OFFICIAL STATEMENT
Dated October 14, 2020

Enhanced / Unenhanced Ratings:
S&P: "AA" / "A+"
(See "BOND INSURANCE," "FINANCIAL GUARANTY INSURANCE RISK FACTORS," and "OTHER INFORMATION – Ratings" herein.)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the City (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. See "TAX MATTERS" herein.

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

$5,490,000
CITY OF CUERO, TEXAS
(A political subdivision of the State of Texas located in DeWitt County, Texas)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

Dated Date: November 1, 2020 **Due: March 1, as shown on inside cover**

PAYMENT TERMS . . . $5,490,000 City of Cuero, Texas General Obligation Refunding Bonds, Series 2020 (the "Bonds") will accrue from Date of Delivery, will be payable on March 1 and September 1 of each year commencing March 1, 2021 until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described in APPENDIX D. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the actual owners (the "Beneficial Owners") thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds (see "APPENDIX D - Book-Entry-Only System"). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, Texas Government Code, as amended (the "Act"), and are direct obligations of the City of Cuero, Texas (the "City") payable from the proceeds of a continuing direct annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and an ordinance authorizing the issuance of the Bonds (the "Ordinance") adopted by the City Council of the City on September 28, 2020 (see "THE BONDS - Authority for Issuance"). In the Ordinance, and as permitted by the Act, the City Council delegated to certain City officials the ability to execute an approval certificate (the "Approval Certificate") to effectuate the sale of the Bonds. The Approval Certificate was executed by a duly authorized City official on October 14, 2020.

PURPOSE . . . Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt designated on Schedule I hereto (the "Refunded Obligations") in order to lower the overall debt service requirements of the City and to pay the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING – Purpose" and "SCHEDULE I – Schedule of Refunded Obligations").

ASSURED GUARANTY MUNICIPAL

INSURANCE . . . The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See ("BOND INSURANCE" and "FINANCIAL GUARANTY INSURANCE RISK FACTORS").

CUSIP PREFIX: 229795
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser thereof (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel (see "APPENDIX C - Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, as counsel for the Underwriter.

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on Tuesday, November 5, 2020.

SAMCO Capital Markets, Inc.

CUSIP Prefix: 229795(1)

MATURITY SCHEDULE

Maturity (March 1)	Amount	Interest Rate	Initial Yield	CUSIP Suffix No.(1)	Maturity (March 1)	Amount	Interest Rate	Initial Yield	CUSIP Suffix No.
2021	$485,000	3.000%	0.310%	JT7	2027	$ 420,000	3.000%	0.900%	JZ3
2022	475,000	3.000%	0.360%	JU4	2028	435,000	3.000%	1.040%	KA6
2023	480,000	3.000%	0.440%	JV2	2029	450,000	3.000%	1.190%	KB4
2024	500,000	3.000%	0.490%	JW0	2030	465,000	3.000%	1.320% (2)	KC2
2025	400,000	3.000%	0.600%	JX8	2031	480,000	3.000%	1.420% (2)	KD0
2026	410,000	3.000%	0.760%	JY6	2032	490,000	3.000%	1.500% (2)	KE8

(Interest accrues from Date of Delivery)

(1) CUSIP numbers are included solely for the convenience of the owners of the Bonds. 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 Underwriter, or the Financial Advisors shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated on the assumption that such Bonds will be redeemed on March 1, 2029, the first optional call date for such Bonds.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption”).

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No dealer, broker, salesman or other person has been authorized by the City, the Financial Advisor, or the Underwriter 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, the Financial Advisor, or the Underwriter. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriter. Any information and expressions 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 any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof.

See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE BONDS 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 BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE BONDS HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE COVER PAGES CONTAIN CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND ARE NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The agreements of the City and others related to the Bonds 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 Bonds is to be construed as constituting an agreement with the Underwriter. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

This Official Statement contains Forward Looking Statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended. Such statement may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance, and achievements expressed or implied by such Forward Looking Statements. Investors are cautioned that the actual results could differ materially from those set forth in the Forward Looking Statements.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix E - Specimen Municipal Bond Insurance Policy".

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Cuero, Texas (the "City") is located in DeWitt County at the crossroads of Highway 183 and Highway 87. The City was incorporated in 1873 and adopted its Home Rule Charter on June 10, 1969 (which was last amended by an election held on May 9, 2009). The City operates under a council/manager form of government pursuant to the Texas Constitution (the "Constitution") and laws of the State of Texas (the "State"). Policy making and legislative authority are vested in the City Council, which consists of a mayor and a six-member council. The City has a land area of 4.40 square miles (see "APPENDIX A – General Information Regarding the City").

THE BONDS .... The Bonds are issued as $5,490,000 General Obligation Refunding Bonds, Series 2020. The Bonds are issued as serial bonds maturing on March 1, 2021 through March 1, 2032 (inclusive) (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST ON THE BONDS .... Interest on the Bonds accrues from Date of Delivery, and is payable initially on March 1, 2021 and each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption (see "THE BONDS – Description of the Bonds", and "THE BONDS – Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the Constitution and general laws of the State, particularly Chapter 1207, Texas Government Code, as amended (the "Act"), and are direct obligations of the City payable from the proceeds of a continuing annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and an ordinance authorizing the issuance of the Bonds (the "Ordinance") adopted by the City Council of the City on September 28, 2020 (see "THE BONDS - Authority for Issuance"). In the Ordinance, and as permitted by the Act, the City Council delegated to certain City officials the ability to execute an approval certificate (the "Approval Certificate") to effectuate the sale of the Bonds. The Approval Certificate was executed by a duly authorized City official on October 14, 2020.

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from the proceeds of the levy and collection of a direct and continuing direct annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see "THE BONDS - Security and Source of Payment").

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

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

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City has been designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS - Qualified Tax-Exempt Obligations").

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt designated on Schedule I hereto (the "Refunded Obligations") in order to lower the overall debt service requirements of the City and to pay the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING – Purpose" and "SCHEDULE I – Schedule of Refunded Obligations").

BOND INSURANCE .... The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. (see "BOND INSURANCE" and "FINANCIAL GUARANTY INSURANCE RISK FACTORS" herein).

RATINGS .... S&P has assigned its municipal bond rating of "AA" to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. See "BOND INSURANCE," "MUNICIPAL BOND RATING" and "APPENDIX E. The Bonds and the presently outstanding limited ad valorem tax supported debt of the City are rated "A+" by S&P Global Ratings ("S&P"), without regard to credit enhancement (see "OTHER INFORMATION - Ratings"). The Bonds are additionally rated "AA" by S&P virtue of a municipal bond insurance policy to be issued upon the delivery of the Bonds to the Underwriter.

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

PAYMENT RECORD .... The City has never defaulted in payment of its ad valorem tax supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	Tax Supported Debt[3]	Per Capita Tax Supported Debt	Ratio Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2017	7,407	$ 324,846,120	$ 43,857	$ 3,155,000	$ 426	0.97%	99.08%
2018	8,524	321,009,800	37,660	3,025,000	355	0.94%	98.51%
2019	8,375	323,809,800	38,664	2,885,000	344	0.89%	98.00%
2020	8,375	347,782,126	41,526	2,740,000	327	0.79%	98.00% [5]
2021	7,877	370,031,965	46,976	2,585,000 [4]	328 [4]	0.70% [4]	NA

(1) Source: The City.
(2) As reported by the DeWitt County Appraisal District on the City's Certified Roll; subject to change during the ensuing year.
(3) Does not include self-supporting debt.
(4) Excludes the Refunded Obligations and includes the Bonds.
(5) As of August 15, 2020.

CHANGE IN NET ASSETS CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Beginning Balance	$ 41,190,109	$ 41,065,270	$ 42,288,941	$ 42,022,152	$ 37,801,377
Total Revenues	22,734,904	21,418,391	20,680,704	23,164,707	26,683,984
Total Expenditures	(21,981,790)	(21,480,795)	(21,699,636)	(22,897,918)	(22,364,082)
Net Funds Available	$ 753,114	$ (62,404)	$ (1,018,932)	$ 266,789	$ 4,319,902
Transfers	-	-	-	-	-
Ending Balance	$ 41,943,223	$ 41,002,866	$ 41,270,009	$ 42,288,941	$ 42,121,279

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Beginning Balance	$ 2,815,430	$ 2,630,660	$ 3,938,377	$ 3,878,418	$ 3,367,327
Total Revenue	6,178,983	5,032,179	5,099,253	5,236,114	4,735,498
Total Expenditures	(7,201,299)	(6,551,909)	(6,718,655)	(6,693,755)	(6,931,907)
Other Resources (Uses)	1,136,691	1,704,500	311,685	1,517,600	2,707,500
Net Funds Available	114,375	184,770	(1,307,717)	59,959	511,091
Ending Balance	$ 2,929,805	$ 2,815,430	$ 2,630,660	$ 3,938,377	$ 3,878,418

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(1) City administration anticipates that the unaudited General Fund balance for the period ending September 30, 2020 will be approximately $3,050,000 (unassigned).

For additional information regarding the City, please contact:

Mr. Raymie Zella
City Manager
Ms. Caroline "Connie" Hawes
Finance Director
City of Cuero
212 East Main
Cuero, Texas 77954
Telephone: (361) 275-3476
rzella@cityofcuero.com
chawes@cityofcuero.com

or

Ms. Anne Burger Entrekin
Hilltop Securities Inc.
70 NE Loop 410, Suite 710
San Antonio, Texas 78216
Telephone: (210) 308-2200
anne.burgerentrekin@hilltopsecurities.com

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Sara Post Meyer Mayor	10 Years	May 2022	Retired Teacher
Bill Matthys Mayor Pro Tem, At Large	12 Years	May 2021	Retired School Administrator
John Fuqua Councilmember, District 1	11 Years	May 2021	Retired Teacher
Terry Glover Councilmember, District 2	6 Years	May 2022	Barber
Brad Hedrick Councilmember, District 3	12 Years	May 2022	Business Owner
Mitch Adams Councilmember, District 4	6 Months	May 2021	Operations Manager at Dow Chemical
W. T. "Tony" Allen Councilmember, At Large	15 Years	May 2021	Retired Chief of Police

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City	Total Governmental Service
Raymie Zella(1)	City Manager	12 Years	44 Years
Caroline "Connie" Hawes	Finance Director	10 Years	10 Years
Jennifer Zufelt(2)	City Secretary	8 Years	16 Years
James K. Crain, III	City Attorney	21 Years	21 Years

(1) The City on January 5, 2010, appointed Mr. Zella as the City Manager.
(2) The City on September 10, 2012, appointed Ms. Zufelt as the City Secretary.

CONSULTANTS AND ADVISORS

Auditors .... Harrison, Waldrop & Uherek, L.L.P.
Victoria, Texas

Bond Counsel .... Norton Rose Fulbright US LLP
San Antonio, Texas

Financial Advisor........ Hilltop Securities Inc.
San Antonio and Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$5,490,000
CITY OF CUERO, TEXAS
(A political subdivision of the State of Texas located in DeWitt County, Texas)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2020

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $5,490,000 City of Cuero, Texas, General Obligation Refunding Bonds, Series 2020 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined below), except as otherwise indicated herein.

All financial and other information presented in this Official Statement has been provided by the City (hereinafter defined) 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.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc. ("Hilltop Securities"), San Antonio, Texas via email or upon payment of reasonable copying, handling and delivery charges.

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 Bonds will be deposited by the Underwriter 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.

DESCRIPTION OF THE CITY . . . The City of Cuero, Texas (the "City"), is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State including the City's Home Rule Charter. The City was incorporated in 1873, and adopted its Home Rule Charter on June 10, 1969 (which was most recently amended on May 9, 2009). The City operates under a council/manager form of government with a City Council comprised of the Mayor and a six member council. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the terms of the other four Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water, sewer, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 6,841. The City covers approximately 4.40 square miles.

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 which was subsequently extended and is still in effect. 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 end of the 2019-20 school year. In addition to the actions by the state and federal officials, certain local officials, including the City and DeWitt 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 Bonds. 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.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt designated in Schedule I hereto (the "Refunded Obligations") in order to lower the overall debt service requirements of the City and to pay the costs associated with the issuance of the Bonds. See "SCHEDULE I – Schedule of Refunded Obligations."

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Obligations, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and BOKF, NA, Dallas, Texas (the "Escrow Agent"). The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the City (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled date of early redemption (the "Redemption Date"). Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. Hilltop Securities, in its capacity as Financial Advisor to the City, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, at the maturity date or Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) (the "Federal Securities"). Cash and investments (if any) held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Simultaneously with the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from funds held under the Escrow Agreement.

By the deposit of the Federal Securities, if any, and cash described above with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Obligations, pursuant to the terms of the ordinances authorizing the issuance of the Refunded Obligations. It is the opinion of Bond Counsel that, as a result of such defeasance, and in reliance upon the Sufficiency Certificate provided by Hilltop Securities, the Refunded Obligations will no longer be payable from ad valorem taxes but will be payable solely from the cash and Federal Securities on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Obligations will be defeased and are not to be included in or considered to be indebtedness of the City for the purpose of a limitation of indebtedness or for any other purpose. See "Form of Bond Counsel's Opinion" attached hereto as APPENDIX C.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated as of the Dated Date, and mature on March 1 in each of the years and in the amounts shown on page 2. Interest will accrue from the Date of Delivery, be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1, commencing March 1, 2021, until the earlier of stated maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described in APPENDIX D. **No physical delivery of the Bonds will be made to the Beneficial Owners.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" in APPENDIX D.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City Council of the City on September 28, 2020 (the “Ordinance”). In the Ordinance, and as permitted by the Act, the City Council delegated to certain City officials the ability to execute an approval certificate (the “Approval Certificate”) to effectuate the sale of the Bonds. The Approval Certificate was executed by a duly authorized City official on October 14, 2020.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute direct obligations of the City, payable from the proceeds of the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 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 general obligation debt service, as calculated at the time of issuance. The issuance of the Bonds does not violate either one of these provisions.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) will determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption given, such Bond (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.

