from noncapital financing activities:			
Transfers in	271,293	-	271,293
Transfers out	(106,000)	-	(106,000)
Net cash provided (used) by noncapital financing activities	165,293	-	165,293
Cash flow from capital and related financing activities:			
Capital expenditures	(1,025,876)	(22,265)	(1,048,141)
Principal payments on long-term debt	(133,583)	-	(133,583)
Interest paid on debt	(119,711)	-	(119,711)
Net cash (used) by capital and related financing activities	(1,279,170)	(22,265)	(1,301,435)
Cash flow from investing activities:			
Interest received	9,234	1,239	10,473
Net cash provided by investing activities	9,234	1,239	10,473
Net increase (decrease) in cash and cash equivalents	(672,796)	63,897	(608,899)
Cash and cash equivalents, October 1, 2021	2,593,749	219,493	2,813,242
Cash and cash equivalents, September 30, 2022	$ 1,920,953	$ 283,390	$ 2,204,343
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income	$ 194,408	$ 52,596	$ 247,004
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	178,328	28,965	207,293
(Increase) decrease in accounts receivable	(7,023)	(451)	(7,474)
(Increase) decrease in supplies inventory	(79,616)	-	(79,616)
Increase (decrease) in accounts payable	122,090	(407)	121,683
Increase (decrease) in accrued payroll	3,361	-	3,361
Increase (decrease) in compensated absences payable	1,085	-	1,085
Increase (decrease) in customer deposits	19,648	750	20,398
Increase (decrease) in net pension balances	1,115	5,062	6,177
Increase (decrease) in OPEB balances	(1,549)	(1,592)	(3,141)
Total adjustments	237,439	32,327	269,766
Net cash provided by operating activities	$ 431,847	$ 84,923	$ 516,770

The notes to the financial statements are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Runaway Bay incorporated in 1979 and operates as a Type A General-Law municipality. The City provides general government, public safety (police, fire and court), highway and streets, culture and recreation, economic development water and sewer and marina services.

The reporting entity consists of the City of Runaway Bay, Texas ("City") and its component unit. Component unit are legally separate entities for which the City is financially accountable or other organizations whose nature and significant relationship with the City are such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either the City's ability to impose its will on the organization or there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

The financial statements include one blended component unit which has a September 30 year-end. The blended component unit is reported as a special revenue fund in the governmental funds financial statements.

Blended Component Unit

The Runaway Bay Economic Development Corporation (the "BEDC") was incorporated under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. There are seven Board members, of which all are appointed by the City Council. It is funded through voter-authorized sales tax. The Corporation is authorized to sell bonds or other forms of indebtedness. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City of Runaway Bay, Texas. The Corporation provides all of its services within the City of Runaway Bay, Texas.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are 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. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, charges for service, 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. All other revenue items are considered to be measurable and available only when the government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

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

The *debt service fund* accounts for the accumulation of financial resources for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated.

The City reports the following major proprietary funds:

The *water and sewer fund* is used to account for the operation of the water and sewer systems of the City.

The *marina and mowing fund* is used to account for the operation of the marina and the mowing services provided by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Financial Statement Amounts

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased.

Restricted cash in the water and sewer and marina and mowing funds are held for customer deposits

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance for the general fund of $8,380 and the general debt service fund of $3,218 is equal to 30% of outstanding delinquent property taxes at September 30, 2022. The court fines and fees receivable is reported net of an allowance of $142,206 which is 75% of the outstanding receivable. Trade accounts receivable in the water and sewer fund and marina and mowing fund are reported net of allowances of $21,167 and $42,311 respectively which is the accounts aged 2+ months.

3. Property Tax

Ad valorem property taxes are levied each October 1 from valuations assessed as of the prior January 1 for all real and business personal property. Taxes are due on receipt of the tax bill and are delinquent if not paid before the following February 1. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest.

4. Inventory

The City's water and sewer fund inventory is recorded under the purchase method. Under the purchase method the inventory is first recorded as an expense when purchased and then adjusted at the end of the year to reflect the value of inventory at that date. Inventories held by the water and sewer fund are valued at cost.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government and proprietary funds are depreciated using the straight-line method over the following estimated useful lives.

Building and improvements	12 - 35 years
Vehicles	5 years
Equipment	5 - 12 years

The City has elected to not report infrastructure capital assets acquired prior to the implementation of GASB Statement No. 34.

