

OFFICIAL STATEMENT  
December 14, 2020

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

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

**\$1,040,000**  
**CITY OF JOURDANTON, TEXAS**  
**(A political subdivision of the State of Texas located in Atascosa County, Texas)**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021**

**Dated Date: January 1, 2021**

**Due: February 1, as shown on inside cover**

The \$1,040,000 City of Jourdanton, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Council of the City of Jourdanton, Texas (the "City" or the "Issuer") on December 14, 2020. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

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

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) demolition of the City's existing swimming pool facility; (2) constructing, acquiring, purchasing, and improving the City's swimming pool facility, splash pad, pavilion, related bath house facilities, and a concession stand; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

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

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The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser named below (the "Underwriters") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. Certain matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, San Antonio, Texas. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about January 7, 2021.

**STIFEL**

**\$1,040,000**  
**CITY OF JOURDANTON, TEXAS**  
(A political subdivision of the State of Texas located in Atascosa County, Texas)  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021**

**MATURITY SCHEDULE**  
(Due February 1)

CUSIP Prefix No. 481117<sup>(1)</sup>

<b>Stated</b>					<b>CUSIP</b>	<b>Stated</b>					<b>CUSIP</b>
<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>Initial</b>	<b>No.</b>	<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>Initial</b>	<b>No.</b>
<b><u>2/1</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Yield</u></b>	<b><u>Suffix</u></b> <sup>(1)</sup>	<b><u>2/1</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Yield</u></b>	<b><u>Suffix</u></b> <sup>(1)</sup>
2022	\$ 15,000	2.000%	0.430%	0.430%	HD4	2027	\$ 35,000	2.000%	0.760%	0.760%	HJ1
2023	30,000	2.000%	0.480%	0.480%	HE2	***	***	***	***	***	***
2024	35,000	2.000%	0.520%	0.520%	HF9	2034	210,000	3.000%	1.270%	1.270%	HL6
2025	35,000	2.000%	0.560%	0.560%	HG7	2035	215,000	3.000%	1.310%	1.310%	HM4
2026	35,000	2.000%	0.650%	0.650%	HH5	2036	220,000	3.000%	1.350%	1.350%	HN2

**\$210,000 3.000% Term Certificates due February 1, 2033 and priced to yield 1.190%<sup>(2)</sup> CUSIP Suffix HK8**

**(Interest to accrue from Dated Date)**

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2030, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Certificates maturing February 1, 2033 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

<sup>(1)</sup> CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(2)</sup> Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2030, the first optional call date for the Certificates, at a redemption price of par plus accrued interest to the date of redemption.

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**CITY OF JOURDANTON, TEXAS**  
**1604 SH 97 E**  
**Jourdanton, Texas 78026**  
**Telephone: (210) 619-1000**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires (November)	Occupation
Robert A. Williams Mayor	8	2020	Semi-Retired
Raul "Roy" Morales Mayor Pro-Tem	12	2020	Retired Educator
Patricia J Elizabeth Tymrak-Daughtrey Councilmember	1	2021	Retired
Karen Pesek Councilmember	5	2021	Retired public educator
Jack R. Harrison Councilmember	5	2021	Retired
Chester Gonzales Councilmember	4	2020	Chemical Technician – San Miguel Electrical Coop

**ADMINISTRATION**

Name	Position	Length of Service at the City
Lamar Schulz	City Manager	2 years and 4 months
Lara Feagins	Finance Director	3 months
Sharon Dornak	Senior Finance Clerk	30 years
Debbie Molina	City Secretary	24 years

**CONSULTANTS AND ADVISORS**

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

**Certified Public Accountants** .....Beyer & Company  
Sinton, Texas

**Financial Advisor** .....SAMCO Capital Markets, Inc.  
San Antonio, Texas

**For Additional Information Please Contact:**

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Ms. Lara Feagins  
Finance Director  
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Mr. Mark M. McLiney  
Senior Managing Director  
Mr. Andrew T. Friedman  
Managing Director  
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San Antonio, Texas 78209  
Telephone: (210) 832-9760  
mmcliney@samcocapital.com  
afriedman@samcocapital.com

**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

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

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

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

None of the City, the Financial Advisors or the Underwriters makes 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 as such information is provided by DTC.