AMENDMENTS . . . The City 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 City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, 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 Bonds then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition or rescission.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with an authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities (hereinafter defined) of such maturities and interest payment dates and to bear interest at such rates as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed, except as hereinafter provided), be sufficient to make such payment. The foregoing deposits shall be certified 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 Ordinance provides that "Government Securities" means (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 their acquisition or purchase by the City, 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 have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and/or (d) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under applicable laws of the State of Texas. City officials may restrict the use of Government Securities as deemed appropriate in connection with the sale of the Bonds. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City money in excess of the amount required for such defeasance.

There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Federal Securities, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("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 Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, defeasance securities may not be of the same investment quality as those currently identified Texas law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to take any action amending the terms of the Bonds are extinguished.

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" in APPENDIX D for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for determining the person to whom the interest on a Bond is payable on any interest payment date means the close of business on the fifteenth day of the preceding month.

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

BONDHOLDERS' REMEDIES . . . If the City defaults in the payment of principal or interest on the Bonds 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 for 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 Bonds if there is no other available remedy at law to compel performance of the Bonds or Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds 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. On June 30, 2006, 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. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants.

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 governmental and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship.

Notwithstanding the foregoing, 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. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. 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 Bonds 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.

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds, along with a cash contribution from the City, are expected to be expended as follows:

Sources of Funds:	
Par Amount	$5,490,000.00
Premium	535,450.00
Total Sources of Funds	$6,025,450.00
Uses of Funds:	
Deposit to Escrow Fund	$5,880,416.22
Insurance	16,117.05
Cost of Issuance and Additional Proceeds	88,855.68
Underwriter's Discount	40,061.05
Total Uses of Funds	$6,025,450.00

BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds 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.

ASSURED GUARANTY MUNICIPAL CORP. . . . AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At June 30, 2020:

- The policyholders' surplus of AGM was approximately $2,667 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE UK and AGE SA were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE".

FINANCIAL GUARANTY INSURANCE RISK FACTORS

BOND INSURER . . In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments from AGM (the "Insurer"). However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the Issuer from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the Insurer without its consent. The Insurer may direct and must consent to any remedies under the Ordinance and the Insurer's consent may be required in connection with amendments to the Ordinance.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the money received by the Paying Agent/Registrar pursuant to the Ordinance. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are 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 is given that the long-term ratings of the Insurer and of the rating on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description "OTHER INFORMATION - RATINGS" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Certificate Holders of Bonds may be limited by applicable bankruptcy law or other similar laws related to insolvency.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and Fitch Ratings (collectively, the "Rating Agencies") have, in the past, downgraded and/or placed on negative watch the claims-paying and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, past events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including the Insurer. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

Neither the City nor the Underwriters have made 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.

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

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

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.

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

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 Bonds. 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 APPLICATION OF PROPERTY TAX CODE . . . The City does not grant the local option freeze exemption to the appraised value of the residence homestead of persons 65 years of age or older or the disabled.

The City has not granted the local option homestead exemption of 20% of the appraised value of residence homesteads; minimum exemption of $5,000.

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

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 November 8, 2005.

Ad valorem taxes are levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the DeWitt County Tax Assessor/Collector collects taxes for the City.

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

The City does not tax Freeport Property.

The City does not tax Goods-in-Transit.

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

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for a tax abatement of up to 100% for a period of five years including construction, declining to 0% in year nine.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2020/21 Market Valuation Established by DeWitt County Appraisal District (excluding totally exempt property)		$392,042,719
Less Exemptions/Reductions at 100% Market Value:		
Disabled Veterans	$ 4,099,440	
Protest Value	-	
Real Exempt Property	4,979,370	
Value Lost to 10% Per Year Cap	12,931,944	$ 22,010,754
2020/21 Net Taxable Assessed Valuation		$370,031,965
Tax Supported Debt Payable from Ad Valorem Taxes as of August 15, 2020		
Tax Supported Debt Payable from Ad Valorem Taxes(1)	$ 4,360,000	
The Bonds	5,490,000	
Tax Supported Debt Payable from Ad Valorem Taxes		$ 9,850,000
Less: Self Supporting Debt(2)		
Tax Supported Certificates of Obligation Debt	$ 1,620,000	
The Bonds	5,490,000	
Net Tax Supported Debt Payable from Ad Valorem Taxes		$ 7,110,000
Net Tax Supported Debt Payable from Ad Valorem Taxes		$ 2,740,000
Interest and Sinking Fund as of August 15, 2020		$ 741,536 (3)
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		0.74%

2020 Estimated Population - 8,375
Per Capita Taxable Assessed Valuation - $44,183
Per Capita Tax Supported Debt Payable from Ad Valorem Taxes - $1,176
Per Capita Net Tax Supported Debt Payable from Ad Valorem Taxes - $327

(1) Does not include the Refunded Obligations.
(2) Debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future.
(3) Unaudited.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,				
	2020		2019		2018
Category	Amount	% of Total	Amount	% of Total	Amount
Real, Residential, Single-Family	$ 214,616,560	57.71%	$ 202,337,800	57.68%	$ 195,770,170
Real, Residential, Multi-Family	5,272,780	1.42%	5,270,340	1.50%	3,740,770
Real, Vacant Lots/Tracts	4,519,020	1.22%	4,416,160	1.26%	3,242,330
Real, Acreage (Land Only)	4,370,930	1.18%	4,589,510	1.31%	3,481,030
Real, Farm and Ranch Improvements	2,301,900	0.62%	2,463,650	0.70%	491,980
Real, Commercial	61,104,120	16.43%	60,420,640	17.22%	61,598,000
Real, Industrial	9,146,040	2.46%	7,353,570	2.10%	7,286,100
Real and Tangible Personal, Utilities	6,528,350	1.76%	6,197,710	1.77%	5,474,130
Tangible Personal, Commercial	31,685,320	8.52%	30,528,610	8.70%	32,983,580
Tangible Personal, Industrial	25,245,310	6.79%	20,837,670	5.94%	21,103,610
Tangible Personal, Mobile Homes	3,181,250	0.86%	2,591,770	0.74%	3,276,590
Tangible Personal, Residential	712,950	0.19%	937,350	0.27%	927,910.00
Special Inventory	3,192,990	0.86%	2,872,330	0.82%	2,285,770.00
Total Appraised Value Before Exemptions	$ 371,877,520	100.00%	$ 350,817,110	100.00%	$ 341,661,970
Adjustment	-		-		-
Less: Total Exemptions/Reductions	(24,095,394)		(27,007,310)		(20,652,170)
Taxable Assessed Value	$ 347,782,126		$ 323,809,800		$ 321,009,800

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2017		2016	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 189,727,560	52.83%	$ 183,291,190	54.55%
Real, Residential, Multi-Family	3,320,670	0.92%	3,369,680	1.00%
Real, Vacant Lots/Tracts	2,610,690	0.73%	2,952,060	0.88%
Real, Acreage (Land Only)	4,798,610	1.34%	5,172,700	1.54%
Real, Farm and Ranch Improvements	8,320,300	2.32%	8,123,590	2.42%
Real, Commercial	62,016,010	17.27%	52,145,670	15.52%
Real, Industrial	8,721,990	2.43%	8,721,990	2.60%
Real and Tangible Personal, Utilities	5,927,750	1.65%	6,273,160	1.87%
Tangible Personal, Commercial	35,947,450	10.01%	34,157,570	10.17%
Tangible Personal, Industrial	30,501,650	8.49%	27,256,320	8.11%
Tangible Personal, Mobile Homes	3,356,190	0.93%	3,460,950	1.03%
Tangible Personal, Residential	959,430	0.27%	1,057,020	0.31%
Special Inventory	2,949,980	0.82%	-	0.00%
Total Appraised Value Before Exemptions	$ 359,158,280	100.00%	$ 335,981,900	100.00%
Adjustment	-		-	
Less: Total Exemptions/Reductions	(34,312,160)		(31,800,650)	
Taxable Assessed Value	$ 324,846,120		$ 304,181,250	

NOTE: Valuations shown are certified taxable assessed values reported by the DeWitt County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year[(3)]	Ratio of Net Tax Debt to Taxable Assessed Valuation	Net Tax Debt Per Capita
2017	7,407	$324,846,120	$ 43,857	$3,155,000	0.97%	$ 426
2018	8,524	321,009,800	37,660	3,025,000	0.94%	355
2019	8,375	323,809,800	38,664	2,885,000	0.89%	344
2020	8,375	347,782,126	41,526	2,740,000	0.79%	327
2021	7,877	370,031,965	46,976	2,585,000 (4)	0.70% (4)	328 (4)

(1) Source: The City.
(2) As reported by the DeWitt County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Does not include self-supporting debt.
(4) Excludes the Refunded Obligations and includes the Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2017	$ 0.3300	$ 0.2428	$ 0.0872	$1,044,889	97.18%	99.08%
2018	0.36951	0.27724	0.09227	1,120,899	96.54%	98.51%
2019	0.36951	0.27687	0.09264	1,231,739	97.54%	98.00%
2020	0.36951	0.28104	0.08847	1,285,090	98.70% (1)	98.00% (1)
2021	0.36951	0.08632	0.08631	1,285,090	NA	NA

(1) As of August 15, 2020.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2020/2021 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Paisano Service and Supply	Oil and Gas Supplies	$18,854,660	5.10%
HEB Grocery Company LP	Grocery Store	6,342,550	1.71%
Ensign Operating LLC	Oil and Gas Exploration	5,467,940	1.48%
Devon Energy Production Co LP	Oil and Gas Exploration	3,833,100	1.04%
HEB Grocery Company LP	Grocery Store	3,541,490	0.96%
Avalon US Hotels LLC	Hotel	2,920,190	0.79%
KP Hotels LP	Hotel	2,747,670	0.74%
Energy Lease Services Inc.	Heavy Construction Equipment	2,702,680	0.73%
Union Pacific Railroad	Railroad	2,445,230	0.66%
Wal-Mart Stores Inc. #01-0385	Discount Store	2,294,780	0.62%
		$51,150,290	13.82%

As shown in the table above, the top ten taxpayers in the City currently account for in excess of 13% of the City's tax base. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of these taxpayers and the tax values in the City, resulting in less local tax revenue (see "INFECTIOUS DISEASE OUTBREAK – COVID 19"). If any of these taxpayers were to default in the payment of their taxes, the ability of the City to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. See "THE BONDS – Bondholders' Remedies" and "AD VALOREM PROPERTY TAXATION" in the Official Statement.

TAX DEBT LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 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 general obligation debt service, as calculated at the time of issuance.

TABLE 6 - TAX ADEQUACY

2020 Net Principal and Interest Requirements	$	253,415 [(1)]
$0.08344 Tax Rate at 96% Collection Produces	$	250,838
Maximum Annual Net Principal and Interest Requirements, 2033	$	291,270 [(1)]
$0.09976 Tax Rate at 96% Collection Produces	$	288,303

(1) Excludes self-supporting debt. Excludes the Refunded Obligations and includes the Bonds.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2020/21 Taxable Assessed Value	2020/21 Tax Rate	Net Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt As of 8/15/2020	Authorized But Unissued Debt As Of 8/15/2020
City of Cuero	$ 370,031,965	0.36951	$ 2,740,000 [(1)]	100.00%	$ 2,740,000	-
Cuero ISD	1,374,372,886	1.52640	59,340,000	32.58%	19,334,159	-
DeWitt County[(2)]	5,431,792,807	0.46937	-	6.89%	-	-
Total Overlapping					$ 22,074,159	

Total Direct and Overlapping Tax Supported Debt	$ 22,074,159 [(1)]
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation	5.97% [(1)]
Per Capita Overlapping Tax Supported Debt	$ 2,635.72

(1) Excludes the Refunded Obligations and includes the Bonds.
(2) Includes Mineral Value.

