NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "AA" (BAM Insured)
S&P: "A+" (Underlying)
(See: "OTHER PERTINENT INFORMATION-Ratings", " BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein)

OFFICIAL STATEMENT
July 21, 2020

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

The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

$2,570,000
CITY OF GATESVILLE, TEXAS
(A political subdivision of the State of Texas located in Coryell County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

Dated Date: July 1, 2020 **Due: February 1, as shown on inside cover**

The $2,570,000 City of Gatesville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City of Gatesville, Texas (the "City" or the "Issuer") on July 14, 2020, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

Interest on the Certificates will accrue from July 1, 2020 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2021, until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. The Purchaser of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's combined utility system, including the purchase and installation of AMI Smart Water Meters; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

BAM BUILD AMERICA MUTUAL

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

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

The Certificates are offered for delivery, when, as and if issued and received by Hilltop Securities Inc. the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about August 12, 2020.

$2,570,000
CITY OF GATESVILLE, TEXAS
(A political subdivision of the State of Texas located in Coryell County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

MATURITY SCHEDULE
(Due February 1)

CUSIP Prefix No. 367532[1]

Stated Maturity February 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[a]
2021	$ 115,000	3.000	0.300	JM1
2022	120,000	3.000	0.320	JN9
2023	125,000	3.000	0.350	JP4
2024	135,000	3.000	0.400	JQ2
2025	155,000	3.000	0.500	JR0
2026	170,000	4.000	0.650	JS8
2027	175,000	4.000	0.800	JT6
2028	180,000	4.000	0.900	JU3
2029	190,000	2.000	1.000	JV1
2030	190,000	2.000	1.100[2]	JW9
2031	195,000	2.000	1.170[2]	JX7
2032	200,000	2.000	1.270[2]	JY5
2033	205,000	2.000	1.370[2]	JZ2
2034	205,000	2.000	1.430[2]	KA5
2035	210,000	2.000	1.480[2]	KB3

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E- Specimen Municipal Bond Insurance Policy".

[1] CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.
[2] Yield calculated based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2029, the first optional call date for the Certificates, at a redemption price of par plus accrued interest to the date of redemption.

CITY OF GATESVILLE TEXAS
110 N 8th Street
Gatesville, Texas 76528
Telephone: (254) 865-8951

ELECTED OFFICIALS

Name	Position	On Council Since	Term Expires November	Occupation
Gary Chumley	Mayor	2008	2020	Banker
Meredith Rainer	Mayor Pro Tem	2015	2021	Homemaker
Robert Kent	Council Member	2019	2021	Electrician/Lineman
Randy Hitt	Council Member	2018	2020	Insurance Agent
Bill Robinette	Council Member	2018	2020	Self-Employed
Greg Casey	Council Member	2019	2021	Real Estate
Jack Doyle	Council Member	2019	2020	Nurse

ADMINISTRATION

Name	Position	Length of Service With the City	Years in Municipal Government
William H. Parry, III	City Manager	5 years	5 years
Wendy Cole	City Secretary	26 years	26 years
Brenda Kiphen	Director of Finance	25 years	25 years
Nathan Gohlke	Police Chief	22 years	22 years
Billy Vaden	Fire Chief	49 years	49 years

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP San Antonio, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	Lott, Vernon & Company, P.C. Killeen, Texas

For Additional Information Please Contact:

Mr. Bill Parry
City Manager
City of Gatesville
110 N 8th Street
Gatesville, Texas 76528
254-865-8951
william.parry@ci.gatesville.tx.us

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
210-832-9760
mmcliney@samcocapital.com

Mr. Andrew Friedman
Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
210-832-9760
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

None of the City, the Underwriter, or the Financial Advisor makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System as described herein under the caption "BOOK-ENTRY-ONLY SYSTEM" or with respect to any information concerning BAM or its municipal bond guaranty policy as described herein under the captions "BOND INSURANCE," "BOND INSURANCE GENERAL RISKS" and "APPENDIX E."

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E - Specimen Municipal Bond Insurance Policy."

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

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

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Gatesville, Texas (the "City" or "Issuer"), located in Coryell County is a political subdivision of the State of Texas and operates under a Mayor-Council-Manager form of government and as a home rule municipality with a City Council comprised of seven members including the Mayor. Council members are elected by place for two year staggered terms.
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City, on July 14, 2020 and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that are or may be pledged to the payment of the currently outstanding Prior Lien Obligations and Surplus Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, or Additional Surplus Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Prior Lien Obligations which are payable from and secured by a first and prior lien on and pledge of the Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Prior Lien Obligations. The City has also previously authorized the issuance of the currently outstanding Surplus Lien Obligations which are payable, in part, from and secured by a lien on and pledge of the surplus Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Surplus Lien Obligations. In the Ordinance the City retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. (See "THE Certificates - Redemption Provisions of the Certificates" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "Tax MATTERS" and will not be included in calculating the alternative minimum taxable income of the owners thereof. (See "Tax MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's combined utility system, including the purchase and installation of AMI Smart Water Meters; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "PLAN OF FINANCING FOR THE CERTIFICATES - Purpose" herein.)

Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Bond Insurance	The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**. See "BOND INSURANCE," "BOND INSURANCE GENERAL RISKS," and APPENDIX E herein.)
Ratings	The Certificates are rated "AA" (stable outlook) by S&P Global Ratings, a division of S&P Global ("S&P"), by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. S&P has assigned an underlying rating of "A+" to the Certificates without regard to credit enhancement. An explanation of the significance of such ratings received from S&P. (See "OTHER PERTINENT INFORMATION – Ratings" herein.)
Issuance of Additional Debt	The City does not anticipate the issuance of additional debt within the next twelve months, except potentially refunding bonds for debt service savings.
Payment Record	The City has never defaulted on the payment of either its revenue or general obligation debt.
Delivery	It is anticipated the Certificates will be available for delivery through DTC on or about August 12, 2020.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, San Antonio, Texas.

OFFICIAL STATEMENT
relating to

$2,570,000
CITY OF GATESVILLE, TEXAS
(A political subdivision of the State of Texas located in Coryell County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Gatesville, Texas (the "City" or the "Issuer") of its $2,570,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates") identified on the cover page.

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

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

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

Infectious Disease Outbreak – COVID -19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include executive orders which have, among other things, imposed limitations on social gatherings and closed school districts throughout the State through the remainder of the 2019-20 school year. In addition to the actions by the state and federal officials, certain local officials, including the City and Coryell County, Texas, have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy. The Governor's Report to Open Texas, issued on April 27, 2020, and subsequent executive orders, have instituted a gradual reopening of businesses on a staggered basis with adherence to specified health protocols.

On June 26, 2020, due to substantial increases in COVID-19 positive cases, positivity rates and hospitalizations, the Governor issued adjustments to the re-opening plan, limited and slowing the gradual reopening plan, limiting and slowing the gradual reopening to reduce the growing spread of COVID-19. Further, on July 2, 2020, the Governor issued a new executive order requiring face coverings in certain counties and issued a proclamation related to limiting gathering sizes and requiring social distancing.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Obligations. The City, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the City.

The City collects a sales and use tax on all taxable transactions within the City's boundaries and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes, utility system revenue, and utility franchise and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated July 1, 2020 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2021, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

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

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on July 14, 2020, and the City's Home Rule Charter.

Security for Payment

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

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that are or may be pledged to the payment of the currently outstanding Prior Lien Obligations and Surplus Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, or Additional Surplus Lien Obligations (each as described and defined in the Ordinance) hereafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Prior Lien Obligations which are payable from and secured by a first and prior lien on and pledge of the Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Prior Lien Obligations. The City has also previously authorized the issuance of the currently outstanding Surplus Lien Obligations which are payable, in part, from and secured by a lien on and pledge of the surplus Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Surplus Lien Obligations. In the Ordinance the City retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

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

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

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

Selection of Certificates to be Redeemed

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

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's combined utility system, including the purchase and installation of AMI Smart Water Meters; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources		
Par Amount of the Certificates	$	2,570,000.00
Accrued Interest on the Certificates		7,790.00
Reoffering Premium		231,623.70
Total Sources of Funds		2,809,413.70
Uses		
Project Fund Deposit	$	2,700,000.00
Purchaser's Discount		20,311.37
Certificate Fund Deposit		7,790.00
Costs of Issuance (Including bond insurance premium)		28,811.37
Total Uses		2,809,413.70

Payment Record

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

Amendments

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

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

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

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

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

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy

Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

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

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15^{th}) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer of Certificates

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

Replacement Certificates

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

THE UTILITY SYSTEM

Water Supply

The City owns and has operated a regional water supply system for approximately 30 years. Raw water for the regional system is obtained from Lake Belton pursuant to a 40 year contract with the Brazos River Authority, dated September 1, 1981, allowing a withdrawal of 4,000 acre feet per year. The current price is $16.55 per acre feet, which is an operating expense of the System. The City has also purchased from the Brazos River Authority an additional 1,898 acre feet per year for future needs. In 2008 (Phase I) and 2011 (Phase II) the City issued $13,320,000 in bonds to upgrade, expand, and modernize the System.

The System has an intake structure on Lake Belton through which four 3,500 gallons per minute pumps transmit raw water to the treatment plant via a 30 inch steel cylinder line. Water treatment facilities include three 500,000-gallon clarifiers with the capacity to treat up to 13 million gallons per day. Pumping from the treatment to booster station #1 is accomplished by two 200 horsepower pumps, having a combined capacity of 5,000 gallons per minute, and two 600 horsepower pumps, having a combined capacity of 10,000 gallons per minute. One million gallons of ground storage are available at the plant site. The booster station, has a ground storage capacity of 1.9 million gallons, a total pumping capacity of 18,000 gallons per minute, and transmits treated water 80,000 feet (16 miles) through lines ranging in size from 30 inches down to 18 inches to 2.9 million gallon storage tanks located on South Mountain and 350,000 gallon elevated storage tank on 23rd Street. The water treatment and delivery system is controlled by a SCADA radio telemetry computer system. At present, the City of Gatesville serves potable water to 3403 active metered connections in the Gatesville area. The City supplies treated water under contract to Coryell City Water Supply District and to North Fort Hood and the water supply corporations of Mountain, The Grove, Fort Gates and Flat. Collectively, the regional water system serves approximately 23,000 persons.

Wastewater System

The City owns and operates wastewater treatment facilities under two Texas Commission on Environmental Quality (TCEQ) permits (number 10176-002 and 10176-004). Presently, the City has two existing wastewater treatment facilities serving the City and six prison units of the Texas Department Criminal Justice. The Stillhouse Wastewater Treatment Plant ("WWTP") is located on the north side of the City and receives all of the prison wastewater. Currently, 66% of the wastewater treated at the Stillhouse Branch WWTP is produced by the six TDCJ unites, however that amount has been as much as 80% per month over the past two years.. The Leon River WWTP is located on the Leon River on the south side of the City and receives the remaining 80% of the City's wastewater. The Stillhouse WWTP was constructed in 1991 to serve the increased load to the City due to the growth in the City and construction of prison facilities on the City's north side. The plant is an advanced secondary treatment facility utilizing the carousel oxidation ditch method of activated sludge, with nitrogen removal, chlorination and dechlorination. Waste sludge is routed through a gravity thickener with chemical additives and then dewatered on a mechanical belt press. Dried sludge is stored until it reaches the appropriate pathogen reduction level and then is ground-incorporated at a TCEQ-registered site west of the City. The Stillhouse WWTP has a daily average flow capacity of 2.20 million gallons per day ("MGD") and a two-hour peak flow capacity of 5.20 MGD. The Stillhouse Branch WWTP is currently undergoing expansion (estimated completion 2021) and will have a permitted capacity of 2.70 million gallons per day and a two-hour peak flow capacity of 8.1 MGD.

The Leon River WWTP has a 1.5 MGD and a two-hour peak flow capacity of 3,125 gpm. The treatment plant meets all TCEQ discharge effluent limitations. Gatesville treats North Fort Hood (United States Army) wastewater at the Leon Wastewater Treatment Plant. Wastewater from North Fort Hood is transported through three lift stations to the Leon Wastewater Plant. A new and larger sewer transmission lines was completed in 2010. The City's sewer collection system is well above the ground water table, although some sections do parallel or cross creeks and rivers.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Purchaser acquired the Policy and will pay the bond insurance premium from the Purchaser's discount. The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $459.6 million, $126.1 million and $333.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/credit insights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit

Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE GENERAL RISKS

General

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Beneficial Owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable from the ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City as further described under "THE CERTIFICATES – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

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

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

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

INVESTMENT POLICIES

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

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

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

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

Current Investments

As of March 31, 2020, the following percentages of the City's investable funds were invested in the following categories of investments.

Fund and Investment Type		Amount	Percentage of Portfolio
Money Market Accounts		$ 3,443,611.76	100.00%
	Total Investments	**$ 3,443,611.76**	**100.00%**

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

RETIREMENT PLAN

Texas Municipal Retirement System

Plan Description: The City of Gatesville participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 40l(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained from TMRS' website at www.TMRS.com.

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

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

Upon retirement, benefits depend upon the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At inception, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	27
Active employees	77
Total	149

Contributions: The contribution rate for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance and unfunded accrued liability.

Employees for the City of Gatesville were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Gatesville were 15.72% and 15.28% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were $567,742, and were equal to the required contributions.

Net Pension Liability: The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plant investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender- distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Forfeiture rates (withdrawal of member deposits from TMRS) for vested member vary by age and employer match. The withdrawal rates for cities with a 2-to-1 match are shown below. Forfeiture rates end at first eligibility for retirement.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return (Arithmetic)**
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

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

Development of the Single Discount Rate	
Single Discount Rate	6.75%
Long-Term Expected Rate of Return	6.75%
Long-Term Municipal Bond Rate *	3.71%

*The rate is based on the Fidelity 20-Year Municipal GO AA Index daily rate closest to but not later than the Measurement Date.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balance at 12/31/2017	$18,743,104	$16,281,479	$2,461,625
Changes for the year:			
Service Cost	603,610	-	603,610
Interest	1,256,097	-	1,256,097
Changes in current period benefit	-	-	-
Difference between expected and actual experience	(92,837)	-	(92,837)
Changes in assumptions	-	-	-
Contributions - employer	-	564,950	(564,950)
Contributions – employee	-	255,303	(255,303)
Net Investment Income	-	(487,950)	487,950
Benefit payments, including refunds of employee contributions	(872,133)	(872,133)	-
Administrative expense	-	(9,426)	9,426
Other Changes	-	(492)	492
Net Changes	894,737	(549,748)	1,444,485
Balance at 12/31/2018	$19,637,841	$15,731,731	$3,906,110

Sensitivity of the net pension liability to changes in the discount rate.

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 6,729,162	$ 3,906,110	$ 1,603,620

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, 2019, the City recognized pension expense of $748,508.

At September 30, 2019, 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	$ --	$ (208,728)
Changes in actuarial assumptions	1,361	--
Difference between projected and actual investment earnings	842,717	--
Contributions subsequent to the measurement date	430,352	--
Total	$ 1,274,430	$ (208,728)

$430,352 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	$ 205,639
2020	51,158
2021	73,271
2022	305,280
2023	0
Thereafter	0
Total	635,348

Supplemental Death Benefits

The City also participates in the Supplemental Death Benefits Fund (SDBF) which is a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore does not meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). This SDBF is administered through the Texas Municipal Retirement System. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provide 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); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The 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 the employees' entire careers.