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

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

## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

<b>The Issuer</b>	The City of Jourdanton, Texas (the "City" or the "Issuer"), a municipal corporation and political subdivision of the State of Texas, was originally incorporated in 1910. The City operates under Council/Manager form of government, as a Type A municipality, with a Mayor and five-member City Council. The City comprises 3.5 Square miles and is about 35 miles from San Antonio. (See "APPENDIX B –General Information Regarding the City of Jourdanton, Texas and Atascosa County, Texas" herein.)
<b>The Certificates</b>	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City, on December 14, 2020. (See "THE CERTIFICATES - Authority for Issuance" herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.
<b>Security</b>	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of the currently outstanding Junior Lien Obligations and Subordinate Lien Obligations, and any Prior Lien Obligations, Additional Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.)
<b>Redemption Provisions of the Certificates</b>	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2030, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing February 1, 2033 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS", and will not be included in calculating the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.)
<b>Qualified Tax-Exempt Obligations</b>	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)

**Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) demolition of the City's existing swimming pool facility; (2) constructing, acquiring, purchasing, and improving the City's swimming pool facility, splash pad, pavilion, related bath house facilities, and a concession stand; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

**Rating**

S&P Global Ratings ("S&P") has assigned and unenhanced underlying rating of "AA-" to the Certificates. (See "OTHER PERTINENT INFORMATION - Rating" herein.)

**Payment Record**

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

**Future Debt Issues**

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2021, except approximately \$1,200,000 Combination Tax and Subordinate Lien Revenue Certificates of Obligation pursuant to a private placement sale to the Texas Water Development Board, and potentially issuing refunding bonds for debt service savings.

**Delivery**

When issued, anticipated on or about January 7, 2021.

**Legality**

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

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**OFFICIAL STATEMENT**  
relating to

**\$1,040,000**

**CITY OF JOURDANTON, TEXAS**

**(A political subdivision of the State of Texas located in Atascosa County, Texas)**

**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021**

**INTRODUCTORY STATEMENT**

This Official Statement provides certain information in connection with the issuance by the City of Jourdanton, Texas (the "City" or the "Issuer") of its \$1,040,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 (the "Certificates") identified on the cover page.

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

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

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

**INFECTIOUS DISEASE OUTBREAK – COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas (the "State"). 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 the State in response to the Pandemic which has been subsequently extended and remains 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 established occupancy limits for most businesses in Texas. Business establishments including restaurants, retail establishments, manufacturers, and office buildings are subject to a 75 percent occupancy limit. Additionally, such orders required every person in Texas to wear a face covering over the nose and mouth while inside a commercial entity, building, or space open to the public, or in an outdoor public space when it is not feasible to maintain six feet of social distance, subject to certain exceptions. In a separate order, the Governor has required that every hospital reserve at least 10 percent of its hospital capacity for treatment of COVID-19 patients, and further imposed a moratorium on elective surgeries in any "Trauma Service Area" that has had seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of all hospitalized patients exceeds 15 percent. The Governor retains the authority to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

In addition to the actions by the State and federal officials, certain local officials, including the City and Atascosa 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 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 Certificates. 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, revenue from the sale of water and the collection of sewage, franchise fees based on private utility sales, and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes, utility system revenue, and utility franchise and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

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

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

## THE CERTIFICATES

### General Description of the Certificates

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

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

### Authority for Issuance

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

### Security for Payment

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

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



**Redemption Provisions of the Certificates**

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

*Mandatory Sinking Fund Redemption*

The Certificates stated to mature on February 1, 2033 are referred to herein as the "Term Certificates". The Term Certificates are also subject to mandatory redemption prior to maturity in part and by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on February 1, in the years and principal amounts shown below:

Term Certificates to Mature on February 1, 2033	
Year	Principal Amount
2028	\$ 35,000
2029	35,000
2030	35,000
2031	35,000
2032	35,000
2033*	35,000

\*Payable at Stated Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable Stated Maturity to be redeemed on the next following February 1 from money set aside for that purpose in the Certificate Fund. Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

**Notice of Redemption**

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

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

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

**Selection of Certificates to be Redeemed**

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular

Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) demolition of the City’s existing swimming pool facility; (2) constructing, acquiring, purchasing, and improving the City’s swimming pool facility, splash pad, pavilion, related bath house facilities, and a concession stand; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

**Sources and Uses**

Sources	
Par Amount of the Certificates	\$ 1,040,000.00
Accrued Interest on the Certificates	489.17
Reoffering Premium	<u>135,138.30</u>
Total Sources of Funds	<u>\$ 1,175,627.47</u>
Uses	
Project Fund Deposit	\$ 1,110,000.00
Underwriters’ Discount	11,620.80
Certificate Fund Deposit	489.17
Costs of Issuance	<u>53,517.50</u>
Total Uses	<u>\$ 1,175,627.47</u>

**Payment Record**

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

**Amendments**

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

**Defeasance**

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City’s Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to

withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

#### **Default and Remedies**

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

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

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

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated

based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

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

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

### **Record Date**

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

### **Special Record Date for Interest Payment**

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

registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

### **Future Registration**

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

### **Limitation on Transfer of Certificates**

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

### **Replacement Certificates**

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

## **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants'

accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

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

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

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

**Use of Certain Terms in Other Sections of this Official Statement**

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

**Effect of Termination of Book-Entry-Only System**

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

**INVESTMENT POLICIES**

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

**Legal Investments**

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

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

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

**Current Investments <sup>(1)</sup>**

**TABLE 1**

As of September 30, 2020 the City held investments as follows:

<u>Type of Security</u>	<u>Market Value</u>	<u>Percentage of Total</u>
Jourdanton State Bank	\$ 71,721	3.05%
TexPool	2,283,476	96.95%
Totals	<u>\$ 2,355,197</u>	<u>100.00%</u>

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

<sup>(1)</sup> Unaudited.