DEBT INFORMATION

TABLE 8 - AD VALOREM TAX DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service[1] Principal	Outstanding Debt Service[1] Interest	Outstanding Debt Service[1] Total	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Tax-Supported Debt Service[2]	Less: Self-Supporting Debt Service	Total Net Tax-Supported Debt Service[2]	% of Principal Retired[2]
2020	$ 1,020,000	$ 309,753	$ 1,329,753				$ 1,329,753	$ 1,076,338	$ 253,415	
2021	545,000	136,840	681,840	$ 485,000	$ 128,145	$ 613,145	1,294,985	1,036,070	258,915	
2022	565,000	122,965	687,965	475,000	143,025	618,025	1,305,990	1,046,800	259,190	
2023	580,000	108,590	688,590	480,000	128,700	608,700	1,297,290	1,033,050	264,240	
2024	590,000	93,865	683,865	500,000	114,000	614,000	1,297,865	1,033,800	264,065	48%
2025	185,000	82,740	267,740	400,000	100,500	500,500	768,240	500,500	267,740	
2026	195,000	75,140	270,140	410,000	88,350	498,350	768,490	498,350	270,140	
2027	205,000	67,140	272,140	420,000	75,900	495,900	768,040	495,900	272,140	
2028	215,000	58,740	273,740	435,000	63,075	498,075	771,815	498,075	273,740	
2029	230,000	49,840	279,840	450,000	49,800	499,800	779,640	499,800	279,840	77%
2030	240,000	40,440	280,440	465,000	36,075	501,075	781,515	501,075	280,440	
2031	255,000	30,030	285,030	480,000	21,900	501,900	786,930	501,900	285,030	
2032	270,000	18,480	288,480	490,000	7,350	497,350	785,830	497,350	288,480	
2033	285,000	6,270	291,270				291,270		291,270	100%
	$ 5,380,000	$ 1,200,833	$ 6,580,833	$ 5,490,000	$ 956,820	$ 6,446,820	$ 13,027,653	$ 9,219,008	$ 3,808,645	

(1) Excludes the Refunded Obligations.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION[1]

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2021[2]		$ 258,915
Projected Interest and Sinking Fund Balance, 9/30/2020	$ 776,374	
Interest and Sinking Fund Tax Levy, at 96% Collections	262,080	1,038,454
Estimated Balance, 9/30/2020		$ 779,539

(1) Excludes self-supporting debt.
(2) Excludes the Refunded Obligations and includes the Bonds.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Utility System Revenue Available at 9/30/2019	$ 2,086,517
Less: Requirements for Revenue Bonds	-
Balance Available for Other Purposes	$ 2,086,517
Requirements for Utility System Tax-Supported Debt	$ 1,076,338
Percentage of Utility System Tax-Supported Debt Self-Supporting	100.00%

TABLE 11 - AUTHORIZED BUT UNISSUED TAX DEBT

The City does not have any authorized but unissued limited tax debt; however, the City may issue other types of limited ad valorem tax-supported indebtedness without first conducting an election, such as capital leases, certificates of obligation, public property finance contractual obligations, and tax notes with a maturity of seven years or less. See Table 12 below.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of additional general obligation debt within the next 12 months, except potentially refunding bonds for debt service savings.

TABLE 12 – OTHER OBLIGATIONS

The City has entered into lease agreements to finance its purchase of various heavy equipment. 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 their various dates of inception.

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

	Year Ended September 30	Governmental Activities	Business-type Activities
	2020	$ 126,154	$ 358,302
	2021	117,068	358,301
	2022	111,877	358,302
	2023	111,876	43,487
	2024	98,534	43,486
Total minimum lease payments		$ 565,509	$ 1,161,878
Less: Amounts representing interest		(55,424)	(75,589)
Present value of minimum lease payments		$ 510,085	$ 1,086,289

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see "APPENDIX B - Excerpts from the City's Annual Financial Report" - Note #13.)

OTHER POST-EMPLOYMENT BENEFIT

Plan Description

In addition to providing pension benefits, the City provides its retirees with postemployment health care benefits through a single-employer postemployment healthcare plan (the "plan"). A separate audited financial report is not issued on the Plan. The Plan provides medical benefits to eligible retired City employees and their beneficiaries. A City employee who retires under a disability retirement is immediately eligible for retiree health care benefits. In order for a City employee to be eligible for this benefit, he or she needs 20 or more years of service. The benefit ceases when the retired employee becomes eligible for Medicare and the retired employee's spouse may continue coverage until he/she becomes Medicare eligible. Spousal benefits cease upon the death of the retiree.

Funding Policy

Retirees pay 100% of the monthly premium health coverage.

The City is under no obligation, statutory or otherwise, to pay any portion of the cost of postemployment benefits to any retirees. Allocation of City funds to pay other postemployment benefits is determined on an annual basis by the City Council as part of the budget process.

Annual OPEB Expense

For 2018, the City's annual OPEB expense of $23,296 was equal to the annual required contribution (ARC). The City's annual OPEB expense, the percent of annual OPEB expense contributed to the plan, and the net OPEB obligation for 2018 is as follows:

Year End September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2018	$ 23,296	0.00%	$ 23,296

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

	Actuarial Valuation Information 12/31/2018
Actuarial cost method	Entry age normal cost
Amortization method	level percent of payroll
Amortization period in years	27 - closed
Asset valuation method	10 year smoothed market
Healthcare trend rate*	8.00%
Projected salary increases*	3.5% to 10.5%
Investment rate of return*	6.75%

* Includes an inflation adjustment of 2.50%

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Revenue:					
Program Revenue:					
Charges for Services	$16,082,543	$16,004,638	$14,936,901	$17,390,566	$21,218,313
Operating Grants and Contributions	298,970	482,762	516,624	585,713 (1)	407,515
Capital Grants and Contributions	303,360	175,303	692,419	271,326 (1)	-
General Revenue:					
Property Tax	1,137,585	1,108,610	1,038,734	948,196	835,655
Sales Tax	1,688,307	1,734,694	1,637,521	1,682,400	2,576,506
Other Taxes/Fees	2,844,015	1,710,180	1,484,477	1,880,384	727,035
Miscellaneous/Other	380,124	202,204	374,028	406,122	918,960
Total Revenue	$22,734,904	$21,418,391	$20,680,704	$23,164,707	$26,683,984
Expenses:					
Governmental Activities:					
General Government	$ 1,763,741	$ 2,295,171	$ 2,106,684	$ 2,045,773	$ 2,031,354
Public Safety	2,448,694	2,478,931	2,385,408	2,296,190	2,145,110
Streets	1,582,220	1,152,507	1,658,334	1,640,926	1,764,744
Culture and Recreation	2,167,974	2,122,240	2,005,723	1,748,751	1,761,710
Economic Development	-	-	-	-	-
Interest on Long-Term Debt	113,722	121,302	118,136	122,223	124,477
Business-type Activities:					
Water/Wastewater	3,269,631	2,870,682	2,435,021	2,593,267	2,285,411
Electric	8,818,887	8,697,867	8,950,907	10,461,033	10,614,362
Solid Waste	1,816,921	1,742,095	2,039,423	1,989,755	1,636,914
Total Expenses	$21,981,790	$21,480,795	$21,699,636	$22,897,918	$22,364,082
Increase in Net Assets before Transfers	753,114	(62,404)	(1,018,932)	266,789	4,319,902
Transfers	-	-	-	-	-
Increase (Decrease) in Net Assets	$ 753,114	$ (62,404)	$ (1,018,932)	$ 266,789	$ 4,319,902
Net Assets at Beginning of Year	41,190,109 (1)	41,065,270 (1)	42,288,941	42,022,152 (1)	37,801,377 (1)
Net Assets at Year End	$41,943,223	$41,002,866	$41,270,009	$42,288,941	$42,121,279

(1) Restated.

TABLE 13 -A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
Revenues:					
Taxes	$5,063,852	$3,966,780	$ 3,672,137	$4,019,933	$3,314,309
Licenses and Permits	85,158	129,948	109,699	128,144	287,397
Fine and Forfeitures	179,245	153,032	154,434	138,472	157,602
Charges for Services	240,373	228,375	231,904	192,305	196,685
Intergovernmental	365,651	374,924	576,200	305,613	230,530
Investment	46,521	25,940	22,484	18,109	10,695
Interest	-	-	-	-	-
Rental	48,420	70,755	110,370	142,065	185,250
Sales of Property		-	-	4,384	210,438
Contributions	-	-	-	45,039	43,095
Miscellaneous	149,763	82,425	222,025	242,050	99,497
Total Revenues	$6,178,983	$5,032,179	$ 5,099,253	$5,236,114	$4,735,498
Expenditures:					
General Government	$1,327,530	$1,841,109	$ 1,712,695	$1,584,167	$1,726,138
Public Safety	2,584,389	2,325,936	2,240,637	2,164,924	2,070,778
Streets	1,327,965	755,000	1,109,970	1,305,346	1,395,011
Culture and Recreation	1,961,415	1,629,864	1,655,353	1,639,318	1,739,980
Capital Outlay	-	-	-	-	-
Total Expenditures	$7,201,299	$6,551,909	$ 6,718,655	$6,693,755	$6,931,907
Capital Leases	$ 632,691	$ -	$ -	$1,667,600	$2,707,500
Operating Transfers - Net	504,000	1,704,500	311,685	(150,000)	-
Total Other Sources (Uses)	$1,136,691	$1,704,500	$ 311,685	$1,517,600	$2,707,500
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	$ 114,375	$ 184,770	$(1,307,717)	$ 59,959	$ 511,091
Beginning Fund Balance	2,815,430	2,630,660	3,938,377	3,878,418	3,367,327
Ending Fund Balance	$2,929,805 (1)	$2,815,430	$ 2,630,660	$3,938,377	$3,878,418

(1) City administration anticipates that the unaudited General Fund balance for the period ending September 30, 2020 will be approximately $3,050,000 (unassigned).

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On November 7, 1995, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development and an additional one-half of one percent (½ of 1%) for property tax reduction. Collection for the additional tax went into effect on October 1, 1996. The sales tax for economic development is collected solely for the benefit of Cuero Development Corporation (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation.

Fiscal Year Ended 9/30	Total Collected [1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita [2]
2016	$ 1,682,400	172.84%	$ 0.5531	$ 227.14
2017	1,637,521	146.09%	0.5101	192.11
2018	1,769,745	143.68%	0.5465	211.31
2019	1,590,983	123.80%	0.4575	189.97
2020	1,173,281 [3]	91.30%	0.3374	140.09

(1) Includes the 1/2% sales tax for reduction of property taxes; does not include the 1/2% sales tax for economic development.
(2) Based on population estimates as shown in Table 3.
(3) Collections through August 31, 2020.

The sales tax breakdown for the City is as follows:

Property Tax Relief	0.50 ¢
Economic and Community Development	0.50 ¢
City Sales & Use Tax	1.00 ¢
State Sales & Use Tax	6.25 ¢
	8.25 ¢

FINANCIAL POLICIES

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

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

Sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

General Fund Balance . . . The City has established an informal policy to maintain at least 25% operating expenditures.

Budgetary Procedures . . . As set forth in the City's Home Rule Charter, the City Council adopts an annual budget for the General Fund, Debt Service Fund, and the City's three Proprietary Funds. The annual budgets for the General Fund and the Debt Service Fund are prepared in accordance with the basis of accounting utilized by those funds. The budget for the three enterprise funds is adopted under a basis consistent with generally accepted accounting principles (GAAP), except that depreciation, certain capital expenses, non-operating income and expense items are not considered. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the City Council. All encumbered appropriations lapse at the end of the fiscal year.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas 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 Texas 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 U.S. 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 percent of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

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

INVESTMENT POLICIES. . . Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

TABLE 15 - CURRENT INVESTMENTS[1]

As of September 30, 2020, the City's investable funds were invested in the following categories:

Investment Description	% of Total	Market Value	Book Value
Demand Deposit Account - Money Market	7.44%	$ 962,361	$ 962,361
Trust Texas Bank - Major Fund Investment	82.23%	10,634,336	10,634,336
Trust Texas Bank - General Operating	9.95%	1,287,722	1,287,722
Revolving Loan Fund	0.38%	48,502	48,502
Total	100.00%	$ 12,932,921	$ 12,932,921

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.

____

(1) Unaudited.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel, to the effect that interest on the Bonds 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 appears in APPENDIX C hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon the Sufficiency Certificate of Hilltop Securities, as the City's Financial Advisor, regarding the sufficiency of the deposit to the Escrow Fund on the date of closing of the Bonds (see "PLAN OF FINANCING – Refunded Obligations") and upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

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 Bonds. 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 City 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 Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds 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 Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

TAX CHANGES . . . Existing law may change to reduce or eliminate the benefit to Registered Owners of the exclusion of interest on the Bonds 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 Bonds. Prospective purchasers of the Bonds 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 Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions (see "TAX MATTERS - Qualified Tax-Exempt Obligations" below), 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 BONDS . . . The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the underwriter of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the underwriter, 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 Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an underwriter in a different amount from the amount of the payment denominated as interest actually received by the underwriter during his taxable year.

However, such accrued 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" below), property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a

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.

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

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds 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 BONDS . . . The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the underwriter of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such underwriter must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. 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 Bond. The amount of premium which is amortizable each year by an underwriter is determined by using such purchaser's yield to maturity.

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

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 financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly 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 current 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 will designate the Bonds as "qualified tax-exempt obligations" and will certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds 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 Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in APPENDIX B. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2020.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB 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 Bonds 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, 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, if material.. 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". In the Ordinance, the City will adopt policies and procedures to ensure timely compliance with its continuing disclosure undertakings. Neither the Bonds nor the Ordinance make provisions for credit enhancement (although an application has been made for a municipal bond insurance policy), liquidity enhancement or debt service reserves.

For these purposes, (a) any event described in clause (12) of 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 Ordinance of a court or governmental authority, or the entry of an Ordinance 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 subsection 15 and 16 and the definition of Financial Obligation in this Section 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 Bonds 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 Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, (a) change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

OTHER INFORMATION

RATINGS

S&P has assigned its municipal bond rating of “AA” to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. See “BOND INSURANCE,” “MUNICIPAL BOND RATING” and “APPENDIX E.” The Bonds and the presently outstanding unenhanced limited ad valorem tax supported debt of the City are rated “A+” by S&P Global Ratings, without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

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

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

It is the obligation of the Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriter’s written request and sole expense, in registering or qualifying the Bonds 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 or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish the Underwriter with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the City and, subject to the qualifications set forth herein under “TAX MATTERS”, the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas, has reviewed the information under the captions “THE BONDS” (except the information appearing in the last sentence under the subcaption “Tax Rate Limitation” and under the caption “Bondholders’ Remedies”, as to which no opinion is expressed), “TAX MATTERS”, “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Undertakings” as to which no opinion is expressed), “OTHER INFORMATION - Registration and Qualification of Bonds for

Sale", and "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas" in the Official Statement and such firm is of the opinion that the information relating to the Bonds 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 Bonds or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon by McCall, Parkhurst & Horton, L.L.P., San Antonio, Texas as counsel to the Underwriter. The legal fees to be paid to counsel for the Underwriter are contingent on the sale and delivery of the Bonds,

The various legal opinions to be delivered concurrently with the delivery of the Bonds 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.