There is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	7
Active employees	77
Total	118

<u>Contributions</u>

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.21%	0.06%
2018	0.23%	0.06%
2019	0.23%	0.05%

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.
Note 2: In order to determine the retiree portion of the City's Supplemental Death Plan contribution (that which is considered OPEB), the City should perform the following calculation:
Total covered payroll * Retiree Portion of SDB Contribution (rate)
Consideration should be given to the time period of contributions incurred (i.e., City's fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

Actuarial assumptions

The Total OPEB-SDB Liability (TOL) in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.5% per year
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.71%
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31,2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Forfeiture rates (withdrawal of member deposits from TMRS) for vested member vary by age and employer match. The withdrawal rates for cities with a 2-to-1 match are shown below. Forfeiture rates end at first eligibility for retirement.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

The following presents the total OPEB-SDB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB-SDB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB-SDB liability	$308,702	$271,055	$240,918

At September 30, 2019, the OPEB-SDB expense and liability is as follows:

	OPEB-SDB Expense
Changes for the year:	
Service Cost	$ 11,306-
Interest	7,011
Changes in benefit terms	--
Employer administrative costs	--
Recognition of deferred outflows/inflows of resources:	--
Difference between expected and actual experience	10,303
Changes in assumption or other inputs	178
Total OPEB-SDB expense	$ 28,798

Changes in the Total OPEB-SDB Liability

	Net OPEB Liability (a)-(b)
Balance at 12/31/2017	207,253
Changes for the year:	
Service Cost	$ 11,306-
Interest	7,011
Change in benefit terms	--
Difference between expected and actual experience	61,714
Changes in assumption	(14,041)
Benefit payments	(2,188)
Net changes	63,802
Balance at 12/31/2018	$ 271,055

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

For the year ended the September 30, 2019, the recognized OPEB-SDB expense of $28,798.

At September 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB-SDB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	$ 51,411	$ --
Changes in actuarial assumptions and other inputs	10,061	(11,697)
Net difference between projected and actual investments	--	--
Contributions subsequent to the measurement date	964	--
Total (excluding contributions subsequent to measurement date)	$ 62,436	$ (11,697)

$964 reported as deferred inflows of resources related to OPEB-SDB resulting from contributions subsequent to the measurement date will be recognized as an increase of the OPEB-SDB for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB-SDB expense as follows:

Year ended December 31:	
2019	10,481
2020	10,481
2021	10,481
2022	10,454
2023	7,878
Thereafter	0
Total	49,775

Post Employment Benefits Other than Pension Benefits

The City makes available health care benefits to all employees who retire from the City according to the terms of the City's current health plan. The full cost of the coverage is paid by the retiree, with the rates being the same as an active employee. This plan covers both active and retiree benefits with no segregation of assets, and therefore does not meet t e definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). This healthcare plan provides lifetime insurance or until 65 if eligible for Medicare to eligible retirees, their spouses and dependents through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established by management. The full cost of the coverage is paid be the retiree, with the rates being the same as an active employee.

At the September 30, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members/Beneficiaries Currently Receiving Benefits	2
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	71
Total	73

Contributions

The full monthly premium rates for retirees as of October 1, 2018 for each plan are shown below.

Rate Tier	CC80	Dental	Vision
Single	$441.90	N/A	N/A
Subscriber and Spouse	$1,036.13	N/A	N/A

Actuarial assumptions

The other post-employment (OPEB) liability in September 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Discount rate*	2.66% per annum
Salary Increase Rate	3.5%
Inflation Rate	3.0% per annum
Amortization Method	Experience/Assumptions gains and losses are amortized over a closed period of 10.7 years starting on October 1, 2017, equal to the average remaining service of active and inactive plan members (who have no future service).
Mortality Rates	RP-2014 generational table scaled using MP-17 and applied on a gender- specific basis.

* Source: Bond Buyer 20-Bond GO index
**Changes include updating the mortality to be a generational table with updated projection scales released by the SOA, an interest rate using 20 year bond rates and a change in Actuarial Cost methodology to the Entry Age Normal (EAN) method per GASB 75.

Forfeiture rates, the rate of withdrawal is based on the withdrawal assumption used in the 2016 Texas Municipality Retirement System Actuarial Valuation. The rate of withdrawal for reasons other than death and retired years of service. Sample rates are provided below:

Termination rates based on first 10 years of service

	Male			Female		
Age	0	4	9	0	4	9
20	29.20%	18.5%	8.165	30.30%	19.975	15.74%
30	24.51%	10.79%	6.21%	25.74%	13.47%	8.04%
40	24.67%	10.46%	5.77%	22.44%	12.95%	7.33%
50	20.78%	10.16%	5.78%	22.01%	8.86%	6.17%
60	19.99%	7.90%	5.49%	22.00%	7.98%	3.79%
70	20.00%	8.02%	5.51%	22.00%	8.00%	2.90%

Termination rates after first 10 years of service

Years from Retirement	Male	Female
1	1.72%	2.20%
5	3.35%	4.41%
10	4.47%	5.94%
15	5.29%	7.08%

The following presents the post-employment benefit (OPEB) liability of the City, calculated using the discount rate of 3.71%, as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) or 1-percentage point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB liability	$352,744	$317,187	$285,754

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption:

The following presents the post-employment benefit (OPEB) liability of the City, calculated using the assumed trend rate as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Trend	**Net OPEB Liability**	**% Difference**
1% Decrease	$276,034	-13%
Current Trend	$317,187	N/A
1% Increase	$367,258	15%

At September 30, 2019, the OPEB expense and liability is as follows:

	Total OPEB Expense
Changes for the year:	
Service Cost	$ 14,934
Interest	10,445
Change in current period benefit terms	--
OPEB plan administrative expense	--
Current Recognized deferred outflows/inflows:	
Recognition of current year outflow (inflow) due to liabilities	(1,475)
Amortization of prior year outflow (inflow) due to liabilities	1,944
Total OPEB expense	$ 25,848

Changes in the Total OPEB Liability

	Net OPEB Liability
Balance at 12/31/2017	$311,920
Changes for the year:	
Service cost	14,934
Interest	10,445
Change in benefit terms	--
Difference between expected and actual experience	-1,224
Changes of assumptions	(13,651)
Benefit payments	(7,685)
Net changes	5,267
Balance at 12/31/2018	$ 317,187

Total post-employment benefit OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to post-employment benefit (OPEB)

For the year ended the September 30, 2019, the recognized post-employment benefit OPEB expense of $25,848.

At September 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to total OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	$ 1,079	$ --
Changes in assumptions and other inputs	12,496	(12,031)
Contributions subsequent to the measurement date	4,861	--
Total	$ 18,436	$ (12,031)

$4,861 deferred outflows of resources related to total OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	469
2021	469
2022	469
2023	469
2024	469
Thereafter	(801)
	1,544

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

Certain goods 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.

Tax Abatement Agreements

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

City and Taxpayer Remedies

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

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

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

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

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

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

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

"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 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 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY'S APPLICATION OF THE PROPERTY TAX CODE

The City does not grant the lump sum local homestead exemption of residence homesteads of persons 65 or older and the disabled.

The City does not grant the local homestead exemption of up to 20% of the market value of residence homesteads of persons 65 or older and the disabled.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

The City does not tax "non-business" leased vehicles.

The Coryell County Tax Collector collects property taxes for the City. The Tax Collector does not allow split payments or discounts.

The City does grant the Article VIII, Section 1-j ("freeport property") exemption.

The City does not grant an exemption for "goods-in-transit".

The City participates in two Tax Increment Reinvestment Zones.

The City has a tax abatement policy and currently has one tax abatement agreement in effect.

Business	Expires
Laerdal	2024

TAX MATTERS

Tax Exemption

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

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

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

Tax Changes

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

Ancillary Tax Consequences

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

Tax Accounting Treatment of Discount Certificates

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

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

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

Tax Accounting Treatment of Premium Certificates

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

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

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity Certificates that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City has designated the Certificates as “qualified tax-exempt obligations” and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org, as further described below under “Availability of Information”.

Annual Reports

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

The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year of the City beginning in the year 2020, financial information and operating data with respect to the City of the general type included in the body of this Official Statement under "Investment Authority and Investment Practices of the Issuer - Current Investments" and in Tables 1 through 13, 15 and 19 of “Appendix A - Financial Information of the Issuer” to this Official Statement (the “Annual Financial Information”), and (2) within twelve months after the end of each fiscal year of the City beginning in the year 2020, the audited financial statements of the City (the “Audited Financial Statements”). If the audit of such financial statements is not complete within twelve (12) months after any such fiscal year end, then the City shall file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report becomes available. Any financial statements to be provided shall be prepared in accordance with the accounting principles described in Appendix D to this Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and shall be in substantially the form included in this Official Statement as APPENDIX D.

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

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

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances;(10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes;(12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City has adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for liquidity enhancement or debt service reserves.

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

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Agreements

During the past five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with the Rule. In 2015, the City's annual financial information was filed and all information submitted but one CUSIP number was inadvertently omitted for the City's Utility System Revenue Bonds, Taxable Series 2008. This error was discovered in April of 2017 and a new filing was made at that time.

The City has timely filed all financial and operating data that it committed to provide pursuant to its continuing disclosure undertaking (the 2011 Undertaking) pertaining to its City of Gatesville, Texas Tax and Utility System Surplus Revenue Certificates of Obligation, Taxable Series 2011 for its fiscal years ended September 30 in each of the years 2011 through 2019. The City committed to provide certain financial and operating data in addition to its 2011 Undertaking pursuant to its continuing disclosure undertaking (the 2017 Undertaking) pertaining to its City of Gatesville, Texas General Obligation Refunding Bonds, Taxable Series 2017, commencing with its fiscal year ended September 30, 2017. While the City has consistently and timey complied with its 2011 Undertaking, due to an administrative oversight, the City failed to timely file the additional financial and operating data that it committed to provide pursuant to its 2017 Undertaking for its fiscal years ended September 30 in each of the years 2017 through 2019. Such additional financial and operating data, including a notice of failure to timely file, has been filed on EMMA on July 17, 2020. The City has taken steps to ensure that all future filings are complete and in compliance with its prior continuing disclosure undertakings.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

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

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

Litigation

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

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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

Ratings

S&P Global Ratings ("S&P") S&P has assigned a rating of "AA" to the Certificates with the understanding that concurrently with the delivery of the Certificates a municipal bond insurance policy will be issued by BAM. See "BOND INSURANCE" herein. The City received from S&P an underlying, unenhanced rating of "A+" to the Certificates. See "CONTINUING DISCLOSURE OF INFORMATION - Compliance with Prior Undertakings" herein.

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

Authenticity of Financial Information

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

Financial Advisor

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

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

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of Hilltop Securities Inc. (previously defined as the "Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of $231,623.70, less a Purchaser's discount of $ 28,811.37, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2019, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

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

(Remainder of page intentionally left blank.)

Concluding Statement

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

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

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

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

CITY OF GATESVILLE, TEXAS

/s/ Gary Chumley

Mayor

City of Gatesville, Texas

ATTEST:

/s/ Wendy Cole

City Secretary

City of Gatesville, Texas

(this page intentionally left blank)

APPENDIX A

FINANCIAL INFORMATION RELATING TO
THE CITY OF GATESVILLE, TEXAS

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — TABLE 1

2019 Actual Certified Market Value of Taxable Property (100% of Market Value)[a]		$	562,436,721
Less Exemptions:			
Productivity Loss	$ 9,952,630		
10% Homestead Cap Loss	3,828,121		
Total Exempt	88,337,623		
Less Freeze Taxable Valuation	69,317,553		171,435,927
2019 Certified Freeze Adjusted Net Taxable Assessed Valuation		$	391,000,794
2020 Estimated Net Taxable Assessed Valuation		$	394,190,351

[a] *See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*
Source: Coryell Central Appraisal District

GENERAL OBLIGATION BONDED DEBT — TABLE 2

General Obligation Debt Principal Outstanding (As of April 30, 2020)			
Tax & Utility System Surplus Revenue Certificates of Obligation, Series 2011	$	6,450,000	
General Obligation Bonds, Series 2014		640,000	
General Obligation Refunding Bonds, Taxable Series 2017		4,705,000	
General Obligation Refunding Bonds, Taxable Series 2020		2,410,000	
Total Gross General Obligation Debt Outstanding:	$	14,205,000	
Current Issue General Obligation Debt Principal			
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates")		2,570,000	
Total **Gross** general Obligation Debt Principal Outstanding (Following the Issuance of the Certificates)	$	16,775,000	
Less: Self-Supporting General Obligation Debt Principal[a]			
Tax & Utility System Surplus Revenue Certificates of Obligation, Taxable Series 2011 (100%)[a]		6,450,000	(a)
General Obligation Refunding Bonds, Taxable Series 2017 (100%) [a]		4,705,000	(a)
General Obligation Refunding Bonds, Taxable Series 2020 (100%)		2,410,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (100%) (the "Certificates")		2,570,000	
Total Self-Supporting General Obligation Debt Principal	$	16,135,000	
Total **Net** General Obligation Debt Principal Outstanding:	$	640,000	
General Obligation Interest and Sinking Fund Balance as May 15, 2020.	$	680,652	
Ratio of Gross General Obligation Debt Principal to 2019 Certified Freeze Adjusted Net Taxable Assessed Valuation		4.29%	
Ratio of Net General Obligation Debt Principal to 2019 Certified Freeze Adjusted Net Taxable Assessed Valuation		0.16%	
2019 Certified Freeze Adjusted Net Taxable Assessed Valuation [b]	$	391,000,794	
Population: 1990 - 11,492; 2000 - 15,591 ; 2010 - 15,751: Current (Estimate) -		16,000	(c)
Per Capita 2019 Certified Freeze Adjusted Net Taxable Assessed Valuation -	$	48,875.10	(d)
Per Capita Gross General Obligation Debt Principal -	$	2,096.88	(d)
Per Capita Net General Obligation Debt Principal -	$	80.00	(d)

* Preliminary; subject to change.
[a] *All of the debt service on this issue is paid from surplus Net Revenues of the System.*
[b] *See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*
[c] *Population **includes** an estimated 8,000 Texas Department of Criminal Justice Prison population.*
[d] *Calculations **exlcude** the state prison population.*

OTHER OBLIGATIONS — TABLE 3

Capital Lease

The City entered into an equity lease agreement as lessee for financing the acquisition of Enterprise FM Trust vehicles and equipment for the use of various city general and enterprise departments during fiscal years 2017 – 2019. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. For more information see Note IV, page 41 of the Annual Financial Report 2019.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 4**

Fiscal Year 30-Sep	Current Combined Total Debt Service	The Certificates Principal	The Certificates Interest	The Certificates Total	Combined Debt Service	Less: Self-Supporting Debt[(a)]	Net General Obligation Debt Service[(a)(b)]
2020	$ 1,998,691				$ 1,998,691	$ 1,833,032	$ 165,659
2021	2,004,722	$ 115,000	$ 72,375	$ 187,375	2,192,097	2,024,778	167,319
2022	2,005,381	120,000	63,150	183,150	2,188,531	2,019,661	168,870
2023	2,009,455	125,000	59,475	184,475	2,193,930	2,028,564	165,366
2024	2,006,386	135,000	55,575	190,575	2,196,961	2,030,154	166,807
2025	1,847,989	155,000	51,225	206,225	2,054,214	2,054,214	-
2026	1,859,446	170,000	45,500	215,500	2,074,946	2,074,946	-
2027	1,743,040	175,000	38,600	213,600	1,956,640	1,956,640	-
2028	1,516,503	180,000	31,500	211,500	1,728,003	1,728,003	-
2029	1,520,185	190,000	26,000	216,000	1,736,185	1,736,185	-
2030	1,521,924	190,000	22,200	212,200	1,734,124	1,734,124	-
2031	1,530,053	195,000	18,350	213,350	1,743,403	1,743,403	-
2032	1,530,923	200,000	14,400	214,400	1,745,323	1,745,323	-
2033	1,528,877	205,000	10,350	215,350	1,744,227	1,744,227	-
2034	1,529,770	205,000	6,250	211,250	1,741,020	1,741,020	-
2035	1,533,385	210,000	2,100	212,100	1,745,485	1,745,485	-
2036	1,534,461	-	-	-	1,534,461	1,534,461	-
2037	558,190	-	-	-	558,190	558,190	-
2038	555,807	-	-	-	555,807	555,807	-
2039	558,085	-	-	-	558,085	558,085	-
	$ 30,893,270	$ 2,570,000	$ 517,050	$ 3,087,050	$ 33,980,320	$ 33,146,301	$ 834,020