6. Compensated Absences

It is the City's policy to permit employees to accrue vacation and sick leave. Employees are encouraged to use their vacation leave each year as it is earned however employees may accumulate vacation time. Employees may not carry forward more than 160 hours of unused vacation time. When an employee's service with the City is terminated the employee shall receive compensation for up to a maximum of 160 hours of accumulated unused vacation leave. The City allows employees to accumulate unused sick leave up to a maximum of 720 hours however sick leave is not paid as compensation upon termination of employment.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when they are incurred. Bonds payable are reported net of the applicable bond premium or discount.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates.

9. Fund Balances – Governmental Funds

In accordance with GASB No. 54, the City classified fund balances in the governmental funds as follows:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to formal action by City Council. Commitments may be modified or rescinded only through formal action of City Commission.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the City Manager based on Council directions.

Unassigned – All amounts not included in other spendable classifications.

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

10. Net Position

Net position represents the difference between asserts, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by outstanding balances of borrowings used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Pensions

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

12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. There have been no significant reductions in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

NOTE 2: DEPOSITS AND INVESTMENTS

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the 'Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations and market rate of return. The Investment Policy defines what constitutes the legal lists of investments allowed under the policy, which includes investment instruments allowed under Chapter 2256 of the Texas Government Code. As of year-end the City invested its funds in interest bearing checking accounts.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. 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. At September 30, 2022, the City's bank deposits were fully collateralized and insured.

NOTE 3: 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify in this category. They are deferred outflows related to pensions and deferred outflows related to OPEB reported in the government-wide statement of net position and proprietary funds statement of net position.

NOTE 3: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

In addition to liabilities, the statement of financial position and governmental funds balance sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has three types of items in this category. Unavailable revenues for governmental funds, and deferred inflows related to pensions and OPEB in the government-wide statement of net position and propriety funds statements are reported as deferred inflows of resources.

Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding leases receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

At the end of the fiscal year the components of deferred inflows in the governmental funds were as follows:

Deferred inflows of resources - governmental funds		
Deferred property taxes receivable (general fund)	$	19,552
Deferred property taxes receivable (general debt service fund)		6,917
Deferred franchise taxes receivable (general fund)		40,648
Deferred court fines (general fund)		47,402
Total deferred inflows for governmental funds	$	114,519

NOTE 4: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances for the City's individual major funds and nonmajor funds at September 30, 2022, is as follows:

Receivable Fund	Payable Fund		Amount
Economic Development Corporation	General Fund	$	2,597
Total governmental funds		$	2,597

Transfers from the water and sewer fund to the general fund are operating transfers. Transfers from the debt service fund to water and sewer fund are the debt payments.

Transfer In	Transfer Out		Amount
General Fund	Water and Sewer Fund	$	106,000
Total Governmental Funds Transfers In		$	106,000
Water and Sewer Fund	Debt Service Fund	$	253,293
Water and Sewer Fund	EDC		18,000
Total Enterprise Funds Transfers In		$	271,293

NOTE 5: LEASES RECEIVABLE

November 1, 2012, the City (lessor) entered into a lease agreement for tower space to a wireless internet company. The lease is for 5 years with 4 additional 5-year renewal periods.

June 1, 2022, the City (lessor) entered into a 5-year renewal period for a lease agreement for tower space to a wireless internet company. The lease is for 5 years with additional 5-year renewal periods until the City or lessee terminate the lease.

The leases are summarized as follows:

	Lease Receivable	Lease Revenue	Lease Interest Revenue
Water tower leases	$ 278,622	$ 11,392	$ 8,258

Future payments receivable are as follows:

	Principal	Interest
2023	$ 13,017	$ 9,005
2024	13,699	8,539
2025	14,182	8,055
2026	14,684	7,554
2027	13,996	7,042
2028 - 2032	86,552	27,265
2033 - 2037	120,312	10,580
2038 - 2042	2,180	6
	$ 278,622	$ 78,046

NOTE 6: CAPITAL ASSETS

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

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non - Depreciable Assets:					
Land	$ 66,229	$ -	$ -	$ -	$ 66,229
Construction in Progress	-	-	-	-	-
Total non-depreciable assets	66,229	-	-	-	66,229
Depreciable Assets:					
Buildings and improvements	953,055	37,251	-	-	990,306
Vehicles	671,063	156,088	-	-	827,151
Machinery and equipment	114,768	-	-	-	114,768
Total capital assets being depreciated	1,738,886	193,339	-	-	1,932,225
Accumulated Depreciation:					
Buildings and improvements	(636,163)	(44,361)	-	-	(680,524)
Vehicles	(553,644)	(53,384)	-	-	(607,028)
Machinery and equipment	(94,227)	(5,043)	-	-	(99,270)
Total accumulated depreciation	(1,284,034)	(102,788)	-	-	(1,386,822)
Governmental activities capital assets, net	$ 521,081	$ 90,551	$ -	$ -	$ 611,632