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City, at the respective prices shown on page 2 hereof less an underwriting discount of $40,061.05 and no accrued interest. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

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.

MISCELLANEOUS

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

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

/s/ SARA POST MEYER
Mayor
City of Cuero, Texas

ATTEST:

/s/ JENNIFER ZUFELT
City Secretary
City of Cuero, Texas

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

General Obligation Refunding Bonds, Series 2010

Original Dated Date	Original Maturity	Interest Rate	Amount
1/15/2010	3/1/2021(1)	4.00%	$ 105,000
	3/1/2022(2)	4.00%	110,000
	3/1/2023(2)	4.00%	110,000
	3/1/2024(2)	4.00%	120,000
			$ 445,000

(1) Represents a Term Bond with final maturity of March 1, 2021.
(2) Represents a Term Bond with final maturity of March 1, 2024.

The stated maturities will be redeemed prior to their original maturity on November 24, 2020 at par.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012

Original Dated Date	Original Maturity	Interest Rate	Amount
8/15/2012	3/1/2021	2.000%	$ 395,000
	3/1/2022	2.000%	405,000
	3/1/2023	2.125%	410,000
	3/1/2024	2.125%	420,000
	3/1/2025	2.125%	430,000
	3/1/2026	2.250%	440,000
	3/1/2027	2.500%	450,000
	3/1/2028	2.625%	460,000
	3/1/2029	2.750%	475,000
	3/1/2030	3.000%	490,000
	3/1/2031	3.000%	505,000
	3/1/2032	3.250%	520,000
			$ 5,400,000

The stated maturities will be redeemed prior to their original maturity on November 24, 2020 at par.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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The City

The City of Cuero, Texas (the "City"), incorporated in 1873, is the county seat of DeWitt County (the "County"). The City is, located off of Farm Road 236 and U.S. Highway 77A. The City is the principal industrial center of the County. The City of Victoria is the nearest metropolitan service area and is located approximately 28 miles southeast of Cuero.

Population samples include:

	2016 Estimate	2010 Census	2000 Census
City of Cuero	7,063	6,841	6,571

Economy

Major employers in the area include(1):

Employer	Product or Service	Number Employees
Cuero Regional Hospital	Healthcare	470
Cuero Independent School District	Education	365
Texas Department of Criminal Justice	Correctional Facility	311
De Witt County	Government	160
H.E.B. Food Store	Retail Grocery	130
Wal-Mart	Retail Store	100
Cuero Nursing and Rehab Center	Health Care	98
City of Cuero	Government	90
McMahan Welding	Welding Services	84
Energy Waste	Oilfield Equipment Rentals and Sales	54

(1) Source: Cuero Development Corporation. As of April 2019.

Education

Cuero Independent School District is comprised of one high school (9-12); one junior high school (6-8); one elementary school (2-5); and one elementary school (EE-1).

Higher education is provided by Victoria College and University of Houston-Victoria, both within 30 miles of the City.

Transportation

The City is served by the Union Pacific Railroad with switching capabilities. The nearest airport with commercial service is located in Austin, Texas approximately 92 miles away. The nearest airstrip is located in the City with a lighted, 2,800 foot, asphalt surface.

Medical

Health facilities are provided by the Cuero Community Hospital with a total of 49 beds and provide inpatient, outpatient and emergency services. There are also several medical clinics, home health agencies and nursing home facilities in the City.

Recreation

Recreational facilities offered by the City include a 180-acre park, which includes basketball courts, swimming pool, sand volleyball court, soccer, tennis, baseball/softball complex, golf facilities, rodeo facilities, 6.8 acre lake and pier, barbecue grills, paved running/walking path, covered areas with picnic tables, and a fenced in playscape area.

Religion

The City has approximately 30 churches, many being established before the turn of the century, and seven of which have Texas Historical Markers Record.

DEWITT COUNTY

DeWitt County located in South Texas was created in 1846 from Gonzales, Goliad and Victoria Counties. The County's economy is diversified by manufacturing and agribusiness. Cattle, dairy products, swine, poultry, corn, sorghums, cotton, hay, and pecans are the principal sources of agricultural income as designated by the Texas Almanac. Oil and natural gas are the minerals produced in the County.

HISTORICAL EMPLOYMENT DATA FOR DEWITT COUNTY(1)

	2020(2)	2019(3)	2018(3)	2017(3)	2016(3)
Civilian Labor Force	9,530	9,798	9,724	9,582	9,495
Total Employed	8,893	9,540	9,422	9,163	8,977
Total Unemployed	637	258	302	419	518
Unemployment Rate	6.7%	2.6%	3.1%	4.4%	5.5%
% Unemployed (Texas)	8.9%	3.5%	3.8%	4.3%	4.6%
% Unemployed (U.S.)	11.2%	3.7%	3.9%	4.4%	4.9%

(1) Source: Texas Employment Commission.
(2) As of May 2020.
(3) Average annual statistics.

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APPENDIX B

EXCERPTS FROM THE

CITY OF CUERO, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

The information contained in this Appendix consists of excerpts from the City of Cuero, Texas Annual Financial Report for the Year Ended September 30, 2019, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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HARRISON, WALDROP & UHEREK, L.L.P.

HWU

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the City Council
City of Cuero, Texas

Mayor and Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cuero, Texas (the "City") 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 the 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 misstatements, 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. The financial statements of the Cuero Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. 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 entities 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 organization'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.

The Honorable Mayor and Members
of the City Council

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City 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, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of changes in total OPEB liability and related ratios, and the schedules of employer contributions, 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 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and individual 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 nonmajor fund financial statements and the compliance schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and Members
of the City Council

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23 ,2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Harrison, Waldrop & Uherek, LLP

HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

April 23, 2020

As management of the City of Cuero, Texas (the "City"), 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. Although the Cuero Development Corporation is reported as a component unit of the City in the annual financial report, the figures quoted in this MD&A section do not include the unit's financial activities. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $41,943,223 *(net position).* Of this amount, $4,024,337 *(unrestricted net position)* may be used to meet the City's ongoing obligations to citizens and creditors.
- The total cost of all City activities was $21,981,790 for the fiscal year which is an increase of $500,995 or 2% from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $5,057,687, an increase of $15,604 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $2,857,506 or 40% of total General Fund expenditures.
- The City's total long-term debt of both governmental and business-type activities increased by $541,699 or 3% during the fiscal year, ending with a balance of $16,934,376, of which $1,527,060 is due within one year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Cuero's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplemental 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.

Statement of Activities

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 (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities).* The governmental activities of the City include general government, public safety, streets, culture and recreation, economic development, and interest on long-term debt. The business-type activities of the City include water/wastewater, electric, and solid waste services.

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

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 or proprietary funds.

Governmental Funds

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

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

The City maintained numerous individual governmental funds during the 2018-2019 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund which is considered a major fund. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund. A Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, has been provided for the General Fund and Debt Service Fund to demonstrate compliance with this budget.

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Proprietary Funds

The City maintains one type of proprietary funds, which are the enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/wastewater utility service, electric utility service, and for its solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The proprietary fund financial statements provide separate information for the water/wastewater utility service, the electric utility service, and for the solid waste operation; all three of which are considered to be major funds of the City.

Notes to 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.

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 $41,943,223 at the close of the 2019 fiscal year which reflects an increase of $753,114 over the prior fiscal year.

The largest portion of the City's net position (85% or $35,758,905) reflects its investment in capital assets (i.e., land, buildings, infrastructure, and machinery and equipment), less a related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Cuero, Texas

Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
Current assets	$ 5,863,840	$ 5,708,198	$ 5,851,577	$ 4,998,565	$ 11,715,417	$ 10,706,763
Net capital assets	22,031,843	22,405,232	25,782,771	26,177,297	47,814,614	48,582,529
Other noncurrent assets	2,582	7,904	-	-	2,582	7,904
Total assets	27,898,265	28,121,334	31,634,348	31,175,862	59,532,613	59,297,196
Deferred outflows of resources	690,451	278,773	365,891	178,157	1,056,342	456,930
Current liabilities	703,123	596,441	2,431,599	2,440,129	3,134,722	3,036,570
Noncurrent liabilities	5,812,969	4,778,321	9,594,347	10,257,032	15,407,316	15,035,353
Total liabilities	6,516,092	5,374,762	12,025,946	12,697,161	18,542,038	18,071,923
Deferred inflows of resources	71,308	334,741	33,386	157,353	104,694	492,094
Net position:						
Net investment in capital assets	18,587,324	19,327,225	17,171,581	16,587,697	35,758,905	35,914,922
Restricted	2,159,981	2,274,512	-	-	2,159,981	2,274,512
Unrestricted	1,254,011	1,088,867	2,770,326	1,911,808	4,024,337	3,000,675
Total net position	$ 22,001,316	$ 22,690,604	$ 19,941,907	$ 18,499,505	$ 41,943,223	$ 41,190,109

*2018 net position has been restated. See Note 18 of this report.

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

The City's total net position increased by $753,114 in fiscal year 2019. Governmental activities decreased the City's net position by $689,288 and business-type activities increased the City's net position by $1,442,402. Key elements of this decrease are disclosed in the following table:

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Cuero, Texas

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
REVENUES						
Program revenues:						
Charges for services	$ 608,186	$ 649,230	$ 15,474,357	$ 15,355,408	$ 16,082,543	$ 16,004,638
Operating grants and contributions	270,838	480,981	28,132	1,781	298,970	482,762
Capital grants and contributions	303,360	175,303	-	-	303,360	175,303
General revenues:						
Property taxes	1,137,585	1,108,610	-	-	1,137,585	1,108,610
Sales taxes	1,688,307	1,734,694	-	-	1,688,307	1,734,694
Franchise taxes	2,482,059	1,357,191	-	-	2,482,059	1,357,191
Other taxes	361,956	352,989	-	-	361,956	352,989
Investment earnings	118,451	85,426	128,767	85,402	247,218	170,828
Other	129,745	31,376	3,161	-	132,906	31,376
Total revenues	7,100,487	5,975,800	15,634,417	15,442,591	22,734,904	21,418,391
EXPENSES						
General government	1,763,741	2,295,171	-	-	1,763,741	2,295,171
Public safety	2,448,694	2,478,931	-	-	2,448,694	2,478,931
Streets	1,582,220	1,152,507	-	-	1,582,220	1,152,507
Culture and recreation	2,167,974	2,122,240	-	-	2,167,974	2,122,240
Interest on long-term debt	113,722	121,302	-	-	113,722	121,302
Utilities						
Water/wastewater	-	-	3,269,631	2,870,682	3,269,631	2,870,682
Electric	-	-	8,818,887	8,697,867	8,818,887	8,697,867
Solid waste operations	-	-	1,816,921	1,742,095	1,816,921	1,742,095
Total expenses	8,076,351	8,170,151	13,905,439	13,310,644	21,981,790	21,480,795
Increase (decrease) in net position before transfers	(975,864)	(2,194,351)	1,728,978	2,131,947	753,114	(62,404)
Transfers	286,576	1,800,000	(286,576)	(1,800,000)	-	-
Change in net position	(689,288)	(394,351)	1,442,402	331,947	753,114	(62,404)
Net position - beginning, as restated	22,690,604	23,084,955	18,499,505	18,167,558	41,190,109	41,252,513
Net position - ending	$ 22,001,316	$ 22,690,604	$ 19,941,907	$ 18,499,505	$ 41,943,223	$ 41,190,109

*2018 net position has been restated. See Note 18 of this report.

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.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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 $5,057,687, an increase of $15,604 from the prior year.

Approximately 56% of this total amount constitutes unassigned fund balance that is available for spending at the City's discretion. The City also has $72,299 that is classified as nonspendable, being that it is not available for new spending because it has already been committee: 1) for inventory $4,311; and 2) for prepaid expenditures $67,988. The remaining 42 % or $2,134,359 is restricted for specific projects or debt service payments.

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund increased by $114,375 in the current year. As of September 30, 2019, its unassigned fund balance was $2,857,506, while total fund balance was $2,929,805. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40% of fiscal year 2019 General Fund expenditures of $7,201,299, while total fund balance represents 41% of the same amount.

The Debt Service Fund has a total fund balance of $645,944, all of which is restricted for the payment of debt service. The net increase in fund balance in the Debt Service Fund during the current year was $14,970.

Proprietary Funds

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

Unrestricted net position of the Water/Wastewater Fund at the end of the current fiscal year amounted to $1,881,016; the Electric Fund amounted to $445,347; and the Solid Waste Fund amounted to $443,963, for a combined unrestricted net position total for all three proprietary funds of $2,770,326. The total increase (decrease) in net position for the three funds was $1.017.946, $696.918 and $(272,462), respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual fiscal year expenditures in the General Fund were $240,083 greater than final budgeted amounts or appropriations. The major areas in which expenditures were greater than budgeted amounts were:

- $332,563 in Street Department, for expenditures related to the various capital projects.
- $182,269 in the Fire Department for the down payment on the purchase of a new Spartan Pumper truck.

Total revenues earned were $157,910 less than budgeted expectations, with sales tax revenues making up $81,438 or 52% of the negative variance. The City also recognized $45,667 less in property taxes than were expected.