(a) *See Table 2 for a breakdown on the specific issues that have self-supporting debt.*
(b) *Includes the Certificates but excludes self-supporting debt.*

TAX ADEQUACY (Includes Self-Supporting Debt) **TABLE 5A**

2019 Certified Freeze Adjusted Net Taxable Assessed Valuation	$ 391,000,794
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-24)	$ 2,196,961
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.57335

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

TAX ADEQUACY (Excludes Self-Supporting Debt) **TABLE 5B**

2019 Certified Freeze Adjusted Net Taxable Assessed Valuation	$ 391,000,794
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-22)	$ 168,870
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.04407

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

INTEREST AND SINKING FUND MANAGEMENT INDEX — TABLE 6

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2019	$	1,004,343
2019 Interest and Sinking (I&S) Fund Tax Levy at 98% Collections Produces [(a)]		606,575
Total Available for Debt Service	$	1,610,918
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-20 [(b)]		165,659
Estimated Surplus at Fiscal Year Ending 9-30-20	$	1,445,259

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

(b) *Excludes general obligation self-supporting debt being paid from utility system revenues.*

COMPUTATION OF SELF-SUPPORTING DEBT — TABLE 7

Fiscal Year ended 9-30-19 Net System Revenues Available for Debt Service (see Table 20 herein)	$	3,301,883
Requirements for Fiscal Year Ended 9-30-20 General Obligation Debt and Revenue Bonds Paid From System Revenues	$	1,833,032
Percentage of General Obligation Debt Self-Supporting		91.71%

PRINCIPAL REPAYMENT SCHEDULE — TABLE 8

	Principal Repayment Schedule			Bonds	Percent of
Fiscal Year Ending 9-30	Currently Outstanding	The Certificates	Total	Unpaid at End of Year	Principal Retired (%)
2020	$ 1,185,000		$ 1,185,000	$ 25,590,000	4.43%
2021	1,410,000	$ 115,000	1,525,000	24,065,000	10.12%
2022	1,435,000	120,000	1,555,000	22,510,000	15.93%
2023	1,465,000	125,000	1,590,000	20,920,000	21.87%
2024	1,490,000	135,000	1,625,000	19,295,000	27.94%
2025	1,360,000	155,000	1,515,000	17,780,000	33.59%
2026	1,400,000	170,000	1,570,000	16,210,000	39.46%
2027	1,315,000	175,000	1,490,000	14,720,000	45.02%
2028	1,120,000	180,000	1,300,000	13,420,000	49.88%
2029	1,155,000	190,000	1,345,000	12,075,000	54.90%
2030	1,190,000	190,000	1,380,000	10,695,000	60.06%
2031	1,235,000	195,000	1,430,000	9,265,000	65.40%
2032	1,275,000	200,000	1,475,000	7,790,000	70.91%
2033	1,315,000	205,000	1,520,000	6,270,000	76.58%
2034	1,360,000	205,000	1,565,000	4,705,000	82.43%
2035	1,410,000	210,000	1,620,000	3,085,000	88.48%
2036	1,460,000	-	1,460,000	1,625,000	93.93%
2037	535,000	-	535,000	1,090,000	95.93%
2038	540,000	-	540,000	550,000	97.95%
2039	550,000	-	550,000	-	100.00%
	$ 24,205,000	$ 2,570,000	$ 26,775,000		

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2010-2019 **TABLE 9**

Fiscal Year	Net Taxable Assessed Valuation [a]	Change from Preceeding Year Amount ($)	Change from Preceeding Year Percent
2010-11	$ 277,861,355	$ (7,800,617)	(2.73%)
2011-12	276,261,435	(1,599,920)	(0.58%)
2012-13	283,460,841	7,199,406	2.61%
2013-14	287,753,623	4,292,782	1.51%
2014-15	309,129,881	21,376,258	7.43%
2015-16	333,730,405	24,600,524	7.96%
2016-17	353,095,605	19,365,200	5.80%
2017-18	362,210,117	9,114,512	2.58%
2018-19	376,759,678	14,549,561	4.02%
2019-20	390,002,348	13,242,670	3.51%

(a) Represents Certified Freeze Adjusted Net Taxable Assessed Valuation.
Source: Texas Comptroller of Public Accounts
Note: Assessed Valuations may change during the year due to various supplements and protests.

FUND BALANCES **TABLE 10**

(As of May 15, 2020 (Unaudited).

General Operating Fund	$ 2,208,536.55
General Obligation Interest and Sinking Fund (Debt Service)	680,652.37
Water & Sewer Operating Fund	664,450.29
Revenue Bonds Debt Service Fund	467,773.64
Revenue Bonds Reserve Fund	134,023.52
Other Water & Sewer	695,179.80
Restricted Funds	130,682.64
Firemen Trust	204.22
Motel Occupancy	273,101.37
Total	$ 5,254,604.40

HISTORICAL PROPERTY VALUATION AND TAX RATE, LEVY AND COLLECTIONS[a] **TABLE 11**

Tax Year	Net Taxable Assessed Valuation [c]	Tax Rate	Adjusted Levy	% Collections[b] Current	% Collections[b] Total	Year Ended	
2010	$ 277,861,355	$ 0.3400	$ 940,023	97.82%	101.30%	9/30/2011	
2011	276,261,435	0.3400	939,289	100.90%	103.14%	9/30/2012	
2012	283,460,841	0.3400	1,128,584	100.77%	101.20%	9/30/2013	
2013	287,753,623	0.4100	1,383,791	98.34%	101.34%	9/30/2014	
2014	309,129,881	0.4100	1,486,570	98.66%	100.05%	9/30/2015	
2015	333,730,405	0.4500	1,501,787	97.62%	98.75%	9/30/2016	
2016	353,095,605	0.4600	1,793,876	100.00%	96.54%	9/30/2017	
2017	362,210,117	0.5100	2,031,320	98.33%	100.29%	9/30/2018	
2018	376,759,678	0.5600	2,328,130	98.44%	98.88%	9/30/2019	
2019	391,000,794	0.5600	2,407,587	94.45%	100.00%	9/30/2020	*

(a) See "AD VALOREM TAX PROCEDURES" in the body of the Official Statement for a complete discussion of the City's provisions with respect to such procedures.
(b) Includes penalties and interest.
(c) Represents Freeze Adjusted Net Taxable Assessed Valuation.
Sources: Issuer, The Municipal Advisory Council of Texas Website and Coryell County Tax Office
Note: *Assessed Valuations are subject to change during the year due to various supplements and protests.*
** As of April 30, 2020.*

TAX RATE DISTRIBUTION **TABLE 12**

	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
M&O	$ 0.4017	$ 0.4068	$ 0.3823	$ 0.4007	$ 0.3697
I & S Fund	0.1583	0.1532	0.1277	0.0593	0.0803
TOTAL	$ 0.5600	$ 0.5600	$ 0.5100	$ 0.4600	$ 0.4500

Sources: Texas Municipal Reports and the Issuer

CLASSIFICATION OF ASSESSED VALUATION **TABLE 13**

Category	2019	% of Total	2018	% of Total	2017	% of Total
Total Land	$ 109,072,150	19.39%	$ 110,082,702	20.50%	$ 99,747,835	19.84%
Total Improvement	389,639,551	69.28%	361,002,119	67.24%	344,412,220	68.51%
Other	63,725,020	11.33%	65,822,230	12.26%	58,541,030	11.65%
Total Appraised Value	$ 562,436,721	100.00%	$ 536,907,051	100.00%	$ 502,701,085	100.00%
Less Exemptions:						
Productivity Value Loss	$ 9,952,630		$ 10,939,517		$ 9,882,170	
Value Cap (10%) and Other	3,828,121		1,974,713		4,172,531	
Totally Exempt Property	88,337,623		79,273,905		61,674,571	
Total Exemptions	$ 102,118,374		$ 92,188,135		$ 75,729,272	
Net Taxable Assessed Valuation	$ 460,318,347		$ 444,718,916		$ 426,971,813	
Less Freeze Taxable Valuation	$ 69,317,553		$ 65,963,327		$ 64,695,465	
Freeze Adjusted Net Taxable Valuation	$ 391,000,794		$ 378,755,589		$ 362,276,348	

Source: Coryell County Appraisal District Certified Totals
Note: Assessed Valuations shown here are Certified Valuations and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

PRINCIPAL TAXPAYERS 2019 **TABLE 14**

Name	Type of Business/Property	2019 Net Taxable Assessed Valuation	% of Total 2019 Assessed Valuation
Wal-Mart Stores Texas LP	Retail Sales	$ 13,450,000	3.44%
Heil Trailers	Trailer Manufacturing	6,424,820	1.64%
Matus Construction	Construction	6,160,650	1.58%
MLKS Hotel Group	Hotel Management	6,050,000	1.55%
Texas New Mexico Power	Electric Utility	5,351,920	1.37%
Automotive Properties LP	Automotive Dealership	5,300,000	1.36%
Gatesville NH Realty	Real Estate	4,793,380	1.23%
HE Butt Grocery	Grocery Store	4,650,000	1.19%
Vanesh Hotel LLC	Hotel Services	4,565,140	1.17%
TWE-ADV/Newhouse Properties	Cable Utility	4,302,740	1.10%
	Total	$ 61,048,650	15.61% * (1)

* Based on a 2019 Certified Net Freeze Adjusted Taxable Assessed Valuation of $391,000,794

Source: Texas Comptroller of Public Accounts and Coreyll County Appraisal District

(1) *As shown in the table above, the top ten taxpayers in the City account for in excess of 15% of the City's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the City, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Certificates may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "THE CERTIFICATES – Defaults and Remedies" and "AD VALOREM PROPERTY TAXATION" in this Official Statement. See also "INTRODUCTORY STATEMENT – Infectious Disease Outbreak – COVID – 19" in this Official Statement.*

MUNICIPAL SALES TAX COLLECTIONS[(a)] **TABLE 15**

Fiscal Year	1 ½% Tax Collections	Percent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2010	$ 1,595,360	169.72%	0.58
2011	1,611,547	171.57%	0.58
2012	1,602,482	141.99%	0.48
2013	1,696,695	122.61%	0.50
2014	1,827,622	122.94%	0.50
2015	1,966,239	130.93%	0.59
2016	1,966,105	109.60%	0.50
2017	2,105,197	103.64%	0.53
2018	2,155,439	92.58%	0.52
2019	2,242,397	93.14%	0.52
2020	934,210 (b)		

(a) Figures refer to the City 1% sales tax and ½% additional sales tax for property reduction.
(b) As of May 31, 2020
Source: Texas Comptroller of Public Accounts
Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the City, which is two months after they are generated/collected.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES **TABLE 16**

Governmental Entity	2019 Net Net Taxable Assessed Valuation	% of Actual	2019 Tax Rate
Coryell County	$2,820,683,384	100%	$ 0.5450
Gatesville Independent School District	839,324,994	100%	1.1070

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

OVERLAPPING DEBT DATA AND INFORMATION **TABLE 17**

(As of April 30, 2020)

Taxing Body	Gross Debt Principal		% Overlapping	Amount Overlapping	
Coryell County	$ -		16.44%	$ -	
Gatesville Independent School District	23,365,000		49.40%	11,542,310	
Total Net Overlapping Debt Principal	$ 23,365,000			$ 11,542,310	
City of Gatesville	16,775,000	(a)	100.00%	16,775,000	(a)
Total Gross Direct and Overlapping Debt Principal	$ 40,140,000	(a)		$ 28,317,310	(a)

2019 Certified Freeze Adjusted Net Taxable Assessed Valuation	$ 391,000,794	
Population: 1980 - 5,247; 1990 - 8,983; 2000 - 11,085; 2010 - 15,751; Current Estimate (includes 8,000 prisoners)	16,000	
Ratio of Direct and Overlapping Debt Principal to 2019 Certified Freeze Adjusted Net Taxable Assessed Valuation	7.24%	(a)
Ratio of Direct and Overlapping Debt Principal to 2019 Certified Market Valuation	5.03%	(a)
Per Capita Direct and Overlapping Debt	$3,540	(a)(b)

Note: The above figures show Gross General Obligation Debt Principal for the City of Gatesville, Texas
The Issuer's Net General Obligation Debt Principal is $ 640,000
Calculations on the basis of Net General Obligation Debt Principal would change the above figures as follows:

Total Net Direct and Overlapping Debt Principal	$ 12,182,310	
2019 Certified Freeze Adjusted Net Taxable Assessed Valuation	$ 391,000,794	
Population: 1980 - 5,247; 1990 - 8,983; 2000 - 11,085; 2010 - 15,751; Current Estimate (includes 8,000 prisoners)	16,000	
Ratio of Net Direct and Overlapping Debt Principal to 2019 Net Certified Taxable Assessed Valuation	3.12%	
Per Capita Net Direct and Overlapping Debt Principal	$1,523	(b)

[a] *Includes the Bonds*

[b] *Calculations* ***exlcude*** *the state prison population.*

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

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT
OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES **TABLE 18**

Taxing Body	Amount Authorized	Date of Authorization	Purpose	Issued To Date	Unissued
Coryell County	None				
City of Gatesville	None				
Gatesville Independent School District	None				

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

GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES **TABLE 19**

	Fiscal Year Ended September 30				
	2019	2018	2017	2016	2015
Revenues					
Ad Valorem Taxes	$ 2,339,593	$ 2,051,381	$ 1,838,005	$ 1,662,614	$ 1,457,559
Municipal Sales Taxes	2,227,301	2,169,560	1,897,023	1,978,274	1,951,406
Franchise Taxes	353,973	299,116	338,625	396,128	301,931
Other Taxes	15,437	13,780	12,534	11,629	9,981
Fines and Forfeitures	183,272	140,378	170,967	151,406	133,593
Intergovernmental	61,321	7,236	83,303	239,955	193,786
Licenses and Permits	29,504	44,996	40,682	18,632	38,411
Contributions and Donations/Grants	25,205	21,318	18,280	14,285	4,838
Charges for Services	178,218	199,528	177,307	200,579	62,614
Interest Income	16,288	7,097	2,999	1,587	1,213
Miscellaneous	64,929	82,318	45,920	64,611	56,719
Total Revenues	$ 5,495,041	$ 5,036,708	$ 4,625,645	$ 4,739,700	$ 4,212,051
Expenditures					
General Government	$ 671,213	$ 692,259	$ 601,763	$ 826,152	$ 788,580
Public Safety	2,334,915	2,163,493	2,111,019	2,192,983	1,995,026
Public Works	841,586	740,841	736,670	704,250	1,178,770
Culture and Recreation	874,514	726,554	761,582	690,220	638,303
Capital Outlay	544,985	437,318	677,494	213,778	827,136
Debt Service	343,358	310,045	276,651	264,360	262,380
Total Expenditures	$ 5,610,571	$ 5,070,510	$ 5,165,179	$ 4,891,743	$ 5,690,195
Other Financing Sources (Uses):					
Transfers In	$ 309,352	$ 955,880	$ 906,557	$ 495,913	$ 1,277,124
Transfers Out	(40,038)	(613,659)	(308,005)	(130,947)	(5,194)
Sale of Capital Assets	41,189	37,839	49,539	15,028	23,542
Proceeds from Long-Term Debt	220,620	-	132,995	-	-
Other Sources	-	-	-	-	-
Other Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	$ 531,123	$ 380,060	$ 781,086	$ 379,994	$ 1,295,472
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	415,593	346,258	241,552	227,951	(182,672)
Fund Balance - Beginning of Year	1,159,355	813,097	571,545	343,594	526,266
Prior Period Adjustment	-	-	-	-	-
Fund Balance - September 30	$ 1,574,948 [1]	$ 1,159,355	$ 813,097	$ 571,545	$ 343,594

Source: The Issuer's Annual Audited Financial Statements

[1] City administration anticipates that the unaudited General Fund balance for the period ending September 30, 2020 will be approximately $1,689,110.