NOTE 6: CAPITAL ASSETS - (Continued)

	Primary Government				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non - Depreciable Assets:					
Land	$ 55,505	$ -	$ -	$ -	$ 55,505
Construction in Progress	2,801,487	1,030,017	(22,265)	-	3,809,239
Total non-depreciable assets	2,856,992	1,030,017	(22,265)	-	3,864,744
Depreciable Assets:					
Buildings and improvements	4,377,839	44,530	-	-	4,422,369
Vehicles	146,707	-	-	-	146,707
Machinery and equipment	943,147	43,198	(6,571)	-	979,774
Total capital assets being depreciated	5,467,693	87,728	(6,571)	-	5,548,850
Accumulated Depreciation:					
Buildings and improvements	(3,096,613)	(148,273)	-	-	(3,244,886)
Vehicles	(126,921)	(4,397)	5,749	-	(125,569)
Machinery and equipment	(555,515)	(54,623)	-	-	(610,138)
Total accumulated depreciation	(3,779,049)	(207,293)	5,749	-	(3,980,593)
Business-type activities capital assets, net	$ 4,545,636	$ 910,452	$ (23,087)	$ -	$ 5,433,001

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

Governmental activities:	
General government	$ 7,348
Public Safety	57,363
Highways and streets	28,196
Culture and recreation	9,881
Total depreciation expense - governmental activities	$ 102,788
Business-type activities:	
Water and Sewer	$ 178,328
Marina and Mowing	28,965
Total depreciation expense - business-type activities	$ 207,293

NOTE 7: LONG-TERM LIABILITIES

A. Notes Payable

The City had the following notes payable outstanding at September 30, 2022.

	09/30/2022
Governmental Activities	
$83,580 note payable to First Financial Bank in 4 annual installments of $22,499 including interest at 3.68%. Secured by 2 Chevy Tahoes.	$ 21,691
Total Governmental Activities	$ 21,691
Business-type Activities	
$500,000 note payable to Legacy Texas Bank in 10 annual installments of $58,412 including interest at 2.942%. Secured by a above ground water storage tank.	$ 456,417
Total Business-type Activities	$ 456,417

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

	Notes Payable				
	Governmental Activities		Business-type Activities		
	Principal	Interest	Principal	Interest	Total
2023	$ 21,691	$ 799	$ 45,066	13,346	$ 80,902
2024	-	-	46,384	12,028	58,412
2025	-	-	47,740	10,672	58,412
2026	-	-	49,136	9,276	58,412
2027	-	-	50,573	7,839	58,412
2028-2032	-	-	217,518	16,130	233,648
Total debt service requirements	$ 21,691	$ 799	$ 456,417	$ 69,291	$ 548,198

NOTE 7: LONG-TERM LIABILITIES- (Continued)

B. Bonds

The $3,210,000 Certificates of Obligation, Series 2019, are payable in semi-annual installments including interest of 3.0% - 3.25 %. The $915,000 General Obligation Refunding Bonds, Series 2012, are payable in semi-annual installments including interest at 3.25%. The bonds mature December 1, 2020. These General obligation bonds are direct placements with an investor. The registered owner shall be entitled to seek a court to compel the City to comply with obligation if City defaults on payment. The obligations are secured by pledge of ad valorem tax. The water and sewer fund requirements to maturity are as follows:

	Business-type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2023	$ 90,000	102,181	192,181
2024	95,000	99,406	194,406
2025	100,000	96,481	196,481
2026	100,000	93,481	193,481
2027	105,000	90,406	195,406
2028-2032	575,000	393,381	968,381
2033-2037	700,000	266,406	966,406
2038-2042	840,000	130,059	970,059
2043-2047	375,000	12,269	387,269
Total debt service requirements	$ 2,980,000	$ 1,284,070	$ 4,264,070

C. Changes in Long-term Liabilities

The following is a summary of long-term liability transactions for the year ended September 30, 2022:

	09/30/2021	Additions	Retirements	09/30/2022	Due Within One Year
Governmental Activities.:					
Notes payable	$ 42,589	$ -	$ 20,898	$ 21,691	$ 21,691
Compensated absences payable	34,129	30,086	34,129	30,086	22,496
OPEB liability	51,731	9,058	-	60,789	-
Total Governmental Activities	128,449	39,144	55,027	112,566	44,187
Business-type Activities:					
Certificates of Obligation	3,070,000	-	90,000	2,980,000	90,000
Issuance Premium	118,539	-	8,951	109,588	8,721
Notes Payable - Direct Borrowings	500,000	-	43,583	456,417	45,066
Compensated absences payable	3,776	4,861	3,776	4,861	4,766
OPEB liability	15,410	-	4,435	10,975	-
Total Business-type Activities	3,707,725	4,861	150,745	3,561,841	148,553
Total Long-Term Liabilities	$ 3,836,174	$ 44,005	$ 205,772	$ 3,674,407	$ 192,740

NOTE 8. DEFINED BENEFIT PENSION PLANS

Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the member's contributions, with interest, and the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring members 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 member contributions and interest.