Differences between the General Fund's original budget and final amended budget were a net increase of $266,302 to expenditures. General government expenditures increased $111,311 or 42% of the total.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to $47,814,614 (net of accumulated depreciation) at the end of the current fiscal year. This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, service delivery system, infrastructure, and construction in progress.

City of Cuero, Texas

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 795,960	$ 795,960	$ 21,117	$ 21,117	$ 817,077	$ 817,077
Land improvements	1,768,303	1,864,773	-	-	1,768,303	1,864,773
Vehicles	398,493	295,160	-	-	398,493	295,160
Equipment	1,596,326	1,374,745	791,306	655,520	2,387,632	2,030,265
Buildings and structures	8,936,458	9,400,077	139,001	119,972	9,075,459	9,520,049
Infrastructure	8,119,666	8,657,806	24,742,152	25,375,141	32,861,818	34,032,947
Construction in progress	416,637	16,711	89,195	5,547	505,832	22,258
Total net capital assets	$ 22,031,843	$ 22,405,232	$ 25,782,771	$ 26,177,297	$ 47,814,614	$ 48,582,529

Additional information on the City's capital assets can be found in Note 7 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION - (Continued)

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of $11,225,000. Of this amount $2,550,000 represents General Obligation Refunding Bonds and $8,675,000 represents various Certificates of Obligations issues. The City's total long-term bonded debt decreased by $990,000 during the 2019 fiscal year.

The City maintains an unenhanced "A+" bond rating from S&P Global.

As a Home Rule City, the City is not limited by law in the amount of debt it may issue; however, the State Attorney General must approve all new local bond issues.

Additional information on the City's long-term debt can be found in Note 10.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered in preparing the City's annual budget for the 2019-20 year:

The City's sales tax receipts decreased slightly by $46,387 or 3.7% $less than the previous year. The City projects future sales tax to be stable from an economic standpoint.

This year's certified total net adjusted taxable value of $327,999,161 is an increase of $18,806,216, or 6.6% from the previous year. The City approved to keep the tax rate of $0.36951 from the previous year. The result is an increase in the tax levy of $100,343.

The City's occupancy tax has had a slight increase of $7,419 from the previous year.

City Council approved a 5% increase to the water and wastewater rates along with an increase to the monthly service charge electric residential customers from $12.00 to $12.60 per month.

Requests 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 financial information should be addressed to the Finance Office, P.O. Box 660, 201 E. Main, Cuero, Texas 77954-0660.

BASIC FINANCIAL STATEMENTS

CITY OF CUERO, TEXAS

STATEMENT OF NET POSITION

September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Cuero Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	$ 3,793,446	$ 4,705,013	$ 8,498,459	$ 2,969,350
Receivables (net)	408,791	1,788,585	2,197,376	4,431
Due from other governments	247,866	-	247,866	82,622
Internal balances	1,099,438	(1,099,438)	-	-
Due from component unit	7,608	-	7,608	-
Inventory	4,311	457,417	461,728	-
Prepaid items	67,988	-	67,988	-
Deposits	229,070	-	229,070	-
Notes receivable - current portion	5,322	-	5,322	-
Total current assets	5,863,840	5,851,577	11,715,417	3,056,403
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,212,597	110,312	1,322,909	57,000
Buildings, improvements, and equipment (net)	20,819,246	25,672,459	46,491,705	-
Notes receivable - noncurrent portion	2,582	-	2,582	-
Total noncurrent assets	22,034,425	25,782,771	47,817,196	57,000
Total assets	27,898,265	31,634,348	59,532,613	3,113,403
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	-	26,597	26,597	-
Deferred outflow related to pension	679,641	334,206	1,013,847	-
Deferred outflow related to OPEB	10,810	5,088	15,898	-
Total deferred outflows of resources	690,451	365,891	1,056,342	-

The accompanying notes are an integral part of this statement.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Cuero Development Corporation
LIABILITIES				
Current liabilities				
Accounts payable	$ 290,090	$ 777,238	$ 1,067,328	$ 15,255
Payroll related payables	76,029	38,705	114,734	3,694
Accrued interest payable	9,216	16,863	26,079	-
Due to other governments	18,091	-	18,091	-
Due to primary government	-	-	-	7,608
Customer deposits	7,000	373,430	380,430	-
Accrued compensated absences	50,354	25,762	76,116	-
Current portion of long-term liabilities	252,343	1,199,601	1,451,944	-
Total current liabilities	703,123	2,431,599	3,134,722	26,557
Noncurrent liabilities				
Accrued compensated absences	151,063	74,287	225,350	-
Noncurrent portion of long-term liabilities	3,192,176	8,357,833	11,550,009	-
Net pension liability	2,293,096	1,079,104	3,372,200	-
OPEB liability	176,634	83,123	259,757	-
Total noncurrent liabilities	5,812,969	9,594,347	15,407,316	-
Total liabilities	6,516,092	12,025,946	18,542,038	26,557
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pension	53,002	24,771	77,773	-
Deferred inflow related to OPEB	18,306	8,615	26,921	-
Total deferred inflows of resources	71,308	33,386	104,694	-
NET POSITION				
Net investment in capital assets	18,587,324	17,171,581	35,758,905	57,000
Restricted for:				
Debt service	671,566	-	671,566	-
Capital projects	127,172	-	127,172	-
Other purposes	1,361,243	-	1,361,243	-
Unrestricted	1,254,011	2,770,326	4,024,337	3,029,846
Total net position	$ 22,001,316	$ 19,941,907	$ 41,943,223	$ 3,086,846

CITY OF CUERO, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2019

		Program Revenues		
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 1,763,741	$ 213,455	$ 45,985	$ 17,321
Public safety	2,448,694	130,215	162,318	-
Streets	1,582,220	-	4,702	-
Culture and recreation	2,167,974	264,516	57,833	286,039
Interest on long-term debt	113,722	-	-	-
Total governmental activities	8,076,351	608,186	270,838	303,360
Business-type activities				
Water/wastewater	3,269,631	4,039,504	-	-
Electric	8,818,887	9,834,760	-	-
Solid waste	1,816,921	1,600,093	28,132	-
Total business-type activities	13,905,439	15,474,357	28,132	-
Total primary government	$ 21,981,790	$ 16,082,543	$ 298,970	$ 303,360
Component Unit				
Cuero Development Corporation	$ 839,063	$ 57,204	$ 31,417	$ -

General revenues
- Taxes
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Sales taxes
  - Franchise taxes
  - Other taxes
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			
Governmental Activities	Business-type Activities	Total	Cuero Development Corporation
$ (1,486,980)	$ -	$ (1,486,980)	$ -
(2,156,161)	-	(2,156,161)	-
(1,577,518)	-	(1,577,518)	-
(1,559,586)	-	(1,559,586)	-
(113,722)	-	(113,722)	-
(6,893,967)	-	(6,893,967)	-
-	769,873	769,873	-
-	1,015,873	1,015,873	-
-	(188,696)	(188,696)	-
-	1,597,050	1,597,050	-
(6,893,967)	1,597,050	(5,296,917)	-
-	-	-	(750,442)
884,595	-	884,595	-
252,990	-	252,990	-
1,688,307	-	1,688,307	562,769
2,482,059	-	2,482,059	-
361,956	-	361,956	-
118,451	128,767	247,218	70,353
129,745	3,161	132,906	-
286,576	(286,576)	-	-
6,204,679	(154,648)	6,050,031	633,122
(689,288)	1,442,402	753,114	(117,320)
22,690,604	18,499,505	41,190,109	3,204,166
$ 22,001,316	$ 19,941,907	$ 41,943,223	$ 3,086,846

CITY OF CUERO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,654,536	$ 2,138,910	$ 3,793,446
Receivables (net)	278,406	130,385	408,791
Due from other governments	247,866	-	247,866
Due from other funds	1,105,915	-	1,105,915
Due from component unit	7,608	-	7,608
Notes receivable	-	5,322	5,322
Inventory	4,311	-	4,311
Prepaid expenditures	67,988	-	67,988
Noncurrent assets			
Notes receivable	-	2,582	2,582
Total assets	$ 3,366,630	$ 2,277,199	$ 5,643,829
LIABILITIES			
Accounts payable	$ 182,088	$ 108,002	$ 290,090
Payroll related payables	76,029	-	76,029
Due to other governments	18,091	-	18,091
Due to other funds	-	6,477	6,477
Deposits	7,000	-	7,000
Total liabilities	283,208	114,479	397,687
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	153,617	34,838	188,455
Total deferred inflows of resources	153,617	34,838	188,455
FUND BALANCES			
Nonspendable			
Inventory	4,311	-	4,311
Prepaid expenditures	67,988	-	67,988
Restricted	-	2,134,359	2,134,359
Unassigned	2,857,506	(6,477)	2,851,029
Total fund balances	2,929,805	2,127,882	5,057,687
Total liabilities, deferred inflows and fund balances	$ 3,366,630	$ 2,277,199	$ 5,643,829

The accompanying notes are an integral part of this statement.

CITY OF CUERO, TEXAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

September 30, 2019

Total governmental fund balances		$ 5,057,687
Amounts reported for governmental activities in the statement of net position are different because:		
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.		119,692
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.		68,763
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	$ 40,198,318	
Accumulated depreciation of governmental capital assets	(18,166,475)	22,031,843
Deposits in governmental activities are reported as expenditures in governmental funds and, therefore, are not reported as assets in governmental funds.		229,070
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on pension	679,641	
Deferred amount on OPEB	10,810	690,451
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Certificates payable	(2,885,000)	
Premium on certificates	(49,434)	
Capital leases	(510,085)	
Accrued interest payable	(9,216)	
Net pension liability	(2,293,096)	
OPEB liability	(176,634)	
Compensated absences	(201,417)	(6,124,882)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on pension	(53,002)	
Deferred amount on OPEB	(18,306)	(71,308)
Net position of governmental activities		$ 22,001,316

The accompanying notes are an integral part of this statement.

CITY OF CUERO, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended September 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes			
Ad valorem	$ 889,824	$ 256,010	$ 1,145,834
Sales	1,688,307	-	1,688,307
Other	2,485,721	358,294	2,844,015
Licenses and permits	85,158	-	85,158
Fines and forfeitures	179,245	13,716	192,961
Charges for services	240,373	-	240,373
Intergovernmental	365,651	1,482	367,133
Investment	46,521	71,930	118,451
Rental	48,420	-	48,420
Miscellaneous	149,763	276,200	425,963
Total revenues	6,178,983	977,632	7,156,615
EXPENDITURES			
Current			
General government	1,327,530	146,500	1,474,030
Public safety	2,584,389	31,410	2,615,799
Streets	1,327,965	-	1,327,965
Culture and recreation	1,961,415	23,499	1,984,914
Capital outlay	-	399,925	399,925
Debt service			
Principal retirement	-	140,000	140,000
Interest and fiscal charges	-	117,645	117,645
Total expenditures	7,201,299	858,979	8,060,278
Excess (deficiency) of revenues over expenditures	(1,022,316)	118,653	(903,663)
OTHER FINANCING SOURCES (USES)			
Capital lease proceeds	632,691	-	632,691
Transfers in	504,000	280,000	784,000
Transfers out	-	(497,424)	(497,424)
Total other financing sources (uses)	1,136,691	(217,424)	919,267
Net change in fund balances	114,375	(98,771)	15,604
Fund balances - beginning	2,815,430	2,226,653	5,042,083
Fund balances - ending	$ 2,929,805	$ 2,127,882	$ 5,057,687

The accompanying notes are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2019

Total net change in fund balances - governmental funds		$ 15,604
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Increase in capital assets	$ 1,135,946	
Depreciation expense	(1,494,910)	(358,964)
The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.		(14,425)
Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Capital lease		(632,691)
Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:		
Bond principal retirement	140,000	
Capital lease principal retirement	122,606	262,606
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.		
Property taxes	15,246	
Other revenues	(110,309)	(95,063)
Some items 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. These activities consist of:		
Decrease in compensated absences	24,081	
Decrease in accrued interest	350	
Decrease in bond premium	3,573	
Increase in deposits	229,070	
Net pension costs	(104,667)	
Net OPEB costs	(18,762)	133,645
Change in net position of governmental activities		$ (689,288)

The accompanying notes are an integral part of this statement.

CITY OF CUERO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2019

	Business-type Activities			
	Water/ Wastewater	Electric	Solid Waste	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 3,142,503	986,146	$ 576,364	$ 4,705,013
Receivables (net)	349,429	1,328,146	111,010	1,788,585
Inventory	25,614	431,803	-	457,417
Total current assets	3,517,546	2,746,095	687,374	6,951,015
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	52,679	57,633	-	110,312
Buildings, improvements, and equipment (net)	20,165,343	5,305,564	201,552	25,672,459
Total noncurrent assets	20,218,022	5,363,197	201,552	25,782,771
Total assets	23,735,568	8,109,292	888,926	32,733,786
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	26,597	-	-	26,597
Deferred outflow related to pension	120,020	173,542	40,644	334,206
Deferred outflow related to OPEB	1,908	2,703	477	5,088
Total deferred outflows of resources	148,525	176,245	41,121	365,891
LIABILITIES				
Current liabilities				
Accounts payable	142,357	508,930	125,951	777,238
Payroll related payables	15,156	20,064	3,485	38,705
Due to other funds	109,541	989,897	-	1,099,438
Accrued interest payable	16,863	-	-	16,863
Customer deposits	56,899	287,133	29,398	373,430
Current portion of long-term liabilities				
Accrued compensated absences	11,467	11,058	2,237	24,762
Capital leases	177,915	146,686	-	324,601
Bonds and certificates	875,000	-	-	875,000
Total current liabilities	1,405,198	1,963,768	161,071	3,530,037
Long-term liablities, net of current portion				
Capital leases	448,108	313,580	-	761,688
Bonds and certificates (net of unamortized deferred amounts)	7,596,145	-	-	7,596,145
Net pension liability	404,664	573,274	101,166	1,079,104
OPEB liability	31,171	44,159	7,793	83,123
Compensated absences	34,399	33,175	6,713	74,287
Total long-term liabilities	8,514,487	964,188	115,672	9,594,347
Total liabilities	9,919,685	2,927,956	276,743	13,124,384
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pension	13,064	4,726	6,981	24,771
Deferred inflow related to OPEB	3,230	4,577	808	8,615
Total deferred inflows of resources	16,294	9,303	7,789	33,386
NET POSITION				
Net investment in capital assets	12,067,098	4,902,931	201,552	17,171,581
Unrestricted net position	1,881,016	445,347	443,963	2,770,326
Total net position	$ 13,948,114	$ 5,348,278	$ 645,515	$ 19,941,907

The accompanying notes are an integral part of this statement.