CONDENSED WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT — TABLE 20

	Fiscal Year Ended September 30				
	2019	**2018**	**2017**	**2016**	**2015**
Revenues:					
Water	$ 7,994,453	$ 5,367,434	$ 5,449,952	$ 5,734,168	$ 5,297,870
Sewer	-	3,088,118	2,898,469	2,626,349	2,018,574
Other	460,900	-	629,808	809,891	87,338
Interest Earnings	100,415	21,939	22,317	4,870	4,179
Total Revenues	$ 8,555,768	$ 8,477,491	$ 9,000,546	$ 9,175,278	$ 7,407,961
Total Operating Expenses[(a)]	$ 5,668,169	$ 5,983,782	$ 7,967,745	$ 6,007,980	$ 5,752,261
Sanitation Expenses	(414,284)	(346,132)	(343,530)	(371,835)	(313,305)
Total Operating Expenses Net of Sanitation	$ 5,253,885	$ 5,637,650	$ 7,624,215	$ 5,636,145	$ 5,438,956
Total Available for Debt Service	$ 3,301,883	$ 2,839,841	$ 1,376,331	$ 3,539,133	$ 1,969,005
Annual Revenue Bond Debt Service Requirements	$29,430	$139,100	$291,340	$437,880	$440,580
Revenue Debt Service Coverage	112.19 x	20.42 x	4.72 x	8.08 x	4.47 x
Annual Debt Service Requirements for all All Debt Paid from System Revenues	$1,300,565	$1,480,963	$1,447,890	$1,532,581	$1,536,474
Revenue Debt Service Coverage on All Debt Paid from System Revenues	2.54 x	1.92 x	0.95 x	2.31 x	1.28 x
Customer Count					
Water	3,322	3,325	3,286	3,220	3,178
Sewer	3,034	2,997	2,951	2,915	2,895

[(a)] *Excludes depreciation and amortization.*
Note: Sanitation revenues (not pledged to the payment of the Certificates) and expenses are excluded from the calculations shown above.
Source: The Issuer's Annual Audited Financial Statements

WATER RATES **TABLE 21**

(Based on Monthly Billing)

New Rates
Effective April 1, 2019

Inside City			
Base Rate	$	20.27	(Minimum)
Additional Gallons		3.00	/M gallons
Outside City			
Base Rate	$	30.41	(Minimum)
Additional Gallons		4.50	/M gallons

Rates outside the City limits are 1 1/2 times those within the City.

Water Supply Corporations			
Base Rate	$	0.00	(Minimum)
Additional Gallons		1.35	/M gallons
Prison Units (Effective May 2007)			
Mountain View, Hilltop & Gatesville Units	$	149.33	(Base Charge)
		2.30	/M gallons
Hughes Unit #1	$	322.67	(Base Charge)
		2.30	/M gallons
Hughes Unit #2	$	37.33	(Base Charge)
		2.30	/M gallons
Woodman/Murry #1	$	322.67	(Base Charge)
		2.30	/M gallons
Woodman/Murry #2	$	37.33	(Base Charge)
		2.30	/M gallons

PRINCIPAL WATER CUSTOMERS (As of September 30, 2019) **TABLE 22**

Name of Customer	Average Monthly Consumption (Gals.)	Average Monthly Bill
TDCJ - Hughes Unit #1 Prison	12,547,000	$ 29,128.60
TDCJ - Hilltop Unit Prison	11,073	26,816.18
TDCJ - Woodman//Murry Unit #1 Prison	6,095	11,748.61
TDCJ-Hughes Prison #2	2,260	5,235.95
TDCJ - Mountainview	884	2,047.29
TDC Hilltop Low Flow	511	1,306.50
Hillside	268	1,444.09
Coryell County Jail	210	1,298.29
CMH Meadows	206	1,222.80
Walmart	162	1,096.33
Total	12,568,669	$ 81,344.64

Note: TDCJ = Texas Department of Criminal Justice

SEWER RATES — TABLE 23

(Based on Monthly Billing)

	Existing Rates Effective April 1, 2019	
Inside City		
Base Rate	$ 6.50	(Minimum)
Additional Gallons	2.95	/M gallons
Prison Units (Effective October 1, 2019)		
Mountain View, Hilltop & Gatesville Units	$ 300.72	(Base Charge)
	2.29	/M gallons
Hughes Unit	$ 300.72	(Base Charge)
	2.29	/M gallons
Woodman & Murry Units	$ 300.72	(Base Charge)
	2.29	/M gallons

PRINCIPAL SEWER CUSTOMERS (As of September 30, 2019) — TABLE 24

Name of Customer	Average Monthly Bill
TDCJ - Hilltop Prison	$ 33,459.08
TDCJ - Hughes Prison	32,872.15
TDCJ - Woodman/Murry Prison	12,718.81
Brown's Courtyard Apartments	1,466.93
Hillside Medical	1,444.09
Gts Housing Authority Office	1,301.22
Coryell County Jail	1,298.29
CMH The Meadows	1,222.80
Walmart Stores	1,096.33
GISD Intermediate School	930.75
Total	$ 87,810.45

Note: TDCJ = Texas Department of Criminal Justice

TAP FEES — TABLE 25

(As of 2019)

Water Tap:	3/4" Meter	$530.00	
	1" Meter	$850.00	
	1 1/2" Meter	$1,000.00	
	2 Meter	$1,375.00	
	Front Foot Cost	$3.00	per foot up to 150 feet not to exceed $450.00
Sewer Tap:	4" tap	$300.00	
	6" tap	$375.00	
	8" tap	$450.00	
	Front Foot Cost	$3.00	per foot up to 150 feet not to exceed $450.00

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF GATESVILLE AND CORYELL COUNTY, TEXAS

(this page intentionally left blank)

GENERAL INFORMATION REGARDING THE CITY OF GATESVILLE AND CORYELL COUNTY, TEXAS

General

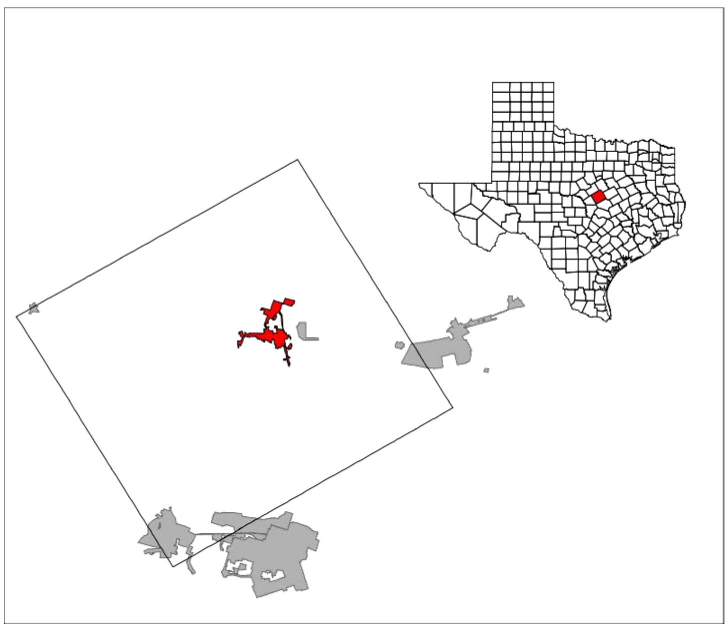
The City of Gatesville, Texas (the "City") is the county seat and principal commercial center of Coryell County (the "County"). The City is located in central Texas on U.S. Highway 84 and State Highway 36 and is approximately 87 miles north of Austin, 130 miles south of Dallas/Fort Worth and 35 miles west of Waco. The Gatesville economy is based predominantly on retail, agricultural and manufacturing. The Texas Department of Criminal Justice Prison is located three miles north of the City. The City's proximity to Fort Hood Military Base benefits its economy.

Coryell County was created in 1854 from Bell County. The Central Texas county was named after the local pioneer James Coryell. The County's economy is diversified by agribusiness and military business. Fort Hood covers 339 square miles in Bell and Coryell Counties and employs over 54,000 civilian/military personnel. Mineral production includes oil and gas.

Central Texas College District provides higher education opportunities for the citizens of the City and the County.

____

Source: Latest Texas Municipal Report published by the Municipal Advisory Council of Texas



Source: wikimedia

Population:

Year	City of Gatesville	Coryell County
Current Estimate	16,000	74,883
2010 Census	15,751	75,388
2000 Census	15,591	74,978
1990 Census	11,492	64,213
1980 Census	6,260	56,767
1970 Census	4,683	35,311
1960 Census	4,626	23,961

____

Sources: United States Bureau of the Census, Latest Texas Municipal Report published by the Municipal Advisory Council of Texas and the City.

Leading Employers in the City of Gatesville:

Employer	Type of Business	Number of Employees (2020)
Texas Department of Criminal Justice	Prison	2631
Gatesville Independent School District	Public Education	411
Coryell Memorial Hospital	Hospital	587
Wal-Mart	Retail Sales	200
UTMB	Medical Services	275
Coryell County	County Government	220
TTG	Construction	192
Laerdal	Medical Industry Manufacturing	141
United National Bank	Bank	79
Mates	Military	96
Hillside Medical Lodge	Skilled Nursing Facility	130
Laerdal Medical Industry	Manufacturing	141

Source: Information from the Issuer

Residential and Commercial Building Construction

	Residential		Commercial		Total	
Fiscal Year Ended 9-30	Number of Permits	Property Value $ Amount	Number of Permits	Property Value $ Amount	Number of Permits	Property Value $ Amount
2020*	37		6	$ 153,232	43	$ 153,232
2019	60	$ 2,404,670	20	1,836,105	80	4,240,775
2018	74	5,563,293	19	2,857,245	93	8,420,538
2017	67	4,382,785	13	1,621,900	80	6,004,685
2016	19	2,320,000	3	30,683,316	22	33,003,316
2015	23	2,626,500	7	11,147,000	30	13,773,500
2014	18	4,340,450	12	22,624,770	30	26,965,220
2013	22	2,376,500	5	761,960	27	3,138,460
2012	41	5,801,617	2	120,000	43	5,921,617
2011	19	2,589,400	9	545,000	28	3,134,400
2010	59	1,613,916	18	715,253	77	2,329,169

* *Figures are as of May 15, 2020. In May 2019 HB 852 was passed and the value of residential permits is not available after that point..*
Source: The Issuer

Labor Force Statistics

	Coryell County	
	March 2020	March 2019
Civilian Labor Force	24,301	23,995
Total Employed	23,076	23,009
Total Unemployed	1,225	946
% Unemployed	5.0%	3.9%
% Unemployed (Texas)	4.7%	3.5%
% Unemployed (United States)	4.5%	3.9%

Source: Texas Workforce Commission, Labor Market Information Department.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
Frost Tower
111 West Houston Street, Suite 1800
San Antonio, Texas 78205
United States

Tel +1 210 224 5575
Fax +1 210 270 7205
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the "City of Gatesville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020" (the *Certificates*), dated July 1, 2020 in the aggregate principal amount of $2,570,000. We have reviewed the legality and validity of the issuance thereof by the City Council of the City of Gatesville, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2021 through 2035, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer's combined utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

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

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

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

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

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

Norton Rose Fulbright US LLP

(this page intentionally left blank)

APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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

(this page intentionally left blank)

CITY OF GATESVILLE

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF GATESVILLE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

CITY OF GATESVILLE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

FINANCIAL SECTION

THIS PAGE LEFT INTENTIONALLY BLANK

LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET
POST OFFICE BOX 160
TEMPLE, TEXAS 76503

254/778/4783
800/460/4783
FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

Member of
American Institute & Texas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Gatesville, Texas

Report on the Financial Statements

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 City of Gatesville, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 of Gatesville, Texas, as of September 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment benefits schedules, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gatesville, Texas' basic financial statements. The combining and individual non-major fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide an assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2020, on our consideration of the City of Gatesville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Gatesville, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gatesville, Texas's internal control over financial reporting and compliance.

Lott, Vernon & Co., P.C.

Killeen, Texas
April 29, 2020

THIS PAGE LEFT INTENTIONALLY BLANK

MANAGEMENT'S
DISCUSSION & ANALYSIS

THIS PAGE LEFT INTENTIONALLY BLANK

Management's Discussion and Analysis

As management of the City of Gatesville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities as of September 30, 2019, by $16,238,340 (net position). Of this amount $14,433,919 is restricted for capital assets and $2,001,205 is restricted for debt services.

- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of $4,055,681.

- As of September 30, 2019, unassigned fund balance for the General Fund was $1,574,948.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, and culture and recreation. The business-type activities of the City include water and sewer, fitness center and airport operations.

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.

The fund financial statements provide detailed information about the most significant fund – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – governmental and proprietary – utilize different account approaches.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the annual appropriated budget. Data for 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 fund statements and schedules elsewhere in this report.

Proprietary Funds. The City maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the Enterprise Funds to account for water and sewer, fitness center, and airport operations.

The City charges customers for the services it provides, whether to outside customers or to other units with the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and to provide other postemployment benefits for its employees. The combining statements and schedules for nonmajor funds are presented immediately following the required supplementary information on pensions and other postemployment benefits.

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 and deferred outflows exceeded liabilities and deferred inflows by $16,238,340 as of September 30, 2019.