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

	Plan Year 2021
Employee deposit rate	5%
Matching ratio (city to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	0%
Annuity increase (to retirees)	0% of CPI

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Active Employees	17
Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	35
	64

NOTE 8: DEFINED BENEFIT PENSION PLANS – (Continued)

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 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 were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.33% and 2.33% in calendar years 2022 and 2021, respectively. The city's contributions to TMRS for the year ended September 30, 2022, were $21,047, and were equal to the required contributions.

Net Pension Asset

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

Actuarial Assumptions:

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

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase 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, in order to satisfy the short-term and long-term funding needs to TMRS

NOTE 8: DEFINED BENEFIT PENSION PLANS – (Continued)

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

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

Discount Rate

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

NOTE 8: DEFINED BENEFIT PENSION PLANS – (Continued)

Changes in the Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
Balance at 12/31/20	$ 736,682	$ 957,987	$ (221,305)
Changes for the year:			
Service cost	70,416	-	70,416
Interest	51,018	-	51,018
Difference between expected and actual experience	1,807	-	1,807
Changes of assumptions	-	-	-
Contributions-employer	-	19,757	(19,757)
Contributions-employee	-	42,471	(42,471)
Net investment income	-	124,538	(124,538)
Benefit payments, including refunds of employee contributions	(32,132)	(32,132)	-
Administrative expense	-	(578)	578
Other changes	-	4	(4)
Net changes	91,109	154,060	(62,951)
Balance at 12/31/21	$ 827,791	$ 1,112,047	$ (284,256)

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Asset	$ (180,309)	$ (284,256)	$ (369,134)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2022, the City recognized pension expense of $(20,650).

NOTE 8: DEFINED BENEFIT PENSION PLANS – (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 814	$ 5,771
Changes in actuarial assumptions	-	-
Differences between projected and actual investment earnings	-	63,058
Contributions subsequent to the measurement date	13,144	-
Total	$ 13,958	$ 68,829

$13,144 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred outflows (inflows) of resources
Year ended December 31:	
2022	$ (16,239)
2023	(26,394)
2024	(13,408)
2025	(11,974)
2026	-
Thereafter	-
	$ (68,015)

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - (Continued)

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

B. Benefits Provided

At the December 31, 2021, 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	5
Active employees	17
	30

C. Total OPEB Liability

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

Actuarial Assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.50% - 11.50% including inflation
Retirees' share of benefit related costs	$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates for service retirees were based on 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates for disabled retirees were based on 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-froward for females. In addition, a 3.5% and a 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.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - (Continued)

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 1.84%. The discount rate was based on Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

Changes in the OPEB Liability

	Total OPEB Liability (a)
Balances as of December 31, 2020	$ 67,141
Changes for the year:	
Service cost	4,332
Interest on total OPEB liability	1,376
Effect of plan changes	-
Effect of economic/demographic gains or losses	(2,456)
Effect of assumptions changes or inputs	2,389
Benefit payments	(1,018)
Balances as of December 31, 2021	$ 71,764

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% decrease discount rate 0.84%	Current Discount Rate 1.84%	1% increase discount rate 2.84%
Net Pension Liability	$ 8,952	$ 71,764	$ 58,655

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - (Continued)

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

For the year ended September 30, 2022, the City recognized OPEB expense of $9,102.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10	$ 3,253
Changes in assumptions	9,992	216
Contributions made subsequent to measurement date	-	-
Total	$ 10,002	$ 3,469

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

Plan year ended December 31:	
2022	$ 3,684
2023	2,569
2024	280
2025	-
2026	-
Thereafter	-
Total	$ 6,533

NOTE 10: CONTINGENT LIABILITIES

A. Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

NOTE 11: CONTRACTS AND COMMITMENTS

August 25, 2004, the City entered into a 40 year agreement with the Tarrant Regional Water District (the "District") for the supply of raw water. The City may not use more than 1,456.2 acre-feet per year without prior written approval of the District. The City purchases 100% of its water from the District. The City paid the District $154,943 under this agreement for the year ended September 30, 2022.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events were evaluated through March 15, 2023, which is the date the financial statements were available to be issued.