CITY OF CUERO, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended September 30, 2019

	Business-type Activities - Enterprise Funds			
	Water/ Wastewater	Electric	Solid Waste	Total
OPERATING REVENUES				
Charges for services	$ 4,031,646	$ 9,809,716	$ 1,599,122	$ 15,440,484
Miscellaneous	7,858	25,044	971	33,873
Total operating revenues	4,039,504	9,834,760	1,600,093	15,474,357
OPERATING EXPENSES				
Water/wastewater expenses	2,036,879	-	-	2,036,879
Electric service expenses	-	3,108,566	-	3,108,566
Resale electricity	-	5,359,703	-	5,359,703
Solid waste expenses	-	-	1,798,187	1,798,187
Depreciation	1,005,125	333,588	18,734	1,357,447
Total operating expenses	3,042,004	8,801,857	1,816,921	13,660,782
Operating income (loss) before nonoperating revenues (expenses) and transfers	997,500	1,032,903	(216,828)	1,813,575
NONOPERATING REVENUES (EXPENSES)				
Investment income	83,892	28,823	16,052	128,767
Noncapital grants and contributions	-	-	28,132	28,132
Gain (loss) on disposition of capital assets	757	2,222	182	3,161
Interest and fiscal charges	(227,627)	(17,030)	-	(244,657)
Net nonoperating revenues (expenses)	(142,978)	14,015	44,366	(84,597)
Income before transfers	854,522	1,046,918	(172,462)	1,728,978
Transfers				
Transfers in	393,424	-	-	393,424
Transfers out	(230,000)	(350,000)	(100,000)	(680,000)
Total transfers	163,424	(350,000)	(100,000)	(286,576)
Change in net position	1,017,946	696,918	(272,462)	1,442,402
Total net position - beginning, as restated	12,930,168	4,651,360	917,977	18,499,505
Total net position - ending	$ 13,948,114	$ 5,348,278	$ 645,515	$ 19,941,907

The accompanying notes are an integral part of this statement.

CITY OF CUERO, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the year ended September 30, 2019

	Business-type Activities			
	Water/ Wastewater	Electric	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 4,029,627	$ 9,453,407	$ 1,596,008	$ 15,079,042
Cash payments to suppliers for goods and services	(1,306,442)	(7,404,290)	(1,594,543)	(10,305,275)
Cash payments to employees for services	(803,227)	(1,163,415)	(188,846)	(2,155,488)
Net cash provided by operating activities	1,919,958	885,702	(187,381)	2,618,279
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Customer deposits received (refunded)	(234)	1,500	459	1,725
Borrowings from (to) other funds	1,189,452	(251,612)	-	937,840
Proceeds from noncapital grants and contributions	-	-	28,132	28,132
Transfers (to) from other funds	163,424	(350,000)	(100,000)	(286,576)
Net cash used by noncapital financing activities	1,352,642	(600,112)	(71,409)	681,121
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(578,163)	(126,577)	(39,241)	(743,981)
Proceeds from sale of capital assets	757	2,222	182	3,161
Principal paid on long-term debt	(1,030,285)	(123,122)	-	(1,153,407)
Interest paid on long-term debt	(238,810)	(17,030)	-	(255,840)
Net cash used by capital financing activities	(1,846,501)	(264,507)	(39,059)	(2,150,067)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	83,892	28,823	16,052	128,767
Net cash provided (used) by investing activities	83,892	28,823	16,052	128,767
Net increase in cash and cash equivalents	1,509,991	49,906	(281,797)	1,278,100
Cash and cash equivalents at beginning of year	1,632,512	936,240	858,161	3,426,913
Cash and cash equivalents at end of year	$ 3,142,503	$ 986,146	$ 576,364	$ 4,705,013
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ 997,500	$ 1,032,903	$ (216,828)	$ 1,813,575
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,005,125	333,588	18,734	1,357,447
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(9,877)	(381,353)	(4,085)	(395,315)
(Increase) decrease in inventory	(5,766)	(111,671)	-	(117,437)
(Increase) decrease in deferred outflows	(72,650)	(102,920)	(18,163)	(193,733)
Increase (decrease) in accounts payable	(88,377)	(1,223)	13,779	(75,821)
Increase (decrease) in payroll related liabilities	(428)	(17,401)	(4,427)	(22,256)
Increase (decrease) in net pension liability	142,083	201,284	35,521	378,888
Increase (decrease) in OPEB liability	(1,164)	(1,648)	(290)	(3,102)
Increase (decrease) in deferred inflows	(46,488)	(65,857)	(11,622)	(123,967)
Net cash provided by operating activities	$ 1,919,958	$ 885,702	$ (187,381)	$ 2,618,279

The accompanying notes are an integral part of this statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cuero, Texas (the "City"), was incorporated April 23, 1873, and was chartered as a Home Rule City on June 10, 1969. 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), highways and streets, electric, water, sewer, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units.

One aspect of financial accountability as defined by GASB is the primary government's appointment of a voting majority of the potential component unit's governing body. The Mayor and members of the City Council of the City of Cuero appoint a voting majority of the governing boards of two separate legal entities, the Housing Authority of the City of Cuero and the Cuero Development Corporation (the "Corporation"). Members of the Housing Authority's Board of Commissioners, each of whom is appointed by the Mayor, may not be removed from office by the Mayor prior to the expiration of their term of office. As such, the Housing Authority is not deemed to be financially accountable to the City and it is not included in the accompanying financial statements as a component unit of the City.

Each director of the Corporation is appointed to office by the City Council. Once appointed, they may be removed from office at will by a majority vote of the Council members. Under guidelines established by GASB, this fact makes the Corporation financially accountable to the City. Because other necessary conditions are also met, the Corporation has been included as a discretely-presented component unit of the City in the accompanying financial statements.

No other organizations met the necessary criteria to be considered component units of the City for the year ended September 30, 2019.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the City and its component unit. 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. Likewise, the primary government is reported separately from its discretely-presented component unit.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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 financial statements. Revenues are recorded when transactions occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

The City reports the following major enterprise (proprietary) funds:

The Water/Wastewater Fund accounts for the activities of the City related to its sewage treatment plant and the water distribution system.

The Electric Fund accounts for the activities of the City's electric distribution operations.

The Solid Waste Fund accounts for the garbage collection operation of the City.

Additionally, the City reports the following fund types:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds

The Capital Project Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Specifically, the Building Construction Project Fund of the City accounts for the construction costs for various City projects which are funded by the 2013 debt issue and transfers from other funds.

The proprietary funds are accounted for on a flow of *economic resources measurement focus* and utilize the *accrual basis of accounting*. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 funds are charges to customers for sales and services. The Water/Wastewater Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Budgets and Budgetary Accounting

As set forth in the City Charter, the City Council adopts an annual budget for the General Fund, Debt Service Fund, and the City's three Proprietary Funds. The annual budgets for the General Fund and the Debt Service Fund are prepared in accordance with the basis of accounting utilized by those funds. The budget for the three enterprise funds is adopted under a basis consistent with generally accepted accounting principles (GAAP), except that depreciation, certain capital expenses, non-operating income and expense items are not considered. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the City Council. All encumbered appropriations lapse at the end of the fiscal year.

E. Deposits and Investments

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

The City and the Corporation may invest excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; 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; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements. Investments are reported at fair value.

F. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to four percent of outstanding property taxes at September 30, 2019.

The DeWitt County Tax Assessor-Collector bills and collects property taxes for the City. These taxes are levied on October 1 of each year and are payable by the following January 31, at which time penalties and interest charges are assessed on unpaid balances. An enforceable lien on property is attached on all ad valorem taxes unpaid as of January 1 following the year of levy.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Inventories and Prepaid Items

All inventories are valued at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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 included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	25
Public domain infrastructure	20-40
Utility system infrastructure	25-50
Computer equipment and vehicles	5
Machinery and equipment	5-10

It is the City's policy to take a full year's depreciation in the year an asset is acquired. No depreciation is taken in the year of an asset's disposition.

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory, and discretionary time. All compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Long-term Obligations

In the government-wide financial statements and in enterprise funds 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, discounts, as well as losses on refundings, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable deferred amounts.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension or OPEB liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. This year, the City has the following items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. 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. Information regarding the City's pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68.

M. Supplemental Death Benefit (OPEB)

For purposes of measuring the total OPEB liability for the supplemental death benefit plan, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's OPEB liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 75.

N. Fund Balance Policies

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that cannot be spent because of their form (such as inventory or prepaid items) or because they are legally or contractually required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, assigned, or any combination of those classifications. In addition, the General Fund may also include an unassigned amount.

N. Fund Balance Policies - (Continued)

Commitments will only be used for specific purposes pursuant to a formal action of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. Commitments may be changed or lifted only by the City Council taking the same formal action that originally imposed the constraint.

The City Council delegates the responsibility to assign funds to the City Manager or the Finance Director for specific purposes. City Council shall have the authority to assign any amount of funds to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. The assignments may occur subsequent to fiscal year-end.

O. Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

P. Minimum Fund Balance Policy

The City will maintain a minimum fund balance in its General Fund equal to 90 days, or 25% of the next year's budget. The Debt Service Fund minimum fund balance should not exceed one month of the next year's budget. The business-type activity fund balances should be at least 50%, or 180 days of the next year's budget.

Q. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with GAAP requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Compliance

There were several situations of expenditures exceeding the amount appropriated during the fiscal year 2018-2019:

Fund Name-Department	Final Budget	Actual	Negative Variance
General Fund			
Administration	$ 559,444	$ 562,881	$ 3,437
Fire department	720,898	852,672	131,774
Health department	55,362	55,380	18
Streets	1,017,726	1,327,965	310,239
Parks	1,051,503	1,116,336	64,833
Golf course	423,642	495,526	71,884

These over expenditures were funded by available fund balance in the respective fund.

B. Deficit Fund Equity

The Downtown Revitalization Fund Phase III had a negative fund balance of $6,477 as of September 30, 2019. This deficit will be eliminated in the upcoming fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

A. Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Public Funds Investment Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the City's and the depository bank's agent bank. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance.

Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than one year from the time of purchase. However, the City may purchase investments with a longer maturity when it is determined that it can be held to maturity.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of September 30, 2019, and for the year then ended, the City was not exposed to credit risk.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits - (Continued)

Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

It is managements' understanding that the Cuero Development Corporation, (the Corporation) a discretely presented component unit, and any other 4A and 4B economic development entity is not considered a "political subdivision" as defined by Section 330.15 of the FDIC's regulation. Therefore, the Corporation's bank deposits may not be insured above $250,000 even though they are secured by the pledged collateral agreement of the City. At fiscal year-end, Corporation's deposits exceeded FDIC coverage by $13,417.