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

CITY OF GATESVILLE'S NET POSITION

	Government Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 2,547,941	$ 1,939,760	$ 12,461,429	$ 2,897,136	$ 15,009,370	$ 4,836,896
Capital assets	6,944,708	6,043,005	25,542,035	25,840,065	32,486,743	31,883,070
Total assets	9,492,649	7,982,765	38,003,464	28,737,201	47,496,113	36,719,966
Deferred Outflows of resources	926,099	321,795	767,084	530,354	1,693,183	739,956
Current liabilities	688,005	564,543	482,061	522,783	1,170,066	1,087,326
Noncurrent liabilities	5,521,827	3,702,753	26,026,607	16,227,975	31,548,434	19,930,728
Total liabilities	6,209,832	4,267,296	26,508,668	16,750,758	32,718,500	21,018,054
Deferred Inflows of resources	153,235	425,901	79,221	230,366	232,456	739,956
Net position:						
Invested in capital assets net of related debt	4,567,927	4,466,284	9,865,992	10,654,882	14,433,919	15,121,166
Restricted	398,183	345,700	1,835,546	1,271,135	2,233,729	1,616,835
Unrestricted	(910,429)	(1,200,621)	481,121	360,414	(429,308)	(840,207)
Total net position	$ 4,055,681	$ 3,611,363	$ 12,182,659	$ 12,286,431	$ 16,238,340	$ 15,897,794

As of September 30, 2019, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF GATESVILLE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 390,994	$ 384,902	$ 8,499,605	$ 8,546,306	$ 8,890,599	$ 8,931,208
Operating grants	61,321	7,236	-	-	61,321	7,236
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	2,392,055	2,090,486	-	-	2,392,055	2,090,486
Sales taxes	2,227,301	2,169,560	-	-	2,227,301	2,169,560
Franchise taxes	353,973	299,116	-	-	353,973	299,116
Hotel/motel taxes	150,156	166,270	-	-	150,156	166,270
Other taxes	15,436	13,780	-	-	15,436	13,780
Investment earnings	22,119	9,731	100,415	21,939	122,534	31,670
Unrestricted contributions	30,205	26,768	-	-	30,205	26,768
Miscellaneous	313,378	120,157	-	-	313,378	120,157
Total revenues	5,956,938	5,288,006	8,600,020	8,568,245	14,556,958	13,856,251
Expenses:						
General government	837,004	481,157	-	-	837,004	481,157
Public safety	2,572,830	2,324,356	-	-	2,572,830	2,324,356
Public works	1,197,561	1,531,002	-	-	1,197,561	1,531,002
Culture and recreation	1,084,295	863,610	-	-	1,084,295	863,610
Water and Sewer	-	-	8,469,185	8,215,996	8,469,185	8,215,996
Airport	-	-	55,537	64,988	55,537	64,988
Total expenses	5,691,690	5,200,125	8,524,722	8,280,984	14,216,412	13,481,109
Increase (decrease) in net position before transfers	265,248	87,881	75,298	287,261	340,546	375,142
Transfers	179,070	257,684	(179,070)	(257,684)	-	-
Increase (decrease) in net position	444,318	345,565	(103,772)	29,577	340,546	375,142
Net position (beginning of year)	3,611,363	3,265,798	12,286,431	12,256,854	15,897,794	15,522,652
Net position (end of year)	$ 4,055,681	$ 3,611,363	$ 12,182,659	$ 12,286,431	$ 16,238,340	$ 15,897,794

Governmental Activities.

Revenues from governmental activities when compared to the prior year had an increase of $668,932. Expenses in governmental activities increased $491,565 from the prior year with the largest increase of $355,847 in general government offset by increases in other areas.

Business-type Activities.

Revenues from business-type activities increased $31,775 from the prior year. Expenses increased $243,738 from the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Government 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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $1,807,472. Approximately 87 percent of this total amount ($1,574,948) constitutes unassigned fund balance.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was no difference between the original budgeted expenditures and final amended budgeted expenditures amount as the budget was not amended during the fiscal year.

Capital Assets.

Governmental capital assets increased $901,703 from 2018 due to increased capital assets. Business-type capital assets decreased $298,030 due to increased depreciation. The table below presents the City's capital assets as of September 30, 2019, as well as the previous fiscal year-end.

CITY OF GATESVILLE'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	$ 636,543	$ 636,543	$ 300,339	$ 300,339	$ 936,882	$ 936,882
Buildings and improvements	3,268,188	3,268,188	55,414,408	53,901,910	58,682,596	57,170,098
Improvements other than buildings	4,537,634	3,853,978	-	-	4,537,634	3,853,978
Machinery and equipment	5,126,219	4,026,778	6,106,996	5,967,546	11,233,215	9,994,324
Construction in progress	30,353	347,124	459,578	799,352	489,931	1,146,476
Less accumulated depreciation	(6,654,229)	(6,089,606)	(36,739,286)	(35,129,082)	(43,393,515)	(41,218,688)
Total capital assets, net	$ 6,944,708	$ 6,043,005	$ 25,542,035	$ 25,840,065	$ 32,486,743	$ 31,883,070

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total debt of $31,548,434. Of this amount, $12,155,803 represents debt backed by the full faith and credit of the City. $4,705,000 utility refunding bonds and $10,000,000 utility system revenue bonds secured by water and sewer revenues. Additional information on the city's long-term debt is found within the notes section of this report.

OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligations	$ 790,000	$ 940,000	$ 8,768,149	$ 9,188,149	$ 9,558,149	$ 10,128,149
Note payable	552,614	403,616	872,910	924,125	1,425,524	1,327,741
Lease payable	1,034,167	233,105	137,963	162,909	1,172,130	396,014
Revenue bonds payable	-	-	10,000,000	-	10,000,000	-
Refunding bonds payable	-	-	4,705,000	4,910,000	4,705,000	4,910,000
Compensated absences	123,699	119,260	69,580	68,767	193,279	188,027
Net pension liability	2,643,908	1,670,181	1,262,202	791,444	3,906,110	2,461,625
Net OPEB obligation	377,439	336,591	210,803	182,582	588,242	519,173
Total debt	$ 5,521,827	$ 3,702,753	$ 26,026,607	$ 16,227,976	$ 31,548,434	$ 19,930,729

ECONOMIC FACTORS

Gatesville is strategically positioned within 30 miles of two Interstate Highways, the intersection of a major U.S. Highway (U.S. 84) and SH36, and immediately west of the confluence of the Waco and Killeen-Temple Fort Hood Metropolitan Statistical Areas (MSA); both project continued growth over the next ten-to-twenty-year timeframe. As land prices more expensive (especially for commercial/manufacturing development) and populations increase in the neighboring urban areas, Gatesville will be an attractive "place" for both residential and commercial development in the future due to an abundance of affordable and developable land. Additionally, the strategic importance of nearby North Fort Hood will continue to shape opportunities for Gatesville's economy in the near- to mid-term.

Gatesville's General Fund revenue pattern is atypical to that seen in most Texas cities. In FY 2019, 37 percent of the City's General Fund revenues were generated by sales tax allocations and 38 percent came from Ad Valorem (property) taxes. The impacts of the recently-passed Senate Bill 2 coupled with Gatesville's lower-than-average property valuation and low tax rate will not be known until the FY2021 budget is developed. Annual sales tax allocations saw an increase of 2.7 percent in FY 2019. The City must be cautious about adopting an over-reliance on projected sales tax allocations during the budgeting process which could induce increased risk that revenue projections will not be met. Therefore, Gatesville's annual budget is "sensitive" to robust retail activity.

The City has completed the update to the 1970 Comprehensive Plan, and the City Council will formally adopt the plan in April 2020. This will immediately be followed by updating the City's 1995 Zoning Ordinance. In a survey of resident's needs, abating substandard structures in the downtown and some residential areas was a predominant theme. The City has implemented a more rigorous Code Enforcement program with a long-term goal to increase per-capita median housing values.

Residential and commercial construction continues at a steady pace. There were 21 residential and commercial permits issued in 2019. The $28 million facilities expansion/upgrade at Coryell Health was completed after being put on hold since the June 2018 explosion. The City continues to explore alternatives to increase broadband internet capacity which acts as a major drag on business and economic development in the City.

The City implemented new water and sewer rates in 2019 as a result of the 2018 comprehensive water and sewer rate study. A wholesale water rate study is currently in progress. In addition to these rates adequately funding infrastructure projects in the 5-year Capital Improvement Plan (CIP), the rate ended the long-standing rate subsidy for the Texas Department of Criminal Justice. Capital replacement will be a component of both retail and wholesale rates, which should also allow the City to establish a reasonable Enterprise fund balance.

A total of 19,499 Army National Guard and U.S. Army Reserve Soldiers mobilized and demobilized at North Fort Hood in 2019. Troop strengths exceeded maximum beds available three times during FY 2019, indicating the strategic importance of North Fort Hood to the Army's mission. Currently there are $28.8 million in on-going major construction projects at North Fort Hood. While the Mobilization Force Generation mission at North Fort Hood does not create a sustained economic impact to Gatesville, retail sales are positively affected and contribute to our sales tax allocations, in addition to increased water sales and wastewater treatment charges at North Fort Hood.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brenda Kiphen, Director of Finance, 110 North 8th Street, Gatesville, Texas 76528.

THIS PAGE LEFT INTENTIONALLY BLANK

BASIC

FINANCIAL STATEMENTS

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF GATESVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 2,089,051	$ 11,799,492	$ 13,888,543
Receivables (net of allowance for uncollectibles)			
Taxes	53,097	-	53,097
Accounts	168,148	899,582	1,067,730
Internal balances	237,645	(237,645)	-
Capital assets:			
Land and improvements	636,543	300,339	936,882
Building and improvements	3,268,188	55,414,408	58,682,596
Improvements other than buildings	4,537,634	-	4,537,634
Machinery and equipment	5,126,219	6,106,996	11,233,215
Construction in progress	30,353	459,578	489,931
Less: accumulated depreciation	(6,654,229)	(36,739,286)	(43,393,515)
Total capital assets	6,944,708	25,542,035	32,486,743
Total Assets	$ 9,492,649	$ 38,003,464	$ 47,496,113
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding of debt	$ -	$ 337,881	$ 337,881
Deferred outflows related to pensions	871,583	402,847	1,274,430
Deferred outflows related to other post-employment benefit obligations	54,516	26,356	80,872
Total Deferred Outflows of Resources	$ 926,099	$ 767,084	$ 1,693,183
LIABILITIES			
Accounts payable	$ 531,881	$ 20,873	$ 552,754
Accrued liabilities	-	38,004	38,004
Customer deposits	-	275,156	275,156
Accrued interest	-	148,028	148,028
Deferred revenue	156,124	-	156,124
Noncurrent liabilities:			
Due within one year	550,831	1,307,693	1,858,524
Due in more than one year	1,949,649	23,245,909	25,195,558
Net pension liability (City's share)	2,643,908	1,262,202	3,906,110
Net other post-employment benefit obligations	377,439	210,803	588,242
Total Liabilities	$ 6,209,832	$ 26,508,668	$ 32,718,500
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	$ 137,240	$ 71,488	$ 208,728
Deferred inflows related to OPEB	15,995	7,733	23,728
Total Deferred Outflows of Resources	$ 153,235	$ 79,221	$ 232,456
NET POSITION			
Net investment in capital assets	$ 4,567,927	$ 9,865,992	$ 14,433,919
Restricted for:			
Debt Service	165,659	1,835,546	2,001,205
Other	232,524	-	232,524
Unrestricted	(910,429)	481,121	(429,308)
Total Net Position	$ 4,055,681	$ 12,182,659	$ 16,238,340

The accompanying notes are an integral part of the financial statements.

CITY OF GATESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

FUNCTION/PROGRAM ACTIVITY	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 837,004	$ 29,504	$ 61,321	$ -
Public safety	2,572,830	183,272	-	-
Public works	1,165,682	-	-	-
Culture and recreation	1,084,295	178,218	-	-
Interest on long-term debt	31,879	-	-	-
Total governmental activities	5,691,690	390,994	61,321	-
Business-type Activities:				
Water and Sewer	8,469,185	8,455,353	-	-
Airport	55,537	44,252	-	-
Total business-type activities	8,524,722	8,499,605	-	-
Total primary government	$ 14,216,412	$ 8,890,599	$ 61,321	$ -

General revenues:
Taxes:
Property taxes
Franchise fees
Sales
Occupancy
Mixed Beverage
Unrestricted investment income
Unrestricted contributions and donations
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position – beginning

Net position - ending

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (746,179)	$ -	$ (746,179)
(2,389,558)	-	(2,389,558)
(1,165,682)	-	(1,165,682)
(906,077)	-	(906,077)
(31,879)	-	(31,879)
(5,239,375)	-	(5,239,375)
-	(13,832)	(13,832)
-	(11,285)	(11,285)
-	(25,117)	(25,117)
$ (5,239,375)	$ (25,117)	$ (5,264,492)
$ 2,392,055	$ -	$ 2,392,055
353,973	-	353,973
2,227,301	-	2,227,301
150,156	-	150,156
15,436	-	15,436
22,119	100,415	122,534
30,205	-	30,205
313,378	-	313,378
179,070	(179,070)	-
5,683,693	(78,655)	5,605,038
444,318	(103,772)	340,546
3,611,363	12,286,431	15,897,794
$ 4,055,681	$ 12,182,659	$ 16,238,340

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF GATESVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	$ 1,854,124	$ 234,927	$ 2,089,051
Receivables (net of allowance for uncollectibles):			
Taxes	53,097	-	53,097
Accounts	168,148	-	168,148
Due from other funds	240,048	-	240,048
Total Assets	$ 2,315,417	$ 234,927	$ 2,550,344
LIABILITIES			
Accounts payable and accrued liabilities	$ 531,881	$ -	$ 531,881
Due to other funds	-	2,403	2,403
Deferred revenue	156,124	-	156,124
Total Liabilities	688,005	2,403	690,408
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	52,464	-	52,464
Total deferred inflows of resources	52,464	-	52,464
FUND BALANCES			
Restricted			
Other	-	232,524	232,524
Unassigned	1,574,948	-	1,574,948
Total Fund Balances	1,574,948	232,524	1,807,472
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,315,417	$ 234,927	$ 2,550,344

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF GATESVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

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

Total fund balance - governmental funds	$ 1,807,472
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,944,708
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	52,464
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,748,949)
Fireman's Fund - Agency funds are included in government-wide financial statements but are not included in government fund financials, which increases net position	166
Net position of governmental activities	$ 4,055,861

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF GATESVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes and special assessments:			
Property	$ 2,339,593	$ -	$ 2,339,593
Other taxes and special assessments	2,596,711	150,156	2,746,867
Licenses and permits	29,504	-	29,504
Fines and forfeitures	183,272	-	183,272
Charges for services	178,218	-	178,218
Intergovernmental	61,321	-	61,321
Investment earnings	16,288	5,831	22,119
Contributions and donations	25,205	5,000	30,205
Miscellaneous	64,929	-	64,929
Total Revenues	5,495,041	160,987	5,656,028
EXPENDITURES			
Current:			
General government	671,213	-	671,213
Public safety	2,334,915	-	2,334,915
Public works	841,586	-	841,586
Culture and recreation	874,514	13,855	888,369
Debt service:			
Principal	311,479	-	311,479
Interest and fiscal charges	31,879	-	31,879
Capital outlay	544,985	-	544,985
Total Expenditures	5,610,571	13,855	5,624,426
Excess (Deficiency) of Revenues Over (Under) Expenditures	(115,530)	147,132	31,602
OTHER FINANCING SOURCES (USES)			
Loan proceeds	220,620	-	220,620
Gain on sale of property	41,189	-	41,189
Transfers in	309,352	-	309,352
Transfers out	(40,038)	(91,364)	(131,402)
Total Other Financing Sources (Uses)	531,123	(91,364)	439,759
Net Change in Fund Balances	415,593	55,768	471,361
Fund Balances – Beginning	1,159,355	176,756	1,336,111
Fund Balances - Ending	$ 1,574,948	$ 232,524	$ 1,807,472

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF GATESVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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

Net change in fund balances - total governmental funds	$ 471,361
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	901,703
Net pension obligation is accrued on the government-wide statement of net position, but does not require the use of current financial resources. The current period change in net pension obligation is reported in the government-wide statement of activities and changes in net position. This is the net increase to net position of governmental funds.	(171,015)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	52,464
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(800,060)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(10,135)
Change in net position of governmental activities	$ 444,318

CITY OF GATESVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes and special assessments:				
Property	$ 2,282,061	$ 2,282,061	$ 2,339,593	$ 57,532
Other taxes and special assessments	2,508,671	2,508,671	2,596,711	88,040
Licenses and permits	30,120	30,120	29,504	(616)
Fines and forfeitures	152,100	152,100	183,272	31,172
Charges for services	169,618	169,618	178,218	8,600
Intergovernmental	-	-	61,321	61,321
Investment earnings	5,000	5,000	16,288	11,288
Contributions and donations	-	-	25,205	25,205
Miscellaneous	66,000	66,000	64,929	(1,071)
Total Revenue	5,213,570	5,213,570	5,495,041	281,471
EXPENDITURES				
Current:				
General government:				
Administration	627,423	627,423	664,648	(37,225)
Planning	-	-	6,565	(6,565)
Public safety:				
Police	1,969,049	1,969,049	1,952,764	16,285
Courts	160,365	160,365	174,359	(13,994)
Fire	205,633	205,633	207,792	(2,159)
Public works:				
Streets	960,566	960,566	759,909	200,657
Utility building	88,600	88,600	81,677	6,923
Culture and recreation:				
Building and Grounds	208,150	208,150	202,348	5,802
Swimming pool	95,350	95,350	85,288	10,062
Library	236,230	236,230	242,604	(6,374)
Recreation	270,055	270,055	246,055	24,000
Civic center	101,870	101,870	98,219	3,651
Debt Service:				
Principal	242,542	242,542	311,479	(68,937)
Interest and fiscal charges	31,622	31,622	31,879	(257)
Capital outlay	371,172	371,172	544,985	(173,813)
Total Expenditures	5,568,627	5,568,627	5,610,571	(41,944)
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (355,057)	$ (355,057)	$ (115,530)	$ 239,527

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF GATESVILLE

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	220,620	220,620
Gain on sale of propety	49,500	49,500	41,189	(8,311)
Transfers in	305,557	305,557	309,352	3,795
Transfers out	-	-	(40,038)	(40,038)
Total Other Financing Sources (Uses)	355,057	355,057	531,123	176,066
Net Change in Fund Balances	-	-	415,593	415,593
Fund Balances – Beginning	1,159,355	1,159,355	1,159,355	-
Fund Balances – Ending	$ 1,159,355	$ 1,159,355	$ 1,574,948	$ 415,593

The accompanying notes are an integral part of the financial statements.