NOTE 13: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

For 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements and did not have an effect on the beginning net position. On October 1, 2021, the City recognized $279,262 in lease receivable and $279,262 in deferred inflows related to leases. The implementation of GASB Statement No. 87 had the following effect on the net position and fund balance as reported September 30, 2021.

	Governmental Activities	General Fund
Net Position and Fund Balance September 30, 2021	$ 1,754,851	$ 771,761
Adjustments:		
Lease Receivable	279,262	279,262
Deferred Inflows - Leases	(279,262)	(279,262)
Restated Net Position September 30, 2021	$ 1,754,851	$ 771,761

NOTE 14: CORONAVIRUS LOCAL FISCAL RECOVERY FUND

Under the American Rescue Plan Act of 2021, the Coronavirus Local Fiscal Recovery Fund (CLFRF) provides emergency funding for eligible local governments. The City received $391,282 in fiscal year 2022 that has been reported as unearned revenue in the general fund until the funds are spent on eligible expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F-1

CITY OF RUNAWAY BAY, TEXAS
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes:				
Property taxes	$ 758,820	$ 751,820	$ 743,736	$ (8,084)
Sales and use tax	79,500	83,500	117,406	33,906
Franchise	58,000	54,500	54,863	363
Court fines	130,000	138,000	214,818	76,818
Licenses and permits	120,000	155,000	264,859	109,859
Charges for service	31,750	33,590	28,316	(5,274)
Grants and contributions	55,400	363,424	180,830	(182,594)
Interest income	3,000	8,000	29,306	21,306
Other revenue	10,000	6,000	688	(5,312)
Total revenues	1,246,470	1,593,834	1,634,822	40,988
Expenditures:				
Current				
General government	348,030	466,167	473,636	(7,469)
Public safety	610,033	624,444	593,043	31,401
Highways and streets	328,885	426,985	405,217	21,768
Culture and recreation	38,050	44,550	44,612	(62)
Capital Outlay	27,000	215,788	194,988	20,800
Total expenditures	1,351,998	1,777,934	1,711,496	66,438
Excess (deficiency) of revenue over (under) expenditures)	(105,528)	(184,100)	(76,674)	107,426
Other financing sources (uses):				
Transfers in	106,000	106,000	106,000	-
Net change in fund balances	472	(78,100)	29,326	107,426
Fund balance, October 1, 2021	771,761	771,761	771,761	-
Fund balance, September 30, 2022	$ 772,233	$ 693,661	$ 801,087	$ 107,426

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF RUNAWAY BAY
Schedule of Changes in Net Pension Liability and Related Ratios
Last 8 Years

Total Pension Liability		
Plan Year	2014	2015
Service Cost	$ 45,430	$ 50,196
Interest (on the Total Pension Liability)	29,716	33,485
Changes of benefit terms	-	-
Differences between expected and actual experience	1,152	(2,395)
Change of assumtions	-	16,224
Benefit payments, including refunds of employee contributions	(28,140)	(21,538)
Net Change in Total Pension Liability	48,158	75,972
Total Pension Liability-Beginning	$ 415,871	$ 464,029
Total Pension Liability-Ending (a)	$ 464,029	$ 540,001
Plan Fiduciary Net Position		
Contributions-Employer	$ 5,205	12,505
Contributions-Employee	28,917	29,218
Net Investment Income	33,429	919
Benefit payments, including refunds of employee contributions	(28,140)	(21,538)
Administrative Expense	(349)	(560)
Other	(29)	(28)
Net Change in Plan Fiduciary Net Position	39,033	20,516
Plan Fiduciary Net Position-Beginning	584,460	623,493
Plan Fiduciary Net Position-Ending (b)	$ 623,493	$ 644,009
Net Pension Liability/(Asset)-Ending (a) - (b)	$ (159,464)	$ (104,008)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	134.37%	119.26%
Covered Employee Payroll	$ 578,345	$ 584,358
Net Pension Asset as a Percentage of Covered Employee Payroll	27.57%	17.80%

The accompanying notes to the required supplementary information are an integral part of this schedule.