B. Investments

As of September 30, 2019, the Corporation, the City's discretely presented component unit, had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Months)	Credit Risk	Portfolio %age
Public Funds Investment Pool				
TexPool	$ 1,726,580	1.2	AAAm	64%
Certificates of Deposit	979,839	12.0	N/A	36%
	$ 2,706,419			

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, TexPool uses amortized cost to value portfolio assets. The pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. Investments in the pool and certificates of deposit are classified as cash and cash equivalents for reporting purposes.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2019, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables as of year-end for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

	General	Water/ Wastewater	Electric	Solid Waste	Nonmajor Funds	Total
Receivables:						
Ad valorem taxes	$ 106,821	$ -	$ -	$ -	$ 44,405	$ 151,226
Franchise taxes	67,475	-	-	-	-	67,475
Occupancy taxes	-	-	-	-	95,548	95,548
Municipal court fines	245,319	-	-	-	-	245,319
Customer accounts	246,840	579,031	2,058,890	266,490	-	3,151,251
Miscellaneous	37,314	9,228	-	216	-	46,758
Gross receivables	703,769	588,259	2,058,890	266,706	139,953	3,757,577
Less: Allowance for uncollectibles	(425,363)	(238,830)	(730,744)	(155,696)	(9,568)	(1,560,201)
Net total receivables	$ 278,406	$ 349,429	$ 1,328,146	$ 111,010	$ 130,385	$ 2,197,376

The City's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable). The governmental funds may also defer revenue recognition in connection with resources that have been received, but not yet recognizable (unearned). At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
General Fund			
Ad valorem taxes receivable	$ 84,854	$ -	$ 84,854
Municipal court fines	49,064	-	49,064
Other	19,699	-	19,699
Nonmajor Funds			
Ad valorem taxes receivable	34,838	-	34,838
	$ 188,455	$ -	$ 188,455

NOTE 5: DUE FROM OTHER GOVERNMENTS

The City's General Fund and the Corporation record amounts due from other governments as of the end of the current fiscal year. These amounts were comprised of the following at September 30, 2019:

	General	Component Unit	Total
Sales taxes	$ 247,866	$ 82,622	$ 330,488
	$ 247,866	$ 82,622	$ 330,488

NOTE 6: NOTES RECEIVABLE

A notes receivable is reported by the City and the composition of this note, which relates to economic development activities as of September 30, 2019, was as follows:

	Governmental Activities
Notes receivable - gross	$ 7,904
Less amounts due within one year:	
Amounts due within one year	5,322
Net notes receivable - noncurrent	$ 2,582

NOTE 7: CAPITAL ASSETS

The capital asset activity of the City and the Corporation were as follows for the year ended September 30, 2019:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 795,960	$ -	$ -	$ 795,960
Construction in progress	16,711	399,926	-	416,637
Total capital assets not being depreciated	812,671	399,926	-	1,212,597
Capital assets, being depreciated:				
Land improvements	2,134,421	7,325	-	2,141,746
Vehicles	1,637,233	179,844	(284,886)	1,532,191
Equipment	3,876,868	503,824	(156,372)	4,224,320
Buildings and structures	14,057,648	25,902	-	14,083,550
Infrastructure	16,984,789	19,125	-	17,003,914
Total capital assets being depreciated	38,690,959	736,020	(441,258)	38,985,721
Less accumulated depreciation for:				
Land improvements	(269,648)	(103,795)	-	(373,443)
Vehicles	(1,342,073)	(76,511)	284,886	(1,133,698)
Equipment	(2,502,123)	(267,818)	141,947	(2,627,994)
Buildings and structures	(4,657,571)	(489,521)	-	(5,147,092)
Infrastructure	(8,326,983)	(557,265)	-	(8,884,248)
Total accumulated depreciation	(17,098,398)	(1,494,910)	426,833	(18,166,475)
Total capital assets being depreciated, net	21,592,561	(758,890)	(14,425)	20,819,246
Governmental activities capital assets, net	$ 22,405,232	$ (358,964)	$ (14,425)	$ 22,031,843

NOTE 7: CAPITAL ASSETS - (Continued)

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 21,117	$ -	$ -	$ 21,117
Construction in progress	5,547	83,648	-	89,195
Total capital assets not being depreciated	26,664	83,648	-	110,312
Capital assets, being depreciated:				
Equipment	3,980,507	245,393	-	4,225,900
Buildings and structures	635,740	39,240	-	674,980
Infrastructure	39,055,864	594,640	-	39,650,504
Total capital assets being depreciated	43,672,111	879,273	-	44,551,384
Less accumulated depreciation for:				
Equipment	(3,324,987)	(109,607)	-	(3,434,594)
Buildings and structures	(515,768)	(20,211)	-	(535,979)
Infrastructure	(13,680,723)	(1,227,629)	-	(14,908,352)
Total accumulated depreciation	(17,521,478)	(1,357,447)	-	(18,878,925)
Total capital assets being depreciated, net	26,150,633	(478,174)	-	25,672,459
Business-type activities capital assets, net	$ 26,177,297	$ (394,526)	$ -	$ 25,782,771
Component unit				
Capital assets, not being depreciated:				
Land	$ 129,796	$ -	$ (72,796)	$ 57,000
Total capital assets not being depreciated	129,796	-	(72,796)	57,000
Component unit capital assets, net	$ 129,796	$ -	$ (72,796)	$ 57,000

The Cuero Development Corporation's land was revalued in fiscal year 2019 and it was estimated that the remaining acreage held by the Corporation is appraised at $57,000. Therefore, the Corporation recognized an impairment loss of $72,796 in fiscal year 2019. This loss is reported as an operating expenditure/expense for financial statement purposes as of September 30, 2019.

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

Governmental activities:	
General government	$ 267,706
Public safety	92,003
Streets and highways, including depreciation of general infrastructure assets	654,702
Culture and recreation	480,499
Total depreciation expense - governmental activities	$ 1,494,910
Business-type activities:	
Water/Wastewater	$ 1,005,125
Electric	333,588
Solid Waste	18,734
Total depreciation expense - business-type activities	$ 1,357,447

NOTE 8: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2019, were as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 6,477
	Water/Wastewater	109,541
	Electric	989,897
	Total	$ 1,105,915

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. The most significant of these are the planned transfers from the City's enterprise funds to specified governmental funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

	Transfers In			
Transfers out	General	Nonmajor Governmental	Water/ Wastewater	Total
Water/Wastewater	$ 150,000	$ 80,000	$ -	$ 230,000
Electric	250,000	100,000	-	350,000
Solid Waste	-	100,000	-	100,000
Nonmajor governmental	104,000	-	393,424	497,424
	$ 504,000	$ 280,000	$ 393,424	$ 1,177,424

NOTE 9: CAPITAL LEASES

Capital leases payable at September 30, 2019, are comprised of the following leases:

Lease purchase agreement on advanced metering infrastructure for the Water/Wastewater and Electric Funds. The original amount of the lease, entered into in 2016, was $1,966,815. The lease is payable in annual installments of $314,814 and bears interest at a rate of 3.0%.	$ 890,830
Lease purchase agreement on cameras and related equipment for the police departments. The original amount of the lease, entered into in 2019, was $61,830. The lease is payable in five annual installments of $13,342 and bears interest at a rate of 3.95%.	48,488
Lease purchase agreement on a Parks department truck with a mosquito sprayer. The original amount of the lease, entered into in 2019, was $29,450. The lease is payable in monthly installments of $1,298 and bears interest at a rate of 5.94%.	18,720
Lease purchase agreement on various City equipment. The original amount of the lease, entered into in 2019, was $780,357. The lease in payable in annual installments of $142,021 and bears interest at a rate of 3.66%.	638,336
Total	$ 1,596,374

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

Year ended September 30	Governmental Activities	Business-type Activities
2020	$ 126,154	$ 358,302
2021	117,068	358,301
2022	111,877	358,302
2023	111,876	43,487
2024	98,534	43,486
Total minimum lease payments	565,509	1,161,878
Less: Amounts representing interest	(55,424)	(75,589)
Present value of minimum lease payments	$ 510,085	$ 1,086,289

The assets acquired through the capital leases are as follows:

	Governmental Activities	Business-type Activities
Machinery and equipment	$ 633,263	$ 245,394
Infrastructure	-	1,958,400
	633,263	2,203,794
Less: Accumulated depreciation	(44,090)	(352,925)
	$ 589,173	$ 1,850,869

NOTE 10: LONG-TERM DEBT

A. General Obligation Certificates of Obligation

The issuance of the Combination Tax and Revenue Certificates of Obligation, Series 2012 was completed during the 2012 fiscal year. Certificates in the amount of $8,250,000 were issued, and $6,170,000 of the certificates remain outstanding as of September 30, 2018. Principal payments are due in varying amounts through March 2032. The certificates bear interest at annual rates between 1.25% and 2.90%. The proceeds from this issuance were used to improve the City's water and sewer system, improvements, and purchase various pieces of equipment.

The issuance of the Combination Tax and Revenue Certificates of Obligation, Series 2013 was completed during the 2013 fiscal year. Certificates in the amount of $3,515,000 were issued, and $3,025,000 of the certificates remain outstanding as of September 30, 2018. Principal payments are due in varying amounts through March 2033. The certificates bear interest at annual rates between 2.00% and 4.40%. The proceeds from this issuance were used to improve various City capital improvement projects including but not limited to park and recreation, street improvements, drainage improvements and various other projects.

B. General Obligation Refunding Bonds

The City also had three refunding bond issues outstanding as of September 30, 2019. The Series 2010 General Obligation Refunding Bonds, originally issued in the amount of $1,525,000, had a balance of $545,000 outstanding as of year-end. The remaining bonds mature in varying amounts through the year 2024 and bear interest at rates between 2.00% and 4.00%.

The Series 2013 General Obligation Refunding Bonds were issued in 2013, and the proceeds from this issue were used to advance refund a portion of the then outstanding balance of the City's 2004 Certificates of Obligation. This issue had an outstanding balance of $615,000 as of September 30, 2019. The issue carries interest rates that range between 2.0% and 3.0% and are due in varying amounts through the year 2024.

The Series 2016 General Obligation Refunding Bonds were issued in 2016, and the proceeds from this issue were used to advance refund a portion of the then outstanding balance of the City's 2006 General Obligation Refunding Bonds. This issue had an outstanding balance of $1,390,000 as of September 30, 2019. The issue carries interest rate of 2.0% and are due in varying amounts through the year 2024.

NOTE 10: LONG-TERM DEBT - (Continued)

C. Debt Service Requirements and Long-term Liability Activity

Annual debt service requirements to maturity for the City's general obligation long-term debt are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Certificates payable					
Certificates of obligation	$ 3,025,000	$ -	$ (140,000)	$ 2,885,000	$ 145,000
Less deferred amounts:					
Issuance premiums	53,007	-	(3,573)	49,434	-
Net certificates payable	3,078,007	-	(143,573)	2,934,434	145,000
Capital leases	-	632,691	(122,606)	510,085	107,343
Net pension liability	1,487,962	805,134	-	2,293,096	-
OPEB liability	183,229	-	(6,595)	176,634	-
Compensated absences	225,498	156,473	(180,554)	201,417	50,354
Total governmental activity long-term liabilities	$ 4,974,696	$ 1,594,298	$ (453,328)	$ 6,115,666	$ 302,697
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	$ 6,170,000	$ -	$ (380,000)	$ 5,790,000	$ 390,000
Refunding bonds	3,020,000	-	(470,000)	2,550,000	485,000
Less deferred amounts:					-
Issuance premiums	146,688	-	(15,543)	131,145	-
Net certificates and bonds payable	9,336,688	-	(865,543)	8,471,145	875,000
Capital leases	1,170,756	238,946	(323,413)	1,086,289	324,601
Net pension liability	700,216	378,888	-	1,079,104	-
OPEB liability	86,225	-	(3,102)	83,123	-
Compensated absences	124,096	75,281	(100,328)	99,049	24,762
Total business-type activity long-term liabilities	$ 11,417,981	$ 693,115	$ (1,292,386)	$ 10,818,710	$ 1,224,363
Component unit					
Compensated absences	$ 15,873	$ 7,369	$ (13,709)	$ 9,533	$ 2,383
Total component unit long-term liabilities	$ 15,873	$ 7,369	$ (13,709)	$ 9,533	$ 2,383

NOTE 10: LONG-TERM DEBT - (Continued)

C. Debt Service Requirements and Long-term Liability Activity

Year Ended September 30	Governmental Activities Principal	Governmental Activities Interest	Governmental Activities Total	Business-type Activities Principal	Business-type Activities Interest	Business-type Activities Total
2020	$ 145,000	$ 108,415	$ 253,415	$ 875,000	$ 201,338	$ 1,076,338
2021	155,000	103,915	258,915	890,000	180,488	1,070,488
2022	160,000	99,190	259,190	920,000	159,038	1,079,038
2023	170,000	94,240	264,240	930,000	136,806	1,066,806
2024	175,000	89,065	264,065	955,000	113,838	1,068,838
2025-2029	1,030,000	333,600	1,363,600	2,255,000	392,338	2,647,338
2030-2033	1,050,000	95,220	1,145,220	1,515,000	72,325	1,587,325
	$ 2,885,000	$ 923,645	$ 3,808,645	$ 8,340,000	$ 1,256,171	$ 9,596,171

For governmental activities, compensated absences, OPEB liability, and net pension liability are generally liquidated by the General Fund.

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2019, the City purchased insurance through the Texas Municipal League (TML) to cover its risk of loss in these areas. Substantially all risk of loss for events occurring during the current year has been transferred to TML by the payment of insurance premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12: COMMITMENTS AND CONTINGENCIES

A. Grant Programs

Various Grant Contracts

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectability of any related receivables at September 30, 2019, may be impaired. In the opinion of the administration of the City, there are no significant contingent liabilities, with the exception of the matter discussed below, relating to compliance with the rules and regulations governing the City's various grant programs.

B. Wholesale Power Agreement

The City's Electric Fund purchases electricity for resale from the Lower Colorado River Authority (LCRA). Under an agreement entered into in 2006, the City is committed to purchase its resale electricity from LCRA through June 25, 2041.

NOTE 13: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the 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 TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2019 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	
(expressed as age/years of service)	60/5, 0/20
Updated service credit	100.0% repeating
Annuity increase (to retirees)	70.0% of CPI

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	55
Inactive employees entitled to but not yet receiving benefits	41
Active employees	90
	186

NOTE 13: DEFINED BENEFIT PENSION PLAN - (Continued)

Contributions

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

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.38% and 10.34% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2019 were $496,707, 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%
Overall Payroll Growth	2.4%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100%. 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 male 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement 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 (EAN) 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.

NOTE 13: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)
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 arithmetic 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	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
Total	100.00%	

NOTE 13: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2017	$ 14,390,132	$ 12,201,954	$ 2,188,178
Changes for the year:			
Service cost	570,669	-	570,669
Interest	969,695	-	969,695
Difference between expected and actual experience	1,474	-	1,474
Changes of assumptions	-	-	-
Contributions - Employer	-	493,310	(493,310)
Contributions - Employee	-	237,623	(237,623)
Net investment income	-	(365,683)	365,683
Benefit payments, including refunds of employee contributions	(619,219)	(619,219)	-
Administrative expense	-	(7,064)	7,064
Other changes	-	(370)	370
Net changes	922,619	(261,403)	1,184,022
Balance at 12/31/2018	$ 15,312,751	$ 11,940,551	$ 3,372,200

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:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	$5,701,450	$3,372,200	$1,485,729

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

NOTE 13: DEFINED BENEFIT PENSION PLAN - (Continued)

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 $650,628.