CITY OF GATESVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-type Activities		
	Water and Sewer Fund	Airport Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and investments	$ 11,735,403	$ 64,089	$ 11,799,492
Receivables (net of allowance for uncollectibles):			
Accounts	899,582	-	899,582
Total Current Assets	12,634,985	64,089	12,699,074
Capital Assets:			
Land and improvements	284,339	16,000	300,339
Construction in progress	459,578	-	459,578
Buildings and improvements	54,936,563	477,845	55,414,408
Machinery and equipment	6,106,996	-	6,106,996
Less accumulated depreciation	(36,587,863)	(151,423)	(36,739,286)
Total Capital Assets (Net of Depreciation)	25,199,613	342,422	25,542,035
Total Noncurrent Assets	25,199,613	342,422	25,542,035
Total Assets	$ 37,834,598	$ 406,511	$ 38,241,109
Deferred Outflows of Resources:			
Deferred amount on refunding of debt	$ 337,881	$ -	$ 337,881
Deferred outflows related to pensions	402,847	-	402,847
Deferred outflows related to other post-employment benefits obligations	26,356	-	26,356
Total Deferred Outflows of Resources	$ 767,084	$ -	$ 767,084

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF GATESVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2019

	Business-type Activities		
	Water and Sewer Fund	Airport Fund	Total Enterprise Funds
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	$ 58,877	$ -	$ 58,877
Due to other funds	237,645	-	237,645
Accrued compensated absences	69,580	-	69,580
Refundable meter deposits	275,156	-	275,156
Accrued interest payable	148,028	-	148,028
Note payable - current	52,995	-	52,995
Lease payable - current	55,118	-	55,118
Revenue bonds - current	475,000	-	475,000
Refunding bonds - current	210,000	-	210,000
Certificates of obligation - current	445,000	-	445,000
Total Current Liabilities	2,027,399	-	2,027,399
Noncurrent Liabilities:			
Net pension liability	1,262,202	-	1,262,202
Net other post-employment supplemental death benefit obligation	88,337	-	88,337
Net other postemployment benefit obligation	122,466	-	122,466
Note payable (net of current portion)	819,915	-	819,915
Lease payable	82,845	-	82,845
Revenue bonds payable	9,525,000	-	9,525,000
Refunding bonds payable	4,495,000	-	4,495,000
Certificates of obligation	8,323,149	-	8,323,149
Total Noncurrent Liabilities	24,718,914	-	24,718,914
Total Liabilities	$ 26,746,313	$ -	$ 26,746,313
Deferred Inflows of Resources:			
Deferred inflows related to pensions	$ 71,488	$ -	$ 71,488
Deferred inflows related to other post-employment employment benefits	7,733	-	$ 7,733
Total Deferred Inflows of Resources	$ 79,221	$ -	$ 79,221
NET POSITION			
Net investment in capital assets	$ 9,523,570	$ 342,422	$ 9,865,992
Restricted for debt service	1,835,546	-	1,835,546
Unrestricted	417,032	64,089	481,121
Total Net Position	$ 11,776,148	$ 406,511	$ 12,182,659

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF GATESVILLE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities		
	Water and Sewer Fund	Airport Fund	Total Enterprise Funds
OPERATING REVENUES			
Charges for services	$ 7,994,453	$ 28,500	$ 8,022,953
Other	460,900	15,752	476,652
Total Operating Revenues	8,455,353	44,252	8,499,605
OPERATING EXPENSES			
Personnel services	2,194,745	-	2,194,745
Collection	329,498	-	329,498
Utilities	746,952	6,142	753,094
Repairs and maintenance	345,730	11,423	357,153
Materials and supplies	479,184	4,848	484,032
Cost of sales and services	1,572,060	7,641	1,579,701
Depreciation	1,797,945	25,483	1,823,428
Total Operating Expenses	7,466,114	55,537	7,521,651
Operating Income	989,239	(11,285)	977,954
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	100,415	-	100,415
Interest expense	(701,606)	-	(701,606)
Bond issuance fee	(291,190)	-	(291,190)
Miscellaneous expense	(10,275)	-	(10,275)
Total Nonoperating Revenues (Expenses)	(902,656)	-	(902,656)
Income Before Transfers	86,583	(11,285)	75,298
Transfers In	588,424	21,528	609,952
Transfers Out	(789,022)	-	(789,022)
Change in Net Position	(114,015)	10,243	(103,772)
Net Position – Beginning (as restated see Note I.S.)	11,890,163	396,268	12,286,431
Net Position – Ending	$ 11,776,148	$ 406,511	$ 12,182,659

The accompanying notes are an integral part of the financial statements.

CITY OF GATESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities		
	Water and Sewer Fund	Airport Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 8,541,950	$ 44,252	$ 8,586,202
Cash payments to suppliers	(3,249,918)	(30,054)	(3,279,972)
Cash payments to employees	(2,194,745)	-	(2,194,745)
Net Cash Provided By Operating Activities	3,097,287	14,198	3,111,485
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	588,424	21,528	609,952
Transfers Out	(789,022)	-	(789,022)
Net Cash Provided (Used) By Noncapital Financing Activities	(200,598)	21,528	(179,070)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acqusition and construction of capital assets	(1,879,502)	-	(1,879,502)
Proceeds from issuance of debt	9,557,210	-	9,557,210
Principal Repayments	(676,215)	-	(676,215)
Interest paid on long-term debt	(706,607)	-	(706,607)
Net Cash Provided (Used) By Capital And Related Financing Activities	6,294,886	-	6,294,886
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	100,415	-	100,415
Net Cash Provided (Used) By Investing Activities	100,415	-	100,415
Net Increase (Decrease) in Cash For The Year	9,291,990	35,726	9,327,716
Cash - Beginning	2,443,413	28,363	2,471,776
Cash - Ending	$ 11,735,403	$ 64,089	$ 11,799,492

The accompanying notes are an integral part of the financial statements.

CITY OF GATESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities		
	Water and Sewer Fund	Airport Fund	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income	$ 989,239	$ (11,285)	$ 977,954
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,797,945	25,483	1,823,428
Change in Assets and Liabilities:			
(Increase) Decrease in accounts receivable(net)	86,597	-	86,597
(Increase) Decrease in deferred amount on refunding of debt	21,118	-	21,118
(Increase) Decrease in deferred outflow in net pension obligation	(243,759)	-	(243,759)
(Increase) Decrease in deferred outflow in net other post- employment benefit obligation	(14,089)	-	(14,089)
Increase(Decrease) in accounts payable and accrued liabilities	(55,192)	-	(55,192)
Increase(Decrease) in interest payable	9,643	-	9,643
Increase (Decrease) in refundable meter deposits	4,828	-	4,828
Increase (Decrease) in due to other funds	(149,980)	-	(149,980)
Increase (Decrease) in compensated absences	813	-	813
(Increase) Decrease in deferred inflow in net pension obligation	158,878	-	158,878
(Increase) Decrease in deferred inflow in net other postemployement benefit	(7,733)	-	(7,733)
Increase (Decrease) in net pension obligation	470,758	-	470,758
Increase(Decrease) in net other postemployment benefit obligation	28,221	-	28,221
Total Adjustments	2,108,048	25,483	2,133,531
Net cash Provided By Operating Activities:	$ 3,097,287	$ 14,198	$ 3,111,485

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF GATESVILLE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2019

	Fireman's Fund
ASSETS	
Cash	$ 166
Total Assets	$ 166
LIABILITIES	
Due to beneficiaries	$ -
Total Liabilities	-
FUND BALANCES	
Restricted for:	
Other	166
Total Fund Balances	166
Total Liabilities and Fund Balances	$ 166

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF GATESVILLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Fireman's Fund
REVENUES	
Investment earnings	$ 2
Total Revenues	2
EXPENDITURES	
Retirement payments	1,200
Miscellaneous	-
Total Expenditures	1,200
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,198)
OTHER FINANCING SOURCES (USES)	
Transfers in	1,140
Total Other Financing Sources (Uses)	1,140
Net Change in Fund Balances	(58)
Fund Balances – Beginning	224
Fund Balances – Ending	$ 166

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT INTENTIONALLY BLANK

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gatesville, Texas, a municipal corporation in Coryell County, Texas, was incorporated under the general laws of the State of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities and airport operations.

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

A. Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The City Council, which is elected at large, consists of a mayor and six council members constituting an ongoing entity and is the level of government that has governance responsibilities over all activities related to the City of Gatesville. The criteria for including organizations as component units within the City's reporting entity include whether 1) the organization is legally separate (can sue and be sued in their own name, 2) the City holds the corporate powers of the organization, 3) the City appoints a voting majority of the organization's board, 4) the City is able to impose its will on the organization, 5) the organization has the potential to impose a financial benefit/burden on the City, and 6) there is fiscal dependency by the organization on the City. There are no component units that qualify for inclusion in the City's reporting entity.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) 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 activities of the City. 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. In the reporting model as defined by GASB Statement No. 34, the focus is either the City as a whole or major individual funds (within the fund financial statements).

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Culture and Recreation, etc.) 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, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund and the general restricted revenue fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major governmental funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting, and Financial Statement 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 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. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

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

Property taxes, franchise taxes, licenses and permits, charges for services, 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. Property taxes collected by Coryell County Appraisal District at year-end on behalf of the City and sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. All other revenue items are considered to be measurable and available only when the City receives the cash.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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 City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Funds:

The focus of Governmental Fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The city reports the following major governmental fund:

General Fund – is the primary operating fund of the City. It accounts for all financial resources, except those required to be accounted for in other funds.

In addition, the city reports the following non-major governmental funds:

Special Revenue Funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary funds – Agency Funds account for assets held by the City as an agent on behalf of others. Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. The City has one Agency Fund: Fireman's Fund.

Proprietary Funds:

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability. The City reports the following major enterprise funds:

Utility Fund – accounts for the distribution of treated water and the collection and treatment of sewage, and solid waste collection activities. Activities of the fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

Airport Fund – accounts for hanger rentals and nominal expenses associated with operating the facilities.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, money market fund deposits, balances in public investment pools, and short-term investments with original maturities of three months or less from the date of acquisition.

The City is authorized to make investments in accordance with “The Public Funds Investment Act of 1987”. The City is also authorized by the Interlocal Cooperation Act, Articles 4413(32c) and 4413(43c), Vernon’s Texas Civil Statutes, as amended, to invest in shares of a public funds investment pool. The City’s investment policy authorizes certain investments that may be purchased by the City. A detail listing of authorized investments is included in Part IV, Note1 titled “Deposits and Investments.”

Under GASB Statement No. 31, investments are reported at their fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Short-term nonparticipating interest-earning investment contracts (to include certificates of deposit) are reported using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term “short-term” refers to investments that have a remaining term of one year or less from date of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes.

The gain/loss resulting from valuation is reported within the revenue account “investment earnings” on the Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, and the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds.

The City has implemented GASB Statement No. 40 entitled “Deposit and Investment Risk Disclosures”. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk as well as modifying custodial credit risk disclosures.

E. Receivables and Payables and Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or non-routine transfers of equity between funds – for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds – are accounted for as transfers in the government-wide statements of activities and as capital contributions in the proprietary fund operating statement.

All service and property tax receivables are shown net of an allowance for uncollectibles. Service accounts receivable in excess of 60 days comprise the service accounts receivable allowance for uncollectible. The property tax receivable allowance is based on historical collection rates at the end of the fiscal year.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Ad Valorem Taxes

The City levies property taxes as authorized under state law. The City reports tax revenue on the modified accrual basis, as described previously, net of allowance for uncollectible taxes. In addition, the City has entered into a contractual relationship with Coryell County, Texas, for the collections of all assess property taxes. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

G. Restricted Assets

Certain investments and cash accounts are classified as restricted on the balance sheet because their use is limited to servicing debt, repaying refundable deposits, public safety, culture and recreation, and specific construction projects.

H. Capital Assets

Capital assets (i.e. land, buildings, equipment, improvements other than buildings, which includes the City's infrastructure, and construction in progress) of all funds are stated at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10-50 years
Improvements other than buildings	10-50 years
Machinery and equipment	5-15 years
Infrastructure	40 years

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave, which is not vested. All vacation pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Typically, the General Fund has been used in prior years to liquidate such amounts in governmental funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs incurred are fully expensed in that reporting period.

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

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Fund Balance Classifications

The difference between assets and liabilities in the governmental fund balance sheet shall be organized into the following classifications:

Nonspendable – Not in a spendable form, such as inventory, or required to be maintained intact such as the principal of a permanent fund. As of September 30, 2019, the City did not have any nonspendable fund balances.

Restricted – Resources that are subject to constraints that are either imposed by law through constitutional provisions or enabling legislation, or externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. As of September 30, 2019, the City had restricted funds for economic development, public safety, debt service, capital projects, and culture and recreation.

Committed – Amounts that can only be used for specific purposes determined by formal approval of the Council. These amounts shall not be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it used to commit the amounts. As of September 30, 2019, the City did not have any committed fund balances.

Assigned – Amounts that the City intends to use for a specific purpose and are neither restricted nor committed. The intent to assign amounts for a specific purpose shall be expressed by the Council. As of September 30, 2019, the City did not have any assigned fund balances.

Unassigned – The residual classification for the general fund balance, including amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance that is not obligated or specifically designated and is available for any purpose.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Use of Restricted, Committed, Assigned, and Unassigned Assets

When the City incurs an expense for which it may use either restricted, committed, assigned, or unassigned assets, the City shall reduce restricted, committed, and assigned assets first, in that order, unless unassigned assets would have to be returned because they were not used.

O. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following statements:

1. Statement No. 83, “Certain Asset Retirement Obligations.” The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2019.

2. Statement No. 84, “Fiduciary Activities.” The requirements of this Statement will take effect for financial statements starting with fiscal year that ends December 31, 2019.

3. Statement No. 87, “Leases.” The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020.

4. Statement No. 88, (Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.” The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2019.

5. Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period.” The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020.

6. Statement No. 90, “Majority Equity Interests-an amendment of GASB Statement No. 14 and No. 61.” The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2019.

P. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Deferred Outflows of Resources

The City reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. Deferred outflows of resources reported in this year's financial statements includes (1) a deferred amount arising from the refunding of bonds, (2) a deferred outflow of resources for contributions made to the City's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the city's fiscal year, (3) a deferred outflow of resources related to other post-employment benefits (OPEB), and (4) a deferred outflows of resources related to the differences between the expected and actual demographics for the City's single-employer defined benefit fund. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred amount related to the actuarial assumptions for demographic factors in the pension fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan.

R. Deferred Inflows of Resources

The City's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in the City's various statements of net position including (1) a deferred inflow for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense and deferred inflows related to other post-employment benefits (OPEB) and (2) a deferred inflow of unavailable revenue from uncollected property taxes. The deferred inflow for actual pension plan investment earnings is attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this ($4,748,949) difference are as follows:

Note payable	$ (552,614)
Bonds payable	(790,000)
Lease payable	(1,034,167)
Compensated absences	(123,699)
Net pension liability	(2,643,908)
Deferred outflows related to pension	772,520
Net postemployment benefit obligation	(377,439)
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	$ (4,748,949)

Another element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of the $6,944,708 are as follows:

Land	$ 636,543
Construction in progress	30,353
Buildings and improvements	7,805,822
Less: Accumulated depreciation	(3,457,846)
Machinery and equipment	5,126,219
Less: Accumulated depreciation	(3,196,383)
Net adjustment to increase fund balance - total government funds to arrive at net position - governmental activities	$ 6,944,708

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period." The details of this $901,703 difference are as follows:

Capital outlay	$ 1,466,326
Depreciation expense	(564,623)
Net adjustment to decrease net changes in fund balances - Total governmental funds to arrive at changes in Net position of governmental activities	$ 901,703

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

One element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this ($800,060) difference are as follows:

Lease payable - current year issued	$ (890,884)
Note payable – current year issued	(220,620)
Bond payable – principal repayments	150,000
Note payable – principal repayments	71,622
Lease payable – principal repayments	89,822
Net adjustment to increase total governmental funds to arrive at changes in net position of governmental activities	$ (800,060)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this ($10,133) difference are as follows:

Compensated absences	$ (4,439)
OPEB expense	(5,694)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	$ (10,133)

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABLITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds except the capital project fund. The capital projects fund is budgeted in a multi-year manner. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department with approval of the City Manager. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level. The budget was approved September 26, 2018.

Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2019, the City of Gatesville's actual expenditures exceeded budget in the following accounts. Explanations of the variances are coded to the section of this note located below the table.

		Appropriations	Excess of Expenditures Over Appropriations
a.	General Fund – General Govt - Admin	$ 627,423	$ 37,225
b.	General Fund – General Govt - Planning	$ --	$ 6,565
c.	General Fund – Public Safety - Courts	$ 160,365	$ 13,994
d.	General Fund – Public Safety - Fire	$ 205,633	$ 2,159
e.	General Fund – Culture & Recreation – Library	$ 236,230	$ 6,374
f.	General Fund – Debt Svc - Principal	$ 242,542	$ 68,937
g.	General Fund – Debt Svc – Interest	$ 31,622	$ 257
h.	General Fund – Capital Outlay	$ 371,172	$ 173,813

a. An unfavorable variance resulted from expenses related to unbudgeted projects.
b. An unfavorable variance resulted from expense related to unbudgeted projects.
c. An unfavorable variance resulted from unforeseen expenses.
d. An unfavorable variance resulted from unforeseen expenses.
e. An unfavorable variance resulted from unforeseen expenses.
f. An unfavorable variance resulted from additional principal reported at year end.
g. An unfavorable variance resulted from additional interest reported at year end.
h. An unfavorable variance resulted from recording total cost of assets in construction in progress at year end.

IV. DETAILED NOTES ON ALL FUNDS

1. Deposits and Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City of Gatesville to invest its funds under a written investment policy that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The investment policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the investment policy, which is approved by the City Council. The investment policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition, it includes an "investment strategy statement" that specifically addresses each fund's investment strategy and maximum maturity of each fund's individual investments.

The Finance Director submits an investment report each quarter to the City Council. The report details the investment position of the City and the compliance of the investment portfolio as it relates to the investment policy and Texas State law.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. A certificate of deposit or share certificate that is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund through a depository institution that has its main office or a branch office in the State of Texas.
2. A certificate of deposit or share certificate that is invested through a broker that has its main office or branch office in the State of Texas, is on the list of broker/dealers adopted by the Council, and who utilizes a federally insured depository institution for the account of the City.
3. Interest bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund.
4. Interest bearing banking deposits, other than those listed above, which are invested through a broker or depository institution that has its main office or a branch office in the State of Texas.
5. Eligible investment pools (as discussed in the Public Funds Investment Act, Section 2256.016-2256.019) if the City Council by resolution authorized investment in that particular pool. An investment pool shall invest the funds it receives from the City in authorized investments permitted by the Public Funds Investment Act.
6. Obligations, including letters of credit, of the United States or its agencies and instrumentalities including the Federal Home Loan Banks.
7. Direct obligations of the United States Government or the State of Texas or their respective agencies and instrumentalities, which have a final maturity date of two years or less from the date of purchase.
8. Obligations of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Tennessee Valley Authority (TVA), or the Federal Home Loan Mortgage Corporation (FHLMC), which have a final maturity date of two years or less from the date of purchase and do not exceen 50% of the portfolio.
9. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities.
10. 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 of not less than A or its equivalent.

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

1. Deposits and Investments (Continued)

Under the City investment policy, the City may not invest in repurchase agreements, collateralized mortgage obligations, and any other investment instrument that is not specifically listed as an authorized investment.

The City has invested in TexPool Investment Pool, a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. TexPool Investment Pool's Liquidity Plus Fund uses a dollar weighted average maturity of 120 days or fewer and the net asset value of the shares invested are expected to maintain a net asset value of approximately $1. The net asset value of the shares invested in the fund do not fluctuate based on the fund's current market value.

The City does not own specific, identifiable investments with TexPool Investment Pool. The City considers the holdings in these pools to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

Deposits – Custodial credit risk for deposits is the risk in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. State statutes require all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities having a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized with securities held by the City or its agent in the City's name or the pledging financial institution's trust department or agent in the City's name at September 30, 2019.

At September 30, 2019, the carrying amount of the City's bank deposits was $13,888,543, and the respective bank balances totaled $13,888,044. Included in the balance is $8,807,979 held in escrow by a third party. Of the remaining bank balances, $250,000 was covered by federal depository insurance. Collateral for the bank balances over the federal depository insurance amount consisted of securities with a fair market value of $6,077,406 at September 30, 2019.

Investments – Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment policy requires that securities be insured and registered in the name of the City. All safekeeping receipts for investment instruments are held in accounts in the City's name, and all securities are registered in the City's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy provides that to the extent practicable, investments are matched with anticipated cash flows.

Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Such risk shall be controlled by investing in compliance with the City's investment policy, qualifying the broker and financial institution with which the City will transact, portfolio diversification, and limiting maturity. The following table includes the portfolio balances of all investment types of the City at September 30, 2019.

	Fair Value/Carrying Value				Weighted Average
	Governmental Activities	Business-type Activities	Total	Cost	Days to Maturity (1)
Investments:					
Local government investment pools:					
TexPool Investment Pool	414,737	-	414,737	414,737	1
Total local government investment pools	414,737	-	414,737	414,737	

(1) Interest rate risk is estimated using weighted average days to maturity.

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

1. Deposits and Investments (Continued)

As of September 30, 2019, the City of Gatesville's investments were rated by Standard & Poor's as follows:

	Average Credit Quality/ Ratings
TexPool Investment Pool	AAAm

A reconciliation of cash and investments as shown on the Statement of Net Position for the City follows:

Cash on hand	$ 1,600
Carrying amount of deposits	13,472,206
Carrying amount of investments	414,737
Total Cash and Investments	$ 13,888,543

2. Receivables

Receivables as of September 30, 2019, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectibles accounts, consist of the following:

	General	Water and Sewer	Airport	Total
Receivables:				
Account, net of allowance	$168,148	$899,582	$ -	$1,067,730
Taxes, net of allowance	53,097	-	-	53,097
	$221,245	$899,582	$ -	$1,120,827

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 636,543	$ -	$ -	$ -	$ 636,543
Construction in progress	347,124	50,561	-	(367,332)	30,353
Total assets not being depreciated	983,667	50,561	-	(367,332)	666,896
Capital assets, being depreciated:					
Buildings and improvements	7,122,166	316,324	-	367,332	7,805,822
Machinery and equipment	4,026,778	1,151,228	(18,040)	(33,747)	5,126,219
Total capital assets being depreciated	11,148,944	1,467,552	(18,040)	333,585	12,932,041
Less accumulated deprecation:					
Buildings and improvements	3,207,030	253,417	-	(2,601)	3,457,846
Machinery and equipment	2,882,576	341,971	(18,040)	(10,124)	3,196,383
Total accumulated depreciation	6,089,606	595,388	(18,040)	(12,725)	6,654,229
Total capital assets being depreciated, net	5,059,338	872,164	-	346,310	6,277,812
Governmental activities capital assets, net	$ 6,043,005	$ 922,725	$ -	$ (21,022)	$ 6,944,708
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 300,339	$ -	$ -	$ -	$ 300,339
Construction in progress	799,352	209,035	-	(548,809)	459,578
Total assets not being depreciated	1,099,691	209,035	-	(548,809)	759,917
Capital assets, being depreciated:					
Buildings and improvements	53,901,910	963,689	-	548,809	55,414,408
Machinery and equipment	5,967,546	318,927	(213,224)	33,747	6,106,996
Total capital assets being depreciated	59,869,456	1,282,616	(213,224)	582,556	61,521,404
Less accumulated deprecation:					
Buildings and improvements	30,127,286	1,566,850	-	2,601	31,696,737
Machinery and equipment	5,001,796	243,853	(213,224)	10,124	5,042,549
Total accumulated depreciation	35,129,082	1,810,703	(213,224)	12,725	36,739,286
Total capital assets being depreciated, net	24,740,374	(528,087)	-	569,831	24,782,118
Business-type activities capital assets, net	$ 25,840,065	$ (319,052)	$ -	$ 21,022	$ 25,542,035

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. Capital Assets (Continued)

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

Governmental Activities:	
Cultural and recreation	$ 130,914
Public safety	148,918
General government	34,208
Public works	268,623
Total depreciation expense – governmental activities	$ 582,663
Business-type Activities:	
Water and sewer	$ 1,797,945
Airport	25,483
Total depreciation expense – business-type activities	$ 1,823,428

4. Interfund Receivables, Payables, and Transfers

Interfund balances at September 30, 2019 consisted of the following:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 237,645
Total		$ 237,345

Transfers between funds:

	Transfers In	Transfers Out
General Fund		
Proprietary Fund	$ 179,070	$ -
Non Major Government Fund	91,364	-
Agency Fund	-	1,140
Proprietary Fund		
General Fund	-	179,070
Non Major Government Fund		
General Fund	-	91,364
Agency Fund		
General Fund	1,140	-
	$ 271,574	$ 271,574

Eliminations

Interfund receivables, payables, and transfers are reported in the governmental and proprietary fund financial statements. In the entity-wide statements, interfund receivables, payables, and transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Purpose of Transfers

Transfers to the General Fund are used for indirect costs deemed necessary for operations of the transferring funds but are paid through the General Fund. Transfers to the Agency Fund are for payments.

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

5. Leases

Noncancellable Operating Leases

Rental expenditures during the fiscal year ended September 30, 2019 including equipment rentals not covered under noncancelable leases were $10,110.

Capital Leases

The City entered into an equity lease agreement as lessee for financing the acquisition of Enterprise FM Trust vehicles and equipment for the use of various city general and enterprise departments during fiscal years 2017 – 2019. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired though capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Machinery and Equipment	$ 722,650	$ --
Vehicles	438,271	309,335
Less: accumulated depreciation	(114,450)	(115,699)
Total:	$1,046,471	$ 193,636

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019 were as follows:

Year Ending September 30,	Governmental	Business-type	Total
2020	$249,805	$ 57,626	$ 307,431
2021	249,805	57,626	307,431
2022	234,432	11,232	245,664
2023	191,283	11,232	202,515
2024	155,897	6,524	162,421
Total minimum lease payments	1,081,222	144,240	1,225,462
Less: amount representing interest	(47,055)	(6,277)	(53,332)
Present value of minimum lease payments	$1,034,167	$137,963	$ 1,172,130

6. Long-term Debt

At September 30, 2019, long-term debt of the City consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 940,000	$ -	$ (150,000)	$ 790,000	$ 150,000
Compensated absences	119,260	521,759	(517,320)	123,699	54,725
Note payable	403,616	220,620	(71,622)	552,614	107,172
Lease payable	233,105	890,884	(89,822)	1,034,167	238,934
Net pension liability	1,670,181	973,727	-	2,643,908	-
Net OPEB supplemental death benefit obligation	137,181	45,537	-	182,718	-
Net OPEB obligation	199,410	-	(4,689)	194,721	-
Total governmental activities	$ 3,702,753	$ 2,652,527	$ (833,453)	$ 5,521,827	$ 550,831
Business-type activities:					
Certificates of obligations	$ 9,195,000	$ -	$ (420,000)	$ 8,775,000	$ 445,000
Discount	(6,851)	-	-	(6,851)	-
Revenue bonds	-	10,000,000	-	10,000,000	475,000
Refunding bonds	4,910,000	-	(205,000)	4,705,000	210,000
Compensated absences	68,767	265,951	(265,138)	69,580	69,580
Note payable	924,125	-	(51,215)	872,910	52,995
Lease payable	162,909	31,200	(56,146)	137,963	55,118
Net pension liability	791,444	470,758	-	1,262,202	-
Net OPEB supplemental death benefit obligation	70,072	18,265	-	88,337	-
Net OPEB obligation	112,510	9,956	-	122,466	-
Total business-type activities	$ 16,227,976	$ 10,796,130	$ (997,499)	$ 26,026,607	$ 1,307,693

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

Future governmental debt service requirements are as follows:

	Governmental Activities					
Year Ended	General Obligation Bonds			Notes Payable		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2020	$ 150,000	$ 15,659	$ 165,659	$ 107,172	$ 15,192	$ 122,364
2021	155,000	12,318	167,318	109,811	12,553	122,364
2022	160,000	8,870	168,870	113,036	9,843	122,879
2023	160,000	5,365	165,365	91,455	7,017	98,472
2024	165,000	1,807	166,807	91,617	4,148	95,765
2025	-	-	-	39,523	1,186	40,709
	$ 790,000	$ 44,019	$ 834,019	$ 552,614	$ 49,939	$ 602,553

The General Obligation Refunding Bonds, Series 2014, were issued to make improvements to the streets and public works of the City. They were also used to pay for professional services rendered in relation to the project including the payment of costs related to the issuance.

The Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2007, were issued to make improvements and extensions to Fort Hood. They were also used to pay for professional services rendered in relation to the project including the payment of costs related to the issuance.