EXHIBIT F-2

2016	2017	2018	2019	2020	2021
$ 46,936	$ 40,567	$ 55,409	$ 63,555	$ 58,935	$ 70,416
37,546	39,607	40,504	43,060	48,458	51,018
-	-	-	-	-	-
(9,732)	(15,045)	(18,887)	8,452	(40,743)	1,807
-	-	-	3,401	-	-
(14,453)	(67,633)	(50,881)	(35,588)	(36,787)	(32,132)
60,297	(2,504)	26,145	82,880	29,863	91,109
$ 540,001	$ 600,298	$ 597,794	$ 623,939	$ 706,819	$ 736,682
$ 600,298	$ 597,794	$ 623,939	$ 706,819	$ 736,682	$ 827,791
11,998	10,811	14,842	13,638	12,571	19,757
27,162	23,261	32,479	38,194	36,335	42,471
43,413	98,436	(23,187)	115,474	66,545	124,538
(14,453)	(67,633)	(50,881)	(35,588)	(36,787)	(32,132)
(492)	(511)	(499)	(654)	(432)	(578)
(27)	(26)	(24)	(20)	(16)	4
67,601	64,338	(27,270)	131,044	78,216	154,060
644,009	711,610	775,948	748,727	879,771	957,987
$ 711,610	$ 775,948	$ 748,678	$ 879,771	$ 957,987	$1,112,047
$ (111,312)	$ (178,154)	$ (124,739)	$ (172,952)	$ (221,305)	$ (284,256)
118.54%	129.80%	119.99%	124.47%	130.04%	134.34%
$ 543,237	$ 465,213	$ 649,581	$ 763,883	$ 726,699	$ 849,415
20.49%	38.30%	19.20%	22.64%	30.45%	33.46%

The accompanying notes to the required supplementary information are an integral part of this schedule.

EXHIBIT F-3

CITY OF RUNAWAY BAY
Schedule of Employer Contributions and Related Ratios
Last 8 Fiscal Years

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Contribution as a % of Covered Payroll
2015	$ 10,743	$ 10,743	-	$ 580,833	1.85%
2016	12,565	12,565	-	574,922	2.19%
2017	10,381	10,381	-	451,561	2.30%
2018	13,948	13,948	-	609,013	2.29%
2019	13,851	13,851	-	723,411	1.91%
2020	12,766	12,766	-	732,081	1.74%
2021	16,491	16,491	-	740,845	2.23%
2022	21,047	21,047	-	887,913	2.37%

The accompanying notes to required supplementary information are an integral part of this schedule.

EXHIBIT F-4

CITY OF RUNAWAY BAY
Schedule of Changes in Total OPEB Liability and Related Ratios
September 30, 2022

Total OPEB liability

Plan Year	2017	2018	2019	2020	2021
Service Cost	$ 1,768	$ 2,793	$ 2,597	$ 2,761	$ 4,332
Interest (on the Total Pension Liability)	1,360	1,422	1,620	1,571	1,376
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	182	(484)	(2,421)	(2,456)
Change of assumtions or other inputs	3,477	(3,288)	9,993	9,679	2,389
Benefit payments, including refunds of employee contributions	(93)	(195)	(382)	(363)	(1,018)
Net Change in Total Pension Liability	6,512	914	13,344	11,227	4,623
Total Pension Liability-Beginning	35,142	41,654	42,570	55,914	67,141
Total Pension Liability-Ending (a)	$ 41,654	$ 42,568	$ 55,914	$ 67,141	$ 71,764
Covered Employee Payroll	$ 465,213	$ 649,581	$ 763,883	$ 726,699	$ 849,415
Net OPEB Liability as a Percentage of Covered Employee Payroll	8.95%	6.55%	7.32%	9.24%	8.45%

The accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF RUNAWAY BAY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2022

Budget

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the City Administrator submits to the City Council a balances budget for the ensuing fiscal year.

2. The City Council holds one or more public hearings on the proposed budget prior to the final adoption.

3. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first date of the ensuing fiscal year.

4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds.

5. Annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund and Enterprise Funds are adopted on the modified accrual basis of accounting.

6. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.

7. The City Council may authorize additional appropriations during the year.

8. During the fiscal year, the Council authorizes and approves amendments to the budget, which provides for and approves all expenditures and transfers.

Excess of Expenditures under Appropriations

Total expenditures were $66,438 less than budgeted. General government exceeded budget because of inspections for construction permits and attorneys for the water plant.

CITY OF RUNAWAY BAY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2022

Schedule of Contributions

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumtions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Morality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) morality tables, with the Public Safety table used for males and the General Employee tables used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes	There were no benefit changes during the year.

Schedule of Changes in OPEB Liability

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75 to pay related benefits.