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	$ 1,143	$ 77,773
Changes in actuarial assumptions	13,761	-
Difference between projected and actual investment earnings	629,581	-
Contributions subsequent to the measurement date	369,362	-
Total	$ 1,013,847	$ 77,773

$369,362 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:	Pension Expense Amount
2019	$ 187,711
2020	63,853
2021	77,137
2022	238,012
2023	-
Thereafter	-
Total	$ 566,713

NOTE 14: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)

Plan Description and Benefits Provided

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

Membership

At the December 31, 2018 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	18
Active employees	90
Total	144

Contributions

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 retired term life insurance during employees' entire careers. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

The City's contribution rates for the program are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.24%	0.05%
2018	0.25%	0.05%
2019	0.28%	0.06%

NOTE 14: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability

The City's total OPEB liability and the OPEB expense is recognized on the City's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

Actuarial Assumptions

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.

Inflation	2.5%
Salary increases	3.5% to 10.5 % including inflation
Discount rate	3.71%; based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates-service retirees	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.

NOTE 14: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability - (Continued)

Changes in Total OPEB Liability
The following details the changes in the Total OPEB liability:

Balance at 12/31/17	$	269,455
Changes for the year:		
Service cost		16,155
Interest		9,147
Change of benefit terms		-
Difference between expected and actual experience		(13,660)
Change of assumptions		(18,965)
Benefit payments		(2,375)
Net changes		(9,698)
Balance at 12/31/18	$	259,757

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1.0% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1.0% Increase in Discount Rate (4.31%)
City's Total OPEB Liability:	$310,755	$259,757	$219,976

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

For the year ended September 30, 2019, the City recognized OPEB expense of $23,296.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 11,272
Changes in actuarial assumptions	13,755	15,649
Contributions subsequent to the measurement date	2,143	-
Total	$ 15,898	$ 26,921

NOTE 14: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - (Continued)

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended December 31:	OPEB Expense Amount
2018	$ 3,698
2019	3,698
2020	3,698
2021	3,698
2022	2,660
Thereafter	-
Total	$ 17,452

NOTE 15: RELATED PARTY TRANSACTIONS

During the current fiscal year, there were various transactions between the City and the Cuero Development Corporation, (the Corporation), a discretely presented component unit. The Corporation reimbursed the City $187,619 for salary related expenditures, $250,000 for the Backdoor Beautification Project, $18,600 for professional fees including accounting fees and rent, and various other costs made by the City on behalf of the Corporation in the amount of $24,582.

NOTE 16: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2019:

	Governmental Fund Balances			
	Nonspendable	Restricted	Unassigned	Total
General				
Inventory	$ 4,311	$ -	$ -	$ 4,311
Prepaid expenditures	67,988	-	-	67,988
Unassigned	-	-	2,857,506	2,857,506
Nonmajor Governmental				
Tourism	-	547,845	-	547,845
Economic development	-	22,921	-	22,921
Culture and recreation	-	93,609	-	93,609
Public safety	-	70,390	-	70,390
Debt service	-	645,944	-	645,944
Capital projects		127,172	-	127,172
Memorial care		626,478	-	626,478
Unassigned	-	-	(6,477)	(6,477)
	$ 72,299	$ 2,134,359	$ 2,851,029	$ 5,057,687

NOTE 17: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The City's government-wide statements as well as the proprietary fund statements for the fiscal year ended September 30, 2018 have been restated to properly reflect the OPEB-Health liability balances and the unrestricted net position balances. Due to a change in policy prior to September 30, 2018, the City is no longer obligated for retiree healthcare coverage. Therefore, the restatement adjustments below were made.

	Government-wide		Fund Level		
	Governmental Activities	Business-type Activities	Water/ Wastewater	Electric	Solid Waste
Net position at September 30, 2018, as previously reported	$ 22,564,244	$ 18,438,622	$ 12,907,337	$ 4,619,015	$ 912,270
Restatement of OPEB - Health deferred outflow as of September 30, 2018	(3,019)	-	-	-	-
Restatement of Total OPEB - Health liability as of September 30, 2018	129,379	60,883	22,831	32,345	5,707
Net position at September 30, 2018, as restated	$ 22,690,604	$ 18,499,505	$ 12,930,168	$ 4,651,360	$ 917,977

In addition, the financial statements of the Cuero Development Corporation for the fiscal year ended September 30, 2018 were restated to properly reflect the net investment in capital assets and the capital asset balances. Land valued in the amount of $41,271 was sold by the Corporation in fiscal year 2015 but was not removed from the financial statements. The result of the restatement was to decrease capital assets by $41,271 and decrease net investment in capital assets by $41,271.

NOTE 18: SUBSEQUENT EVENT

During October 2019, the City entered into a lease purchase agreement for the purchase of a 2019 fire truck. The total purchase price of the truck was $499,532 and a down payment of $174,000 was made on September 30, 2019. This payment is reported as a deposit on the government-wide statements for the governmental activities. The amount financed with Community First National Bank was $325,532 and will be paid in seven annual installments of $53,984 at an interest rate of 3.874%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CUERO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the year ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes				
Ad valorem	$ 932,491	$ 935,491	$ 889,824	$ (45,667)
Sales	1,769,745	1,769,745	1,688,307	(81,438)
Other	2,497,742	2,498,912	2,485,721	(13,191)
Licenses and permits	123,200	94,600	85,158	(9,442)
Fines and forfeitures	173,600	176,300	179,245	2,945
Charges for services	254,300	254,300	240,373	(13,927)
Intergovernmental	136,481	363,080	365,651	2,571
Investment	21,575	39,575	46,521	6,946
Rental	29,440	45,940	48,420	2,480
Miscellaneous	199,350	158,950	149,763	(9,187)
Total revenues	6,137,924	6,336,893	6,178,983	(157,910)
EXPENDITURES				
Current				
General government	1,535,075	1,551,873	1,327,530	224,343
Public safety	2,393,790	2,505,101	2,584,389	(79,288)
Streets	914,261	1,017,726	1,327,965	(310,239)
Culture and recreation	1,851,788	1,886,516	1,961,415	(74,899)
Total expenditures	6,694,914	6,961,216	7,201,299	(240,083)
Excess (deficiency) of revenues over expenditures	(556,990)	(624,323)	(1,022,316)	(397,993)
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	89,194	632,691	543,497
Transfers in	531,000	533,450	504,000	(29,450)
Total other financing sources (uses)	531,000	622,644	1,136,691	514,047
Net change in fund balance	(25,990)	(1,679)	114,375	116,054
Fund balance - beginning	2,815,430	2,815,430	2,815,430	-
Fund balance - ending	$ 2,789,440	$ 2,813,751	$ 2,929,805	$ 116,054

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

CITY OF CUERO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - PENSION
Last ten years

	Measurement Year		
	2014	2015	2016
Total Pension Liability			
Service cost	$ 521,082	$ 579,837	$ 571,966
Interest (on the total pension liability)	789,086	831,314	860,186
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(255,982)	(88,153)	(29,451)
Change of assumptions	-	87,151	-
Benefit payments, including refunds of employee contributions	(464,315)	(496,313)	(580,936)
Net Change in Total Pension Liability	589,871	913,836	821,765
Total Pension Liability - Beginning	11,244,278	11,834,149	12,747,985
Total Pension Liability - Ending (a)	$ 11,834,149	$ 12,747,985	$ 13,569,750
Plan Fiduciary Net Position			
Contributions - Employer	$ 450,861	$ 486,728	$ 478,114
Contributions - Employee	239,057	246,320	239,316
Net investment income	505,605	14,112	662,909
Benefit payments, including refunds of employee contributions	(464,315)	(496,313)	(580,936)
Administrative expense	(5,278)	(8,594)	(7,483)
Other	(434)	(424)	(403)
Net Change in Plan Fiduciary Net Position	725,496	241,829	791,517
Plan Fiduciary Net Position - Beginning	8,836,974	9,562,470	9,804,299
Plan Fiduciary Net Position - Ending (b)	$ 9,562,470	$ 9,804,299	$ 10,595,816
Net Pension Liability - Ending (a) - (b)	$ 2,271,679	$ 2,943,686	$ 2,973,934
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.80%	76.91%	78.08%
Covered Payroll	$ 4,781,137	$ 4,926,401	$ 4,786,325
Net Pension Liability as a Percentage of Covered Payroll	47.51%	59.75%	62.13%

NOTE: Information for the prior five years was not readily available. The City will compile the respective information over the next five years as provided by TMRS on a "measurement date" basis.

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

Measurement Year	
2017	2018
$ 577,371	$ 570,669
915,742	969,695
-	-
(88,945)	1,474
-	-
(583,786)	(619,219)
820,382	922,619
13,569,750	14,390,132
$ 14,390,132	$ 15,312,751
$ 487,805	$ 493,310
240,772	237,623
1,469,342	(365,683)
(583,786)	(619,219)
(7,611)	(7,064)
(384)	(370)
1,606,138	(261,403)
10,595,816	12,201,954
$ 12,201,954	$ 11,940,551
$ 2,188,178	$ 3,372,200
84.79%	77.98%
$ 4,815,437	$ 4,751,615
45.44%	70.97%

	Fiscal Year		
	2015	2016	2017
Actuarially Determined Contribution	$ 497,618	$ 478,805	$ 482,929
Contribution in relation to the actuarially determined contribution	(507,817)	(488,777)	(494,054)
Contribution deficiency (excess)	$ (10,199)	$ (9,972)	$ (11,125)
Covered employee payroll	$ 5,099,832	$ 4,806,220	$ 4,786,325
Contributions as a percentage of covered employee payroll	9.96%	10.17%	10.32%

NOTE: Information for the prior five fiscal years was not readily available. The City will compile the respective information over the next five fiscal years.

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

Fiscal Year	
2018	2019
$ 490,181	$ 496,707
(501,938)	(509,776)
$ (11,757)	$ (13,069)
$ 4,751,890	$ 4,798,994
10.56%	10.62%

CITY OF CUERO, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT
Last ten years

	Measurement Year	
	2017	2018
Total OPEB Liability		
Service cost	$ 14,446	$ 16,155
Interest (on the total OPEB liability)	8,825	9,147
Change of benefit terms	-	-
Difference between expected and actual experience	-	(13,660)
Change of assumptions	21,150	(18,965)
Benefit payments	(2,408)	(2,375)
Net Change in Total OPEB Liability	42,013	(9,698)
Total OPEB Liability - Beginning	227,442	269,455
Total OPEB Liability - Ending	$ 269,455	$ 259,757
Covered Payroll	$ 4,815,437	$ 4,751,615
Total OPEB Liability as a Percentage of Covered Payroll	5.60%	5.47%

NOTE: Information for the prior eight years was not readily available. The City will compile the respective information over the next eight years as provided by TMRS on a "measurement date" basis.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT
Last ten fiscal years

	Fiscal Year	
	2018	2019
Actuarially Determined Contribution	$ 2,376	$ 2,757
Contribution in relation to the actuarially determined contribution	(2,376)	(2,757)
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$ 4,751,890	$ 4,798,994
Contributions as a percentage of covered payroll	0.0500%	0.0574%

NOTE: Information for the prior eight years was not readily available. The City will compile the respective information over the next eight years.

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

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

For the year ended September 30, 2019, the City complied with budgetary restrictions at all departmental levels except the following:

Fund Name-Department	Final Budget	Actual	Negative Variance
General Fund			
Administration	$ 559,444	$ 562,881	$ 3,437
Fire department	720,898	852,672	131,774
Health department	55,362	55,380	18
Streets	1,017,726	1,327,965	310,239
Parks	1,051,503	1,116,336	64,833
Golf course	423,642	495,526	71,884

NOTE 3: DEFINED BENEFIT PENSION PLAN

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	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.

Other Information

There were no benefit changes during the year.

NOTE 4: SUPPLEMENTAL DEATH BENEFIT PLAN - OPEB

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

There were no changes in plan provisions or assumptions during the year.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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FINAL

IN REGARD to the authorization and issuance of the "City of Cuero, Texas General Obligation Refunding Bonds, Series 2020" (the *Bonds*), dated November 1, 2020, in the aggregate principal amount of $5,490,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Cuero, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of March 1 in each of the years 2021 through 2032, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. 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 Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer's obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds 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. We 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 Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds 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 Bonds, including the Ordinance, the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and BOKF, NA, Dallas, Texas (the *Escrow Agent*), and the certification (the *Sufficiency Certificate*) by Hilltop Securities Inc., as Financial Advisor to the Issuer, concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (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 Bonds 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 Bonds 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 Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (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), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the ordinances authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds 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 Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer.

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 Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement and 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 Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds 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 Bonds 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 Bonds. Ownership of tax-exempt obligations such as the Bonds 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

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APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

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BOOK-ENTRY-ONLY SYSTEM

This Appendix D describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor, and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will initially act as securities depository for the Bonds. The Bonds 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 security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, 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 issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing City ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing City and Fixed Income Clearing City, 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 companies 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 Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 register and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, 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 Paying Agent/Registrar of each series, 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 one or both series of the Bonds at any time by giving reasonable notice to the City or the respective Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Bonds 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 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System of the Bonds is discontinued, printed Bonds will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" in this Official Statement.

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company