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

6. Long-term Debt (continued)

The Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2007, were issued to make improvements and extensions to Fort Hood. They were also used to pay for professional services rendered in relation to the project including the payment of costs related to the issuance.

The Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2011, were issued to make improvements and extensions to the City's combined Waterworks and Sanitary Sewer System. They were also used to pay for professional services rendered in relation to the project including the payment of costs related to the issuance.

The General Obligation Refunding Bonds, Series 2017, were issued to be used to advance refund a portion of the City's outstanding Utility System Revenue Bonds, Taxable Series 2008.The bonds are payable by levying an ad valorem tax upon all taxable property in the City. The original principal was $4,975,000. The bonds bear interest between 1.75% and 4.25% payable in annual installments of $65,000 to $365,000 through September 1, 2036. As a result, the refunded revenue bonds are considered to be defeased and the liability has been removed from the long-term debt of the government-wide statement of activities. The reacquisition price exceeded the net carrying amount of the old debt by $380,116. This amount is being netted against the new debt and amortized over the new debt's life. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2036 using the proportionate-to-stated interest method. The remaining unamortized balance at September 30, 2019 is $337,881.

The Utility System Revenue Bonds, Series 2019, were issued for the purpose of constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving sewer system properties and facilities, including expansion of the Stillhouse Branch Wastewater Treatment Plant. The City agreed that the net revenues of the system, with the exception of those in excess of the amounts required for the payment and security of the bonds similarly secured, are hereby irrevocably pledged, equally and ratably, to the payment and security of the bonds and the additional bonds, if issued, including the establishment and maintenance of the special funds created and maintained for the payment and security thereof.

Future business-type debt service requirements are as follows:

	Business-type Activities								
Year Ended	Certificates of Obligation and Refunding Bonds			Revenue Bonds			Notes Payable		
September 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	$ 655,000	$ 621,460	$ 1,276,460	$ 475,000	$ 84,086	$ 559,086	$ 52,995	$ 29,262	$ 82,257
2021	685,000	594,853	1,279,853	475,000	83,659	558,659	54,836	27,421	82,257
2022	715,000	566,310	1,281,310	475,000	82,899	557,899	56,741	25,516	82,257
2023	755,000	535,833	1,290,833	475,000	81,854	556,854	58,712	23,545	82,257
2024	785,000	502,893	1,287,893	475,000	80,382	555,382	60,752	21,505	82,257
2025-2029	4,210,000	1,928,320	6,138,320	2,430,000	366,228	2,796,228	336,922	74,360	411,282
2030-2034	3,855,000	998,242	4,853,242	2,520,000	268,304	2,788,304	251,952	15,379	267,331
2035-2039	1,820,000	131,028	1,951,028	2,675,000	113,900	2,788,900	-	-	-
	$ 13,480,000	$ 5,878,939	$ 19,358,939	$ 10,000,000	$ 1,161,312	$ 11,161,312	$ 872,910	$ 216,988	$ 1,089,898

7. Ad Valorem Taxes

Property taxes are assessed and collected by the Tax Appraisal District of Coryell County. The tax calendar is as follows:

Levy date: October 1 of the tax year
Due date: January 31 of year following the tax year, without penalty
Collection date: Beginning in October of the tax year
Lien date: January l of the tax year

The effective tax rate during fiscal year ended September 30, 2019, was $0.56 per $100 valuation.

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

8. Interest Expense

Interest expense during the year ended September 30, 2019, is as follows:

General Fund	$ 31,879
Water and Sewer Fund	701,606
Total Interest Expense	$733,485

Interest accrued in the Water and Sewer Fund at September 30, 2019 was $148,028. Amortization of deferred amount on advance refunding of revenue bonds in the Water and Sewer Fund was $21,117 for the year ended September 30, 2019.

9. Texas Department of Corrections Water Service Contracts

The City has an agreement to supply water and sewer disposal for the Texas Department of Corrections. The cost of water and sewer services to the Texas Department of Corrections is based on 1) charges for raw water supplied, 2) operation and maintenance charges based on volume and 3) an allocation of total construction costs. Payments for these charges began in March of 1990, and the monthly charges for these items are as follows:

	Water	Sewer
Mountainview, Hilltop and Gatesville Units	$2.30 per 1,000 Base charge: $149.33	$2.29 per 1,000 Base charge: $300.72
Hughes Unit	#1 - $2.30 per 1,000 Base charge: $322.67	$2.29 per 1,000 Base Charge: $300.72
	#2 - $2.30 per 1,000 Base charge: $37.33	$2.29 per 1,000 Base Charge: $300.72
Woodman and Murry Units	#1 - $2.30 per 1,000 Base charge: $322.67	$2.29 per 1,000 Base Charge: $300.72
	#2 - $2.30 per 1,000 Base charge: $37.33	$2.29 per 1,000 Base Charge: $300.72

V. OTHER INFORMATION

1. Risk Management

The City is exposed to various risks of loss related to torts: theft; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool (TML), a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to TML for its general insurance coverage, real and personal property coverage, liability coverage, and workers compensation coverage. The agreement for formation for TML provides that TML will be self-sustaining through member premiums.

V. OTHER INFORMATION (CONTINUED)

2. Employee Benefit Plans

Texas Municipal Retirement System Plan

Plan Description

The City of Gatesville participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained from TMRS' website 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 employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Upon retirement, benefits depend upon the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At inception, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	21
Active employees	77
Total	149

Contributions

The contribution rate for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

V. OTHER INFORMATION (CONTINUED)

2. Employee Benefit Plans (continued)

Employees for the City of Gatesville were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Gatesville were 15.72% and 15.28% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were $567,742, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plant investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Forfeiture rates (withdrawal of member deposits from TMRS) for vested member vary by age and employer match. The withdrawal rates for cities with a 2-to-1 match are shown below. Forfeiture rates end at first eligibility for retirement.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

V. OTHER INFORMATION (CONTINUED)

2. Employee Benefit Plans (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return (Arithmetic)**
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

Development of the Single Discount Rate	
Single Discount Rate	6.75%
Long-Term Expected Rate of Return	6.75%
Long-Term Municipal Bond Rate *	3.71%

* The rate is based on the Fidelity 20-Year Municipal GO AA Index daily rate closest to but not later than the Measurement Date.

V. OTHER INFORMATION (CONTINUED)

2. Employee Benefit Plans (continued)

Changes in the Net Pension Liability	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2017	$18,743,104	$16,281,479	$2,461,625
Changes for the year:			
Service cost	603,610	-	603,610
Interest	1,256,097	-	1,256,097
Change in current period benefit	-	-	-
Difference between expected and actual experience	(92,837)	-	(92,837)
Changes of assumptions	-	-	-
Contributions – employer	-	564,950	(564,950)
Contributions – employee	-	255,303	(255,303)
Net investment income	-	(487,950)	487,950
Benefit payments, including refunds of employee contributions	(872,133)	(872,133)	-
Administrative expense	-	(9,426)	9,426
Other changes	-	(492)	492
Net changes	894,737	(549,748)	1,444,485
Balance at 12/31/2018	$ 19,637,841	$15,731,731	$ 3,906,110

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$6,729,162	$3,906,110	$1,603,620

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 the September 30, 2019, the recognized pension expense of $748,508.

At September 30, 2019, 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	$ --	$ (208,728)
Changes in actuarial assumptions	1,361	--
Difference between projected and actual investment earnings	842,717	--
Contributions subsequent to the measurement date	430,352	--
Total	$ 1,274,430	$ (208,728)

V. OTHER INFORMATION (CONTINUED)

2. Employee Benefit Plans (continued)

$430,352 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	205,639
2020	51,158
2021	73,271
2022	305,280
2023	0
Thereafter	0
Total	635,348

3. Post Employment Benefits Other than Pension Benefits

Supplemental Death Benefits Fund

Plan Description

The City also participates in the Supplemental Death Benefits Fund (SDBF) which is a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). This SDBF is administered through the Texas Municipal Retirement System. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provide 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); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The 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 the employees' entire careers.

There is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

V. OTHER INFORMATION (CONTINUED)

3. Post Employment Benefits Other than Pensions (continued)

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	7
Active employees	77
Total	118

Contributions

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.21%	0.06%
2018	0.23%	0.06%
2019	0.23%	0.05%

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.
Note 2: In order to determine the retiree portion of the City's Supplemental Death Plan contribution (that which is considered OPEB), the City should perform the following calculation:

Total covered payroll * Retiree Portion of SDB Contribution (rate)

Consideration should be given to the time period of contributions incurred (i.e., City's fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

Actuarial assumptions

The Total OPEB-SDB Liability (TOL) in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.5% per year
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.71%
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018. Note: The actuarial assumptions used in the December 31,2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

V. OTHER INFORMATION (CONTINUED)

3. Post Employment Benefits Other than Pensions (continued)

Forfeiture rates (withdrawal of member deposits from TMRS) for vested member vary by age and employer match. The withdrawal rates for cities with a 2-to-1 match are shown below. Forfeiture rates end at first eligibility for retirement.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

The following presents the total OPEB-SDB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB-SDB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB-SDB liability	$308,702	$271,055	$240,918

At September 30, 2019, the OPEB-SDB expense and liability is as follows:

	OPEB-SDB Expense
Changes for the year:	
Service cost	$ 11,306
Interest	7,011
Changes in benefit terms	--
Employer administrative costs	--
Recognition of deferred outflows/inflows of resources:	
Difference between expected and actual experience	10,303
Changes in assumption or other inputs	178
Total OPEB-SDB expense	$ 28,798

Changes in the Total OPEB-SDB Liability

	Net OPEB Liability (a)-(b)
Balance at 12/31/2017	207,253
Changes for the year:	
Service cost	11,306
Interest	7,011
Change in benefit terms	-
Difference between expected and actual experience	61,714
Changes of assumptions	(14,041)
Benefit payments	(2,188)
Net changes	63,802
Balance at 12/31/2018	271,055

V. OTHER INFORMATION (CONTINUED)

3. Post Employment Benefits Other than Pensions (continued)

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

For the year ended the September 30, 2019, the recognized OPEB-SDB expense of $28,798.

At September 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB-SDB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	$ 51,411	$ --
Changes in actuarial assumptions and other inputs	10,061	(11,697)
Net difference between projected and actual investments	--	--
Contributions subsequent to the measurement date	964	--
Total (excluding contributions subsequent to measurement date)	$ 62,436	$ (11,697)

$964 reported as deferred inflows of resources related to OPEB-SDB resulting from contributions subsequent to the measurement date will be recognized as an increase of the OPEB-SDB for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB-SDB expense as follows:

Year ended December 31:	
2019	10,481
2020	10,481
2021	10,481
2022	10,454
2023	7,878
Thereafter	0
Total	49,775

V. OTHER INFORMATION (CONTINUED)

3. Post Employment Benefits Other than Pension Benefits

Other Post-Employment Benefit (OPEB) Plan

Plan Description
In addition to the pension benefits described in Note V.2. as required by state law and defined by City Policy, the City makes available health care benefits to all employees who retire from the City through a single-employer defined benefit healthcare plan. This plan covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). This healthcare plan provides lifetime insurance or until 65 if eligible for Medicare to eligible retirees, their spouses and dependents through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established by management. The full cost of the coverage is paid by the retiree, with the rates being the same as an active employee.

At the September 30, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members/Beneficiaries Currently Receiving Benefits	2
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	71
Total	73

V. OTHER INFORMATION (CONTINUED)

3. Postemployment Benefits Other than Pensions (continued)

Contributions

The full monthly premium rates for retirees as of October 1, 2018 for each plan are shown below.

Rate Tier	CC80	Dental	Vision
Single	$441.90	N/A	N/A
Subscriber and Spouse	$1,036.13	N/A	N/A

Actuarial assumptions

The other post-employment (OPEB) liability in September 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Discount rate*	2.66% per annum
Salary Increase Rate	3.5%
Inflation Rate	3.0% per annum
Amortization Method	Experience/Assumptions gains and losses are amortized over a closed period of 10.7 years starting on October 1, 2017, equal to the average remaining service of active and inactive plan members (who have no future service).
Mortality Rates	RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis.

* Source: Bond Buyer 20-Bond GO index

**Changes include updating the mortality to be a generational table with updated projection scales released by the SOA, an interest rate using 20 year bond rates and a change in Actuarial Cost methodology to the Entry Age Normal (EAN) method per GASB 75.

Forfeiture rates, the rate of withdrawal is based on the withdrawal assumption used in the 2016 Texas Municipality Retirement System Actuarial Valuation. The rate of withdrawal for reasons other than death and retirement is dependent on an employee's age, gender, and years of service. Sample rates are provided below:

Termination rates based on first 10 years of service						
	Male			Female		
Age	0	4	9	0	4	9
20	29.20%	18.5%	8.165	30.30%	19.975	15.74%
30	24.51%	10.79%	6.21%	25.74%	13.47%	8.04%
40	24.67%	10.46%	5.77%	22.44%	12.95%	7.33%
50	20.78%	10.16%	5.78%	22.01%	8.86%	6.17%
60	19.99%	7.90%	5.49%	22.00%	7.98%	3.79%
70	20.00%	8.02%	5.51%	22.00%	8.00%	2.90%

Termination rates after first 10 years of service		
Years from Retirement	Male	Female
1	1.72%	2.20%
5	3.35%	4.41%
10	4.47%	5.94%
15	5.29%	7.08%

V. OTHER INFORMATION (CONTINUED)

4. Postemployment Benefits Other than Pensions (continued)

The following presents the post-employment benefit (OPEB) liability of the City, calculated using the discount rate of 3.71%, as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) or 1-percentage point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB liability	$352,744	$317,187	$285,754

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption:

The following presents the post-employment benefit (OPEB) liability of the City, calculated using the assumed trend rate as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Trend	Net OPEB Liability	% Difference
1% Decrease	$276,034	-13%
Current Trend	$317,187	N/A
1% Increase	$367,258	15%

At September 30, 2019, the OPEB expense and liability is as follows:

	Total OPEB Expense
Changes for the year:	
Service cost	$14,934
Interest cost	10,445
Change in current period benefit terms	--
OPEB plan Administrative expense	--
Current Recognized deferred outflows/(inflows):	
Recognition of current year outflow (inflow) due to liabilities	(1,475)
Amortization of prior year outflow (inflow) due to liabilities	1,944
Total OPEB Expense	$ 25,848

Changes in the Total OPEB Liability

	Net OPEB Liability
Balance at 12/31/2017	$311,920
Changes for the year:	
Service cost	14,934
Interest	10,445
Change in benefit terms	-
Difference between expected and actual experience	1,224
Changes of assumptions	(13,651)
Benefit payments	(7,685)
Net changes	5,267
Balance at 12/31/2018	$317,187

V. OTHER INFORMATION (CONTINUED)

3. Postemployment Benefits Other than Pensions (continued)

Total post-employment benefit OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to post-employment benefit (OPEB)

For the year ended the September 30, 2019, the recognized post-employment benefit OPEB expense of $25,848.

At September 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to total OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	$ 1,079	$ --
Changes in assumptions and other inputs	12,496	(12,031)
Contributions subsequent to the measurement date	4,861	--
Total	$ 18,436	$ (12,031)

$4,861 deferred outflows of resources related to total OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	469
2021	469
2022	469
2023	469
2024	469
Thereafter	(801)
	1,544

V. OTHER INFORMATION (CONTINUED)

4. Contingencies

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

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX E

SPECIMAN MUNICIPAL BOND INSURANCE POLICY

(this page intentionally left blank)

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

Financial Advisory Services
Provided By:

SAMCO Capital