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

EXHIBIT G-1

CITY OF RUNAWAY BAY, TEXAS
Nonmajor Funds
Combining Balance Sheet
September 30, 2022

	Special Revenue Funds				
	Economic Development Corporation	Hotel Occupancy	Cemetery	Total Special Revenue Funds	Total Nonmajor Funds
Assets:					
Cash	87,414	18,415	34,415	$ 140,244	$ 140,244
Receivables (Net of allowances for uncollectibles)					
Other taxes	11,740	-	-	11,740	11,740
Due from other funds	2,597	-	-	2,597	2,597
Total assets	$ 101,751	$ 18,415	$ 34,415	$ 154,581	$ 154,581
Liabilities and fund balance:					
Liabilities:					
Accounts payable	239	-	-	239	239
Total liabilities	239	-	-	239	239
Fund Balances:					
Restricted fund balance					
Restricted for economic development	101,512	18,415	-	$ 119,927	$ 119,927
Assigned fund balance - cemetery	-	-	34,415	34,415	34,415
Total fund balance	101,512	18,415	34,415	154,342	154,342
Total liabilities and fund balances	$ 101,751	$ 18,415	$ 34,415	$ 154,581	$ 154,581

EXHIBIT G-2

CITY OF RUNAWAY BAY, TEXAS
Nonmajor Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended September 30, 2022

	Special Revenue Funds				
	Economic Development Corporation	Hotel Occupancy	Cemetery	Total Special Revenue Funds	Total Nonmajor Funds
Revenues:					
Taxes					
Sales and use tax	$ 56,594	$ -	$ -	$ 56,594	$ 56,594
Hotel motel taxes	-	3,299	-	3,299	3,299
Charges for service	-	-	1,950	1,950	1,950
Interest	72	75	153	300	300
Miscellaneous Income	-	-	1,214	1,214	1,214
Total revenue	56,666	3,374	3,317	63,357	63,357
Expenditures:					
Current:					
General government	-	-	1,208	1,208	1,208
Economic development	6,299	-	-	6,299	6,299
Capital outlay	7,200	-	-	7,200	7,200
Total expenditures	13,499	-	1,208	14,707	14,707
Excess (deficiency) of revenue over (under) expenditures	43,167	3,374	2,109	48,650	48,650
Other financing sources (uses):					
Transfers out	(18,000)	-	-	(18,000)	(18,000)
Net change in fund balances	25,167	3,374	2,109	30,650	30,650
Fund Balance, October 1, 2021	76,345	15,041	32,306	123,692	123,692
Fund Balance, September 30, 2022	$ 101,512	$ 18,415	$ 34,415	$ 154,342	$ 154,342

BUDGETARY SCHEDULES

EXHIBIT G-3

CITY OF RUNAWAY BAY, TEXAS
Economic Development Corporation
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes:				
Sales and use tax	$ 32,000	$ 32,000	$ $ 56,594	$ 24,594
Interest income	200	200	72	(128)
Total revenues	32,200	32,200	56,666	24,466
Expenditures:				
Current				
Economic Development	29,650	29,650	6,299	23,351
Capital outlay	-	-	7,200	(7,200)
Total expenditures	29,650	29,650	13,499	16,151
Excess (deficiency) of revenue over (under) expenditures)	$ 2,550	$ 2,550	$ 43,167	40,617
Other financing sources (uses):				
Transfers out	(18,000)	(18,000)	(18,000)	-
Net change in fund balances	(15,450)	(15,450)	25,167	40,617
Fund balance, October 1, 2021	76,345	76,345	76,345	-
Fund balance, September 30, 2022	$ 60,895	$ 60,895	$ 101,512	$ 40,617

EXHIBIT G-4

CITY OF RUNAWAY BAY, TEXAS
Hotel Occupancy Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes:				
Hotel motel taxes	$ 3,300	$ 1,800	$ 3,299	$ 1,499
Interest income	50	50	75	25
Total revenues	3,350	1,850	3,374	1,524
Expenditures:				
Current				
Economic Development	3,300	3,300	-	3,300
Total expenditures	3,300	3,300	-	3,300
Net change in fund balances	50	(1,450)	3,374	4,824
Fund balance, October 1, 2021	15,041	15,041	15,041	-
Fund balance, September 30, 2022	$ 15,091	$ 13,591	$ 18,415	$ 4,824

EXHIBIT G-5

CITY OF RUNAWAY BAY, TEXAS
Cemetery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Charges for service	$ 2,000	$ 2,000	$ 1,950	$ (50)
Interest income	100	100	153	53
Miscellaneous income	-	-	1,214	1,214
Total revenues	2,100	2,100	3,317	1,217
Expenditures:				
Current				
General government	2,000	2,000	1,208	792
Total expenditures	2,000	2,000	1,208	792
Net change in fund balances	100	100	2,109	2,009
Fund balance, October 1, 2021	32,306	32,306	32,306	-
Fund balance, September 30, 2022	$ 32,406	$ 32,406	$ 34,415	$ 2,009

EXHIBIT G-6

CITY OF RUNAWAY BAY, TEXAS
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes:				
Property taxes	$ 268,642	$ 268,642	$ 269,229	$ 587
Interest income			-	-
Total revenues	268,642	268,642	269,229	587
Expenditures:				
Debt Service:				
Principal	154,513	154,513	20,898	133,615
Interest and fiscal charges	121,279	121,279	1,598	119,681
Total expenditures	275,792	275,792	22,496	253,296
Excess (deficiency) of revenue over (under) expenditures)	(7,150)	(7,150)	246,733	253,883
Other financing sources (uses):				
Transfers out	-	-	(253,293)	(253,293)
Net change in fund balances	(7,150)	(7,150)	(6,560)	590
Fund balance, October 1, 2021	235,826	235,826	235,826	-
Fund balance, September 30, 2022	$ 228,676	$ 228,676	$ 229,266	$ 590

EXHIBIT G-7

CITY OF RUNAWAY BAY, TEXAS
Water and Sewer Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the year ended September 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services	$ 1,286,400	$ 1,551,000	$ 1,714,184	$ 163,184
Miscellaneous	10,000	10,000	9,691	(309)
Total operating revenues	1,296,400	1,561,000	1,723,875	162,875
Operating expenses:				
Personnel costs	220,300	291,300	250,411	40,889
Supplies	14,500	18,000	24,403	(6,403)
Services & contracts	421,750	454,850	493,388	(38,538)
Repairs and maintenance	217,000	267,626	571,114	(303,488)
Capital outlay	99,000	99,000	-	99,000
Bad debt	-	-	11,824	(11,824)
Total operating expenses	972,550	1,130,776	1,351,140	(220,364)
Operating income (loss)	323,850	430,224	372,735	(57,489)
Nonoperating revenues (expenses):				
Interest revenue	7,450	7,450	9,234	1,784
Gain or (loss) on sale of capital assets	-	-	(821)	(821)
Interest expense and fiscal charges	-	-	(109,658)	(109,658)
Total nonoperating revenues (expenses)	7,450	7,450	(101,245)	(108,695)
Income (loss) before transfers	331,300	437,674	271,490	(166,184)
Other financing sources (uses):				
Transfers in	18,000	18,000	271,293	253,293
Transfers out	(106,000)	(106,000)	(106,000)	-
Change in net position	243,300	349,674	436,783	87,109
Net position, October 1, 2021	2,848,149	2,848,149	2,848,149	-
Net position, September 30, 2022	$ 3,091,449	$ 3,197,823	3,284,932	$ 87,109
Reconcliation from budgetary basis to GAAP basis				
Depreciation expense			(178,328)	
Net position, September 30, 2022 (GAAP Basis)			$ 3,106,604	

EXHIBIT G-8

CITY OF RUNAWAY BAY, TEXAS
Marina and Mowing Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the year ended September 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services	$ 7,500	$ 7,500	$ -	$ (7,500)
Rental income	123,000	123,000	117,730	(5,270)
Miscellaneous	500	500	12,536	12,036
Total operating revenues	131,000	131,000	130,266	(734)
Operating expenses:				
Personnel costs	27,300	27,300	19,572	7,728
Supplies	6,000	6,000	6,627	(627)
Services & contracts	21,500	21,500	13,201	8,299
Repairs and maintenance	23,000	28,000	9,305	18,695
Capital outlay	49,000	-	-	-
Depreciation	-	-	-	-
Total operating expenses	126,800	82,800	48,705	34,095
Operating income (loss)	4,200	48,200	81,561	33,361
Nonoperating revenues (expenses):				
Interest revenue	300	300	1,239	939
Gain (loss) on sale of capital assets	-	500	-	(500)
Total nonoperating revenues (expenses)	300	800	1,239	439
Change in net position	4,500	49,000	82,800	33,800
Net position, October 1, 2021	765,686	765,686	765,686	-
Net position, September 30, 2022	$ 770,186	$ 814,686	$ 848,486	$ 33,800

Reconcliation from budgetary basis to GAAP basis	
Depreciation expense	(28,965)
Net position, September 30, 2022 (GAAP Basis)	$ 819,521

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

GMS CERTIFIED PUBLIC ACCOUNTANTS
GEORGE | MORGAN | SNEED

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the City Council
City of Runaway Bay, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Runaway Bay, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

George, Morgan & Sneed, P.C.
1849 Wall Street | Weatherford, TX 76086 | *Phone* 817.594.2704 | *Fax* 817.599.7389
www.gms-cpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

George, Morgan & Lucas, P.C.

Weatherford, Texas
March 15, 2023

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CITY OF RUNAWAY BAY, TEXAS (WISE COUNTY) • CERTIFICATES OF OBLIGATION, SERIES 2023

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