## AD VALOREM PROPERTY TAXATION

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 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 Atascosa Central 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 presentation of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

### **Local Option Freeze for the Elderly and Disabled**

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

### **Personal Property**

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such



as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

### **Freeport and Goods-In-Transit Exemptions**

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

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

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

### **Other Exempt Property**

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

### **Tax Increment Reinvestment Zones**

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

### **Tax Abatement Agreements**

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

### **City and Taxpayer Remedies**

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

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

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

## **Levy and Collection of Taxes**

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

## **City's Rights in the Event of Tax Delinquencies**

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

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

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

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

## **Public Hearing and Maintenance and Operations Tax Rate Limitations**

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

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

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

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

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

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

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

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under

State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

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

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

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

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

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

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

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

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

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

#### **Debt Tax Rate Limitations**

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

#### **The Property Tax Code as Applied to the City**

The City has not elected to grant an exemption of up to 20% of the appraised value of residence homesteads (but not less than \$5,000).

The City has elected to grant a Local Option Homestead Exemption of \$10,000 of the appraised value of the residence homestead of persons 65 year of age or older and the disabled.

The City took official action before April 1, 1990 to tax Freeport Property.

The City does not tax Goods-in-Transit.

The City does not offer split payments but does allow discounts for early payment of ad valorem property taxes.

## **TAX MATTERS**

### **Tax Exemption**

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

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

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

### **Tax Changes**

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

### **Ancillary Tax Consequences**

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

### **Tax Accounting Treatment of Discount Certificates**

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the "Discount Certificates"). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificates. A portion of such original issue discount, allocable to the holding period of a Discount Certificate by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Certificates. Such interest is considered

to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

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

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

#### **Tax Accounting Treatment of Premium Certificates**

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

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

#### **Qualified Tax-Exempt Obligations**

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for 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 has designated the Certificates as "qualified tax-exempt obligations" and has certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

#### **CONTINUING DISCLOSURE OF INFORMATION**

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the

MSRB via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org), as further described below under “Availability of Information”.

### **Annual Reports**

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

The Issuer 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 Issuer of the general type included in Table 1 of the Official Statement and in Tables 1-14 of APPENDIX A to this Official Statement and in APPENDIX D. The Issuer will update and provide this information within six months after the end of each fiscal year in or after 2020. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

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

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

### **Notice of Certain Events**

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

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

intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB.

### **Availability of Information**

Effective July 1, 2009, the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule. All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

With respect to debt of the City issued prior to the EMMA Effective Date, the City remains obligated to make annual required filings, as well as notices of specified events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the City receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the City has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

### **Limitations and Amendments**

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

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

### **Compliance with Prior Undertakings**

Except as described below, during the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

Due to an administrative oversight, the City did not file its Incurrence of Financial Obligation of the Issuer on time. The City filed its Ordinance and a notice of failure to timely file with EMMA on August 17, 2020. The City has since put procedures in place to ensure that it meets its Financial and Operating Data Information moving forward.

Due to an administrative oversight, in the 2019 Continuing Disclosure filing, the City failed to file the water and sewer tables (Tables 11-14). The City has taken steps to ensure that all future filings are complete and in compliance with its prior continuing disclosure undertakings. The City filed the aforementioned tables and a notice of failure to timely file with EMMA on November 25, 2020.

## LEGAL MATTERS

### Legal Opinions and No-Litigation Certificate

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

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

### Litigation

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

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

### Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

## FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement



are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

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

## **OTHER PERTINENT INFORMATION**

### **Registration and Qualification of Certificates for Sale**

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

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

### **Rating**

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

### **Authenticity of Financial Information**

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

### **Financial Advisor**

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

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

**Underwriting**

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at a price of \$1,163,517.50 (representing the par amount of the Certificates of \$1,040,000, plus a reoffering premium of \$135,138.30, and less an Underwriters' discount of \$11,620.80), and accrued interest on the Certificates in the amount of \$489.17.

The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Certificates, if any of the Certificates are purchased. The Certificates may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

**Certification of the Official Statement**

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

**Information from External Sources**

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

**Concluding Statement**

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

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

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

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

**CITY OF JOURDANTON, TEXAS**

/s/ Robert A. Williams  
Mayor  
City of Jourdanton, Texas

ATTEST:

/s/ Debbie Molina  
City Secretary  
City of Jourdanton, Texas

**APPENDIX A**

**FINANCIAL INFORMATION RELATING TO  
THE CITY OF JOURDANTON, TEXAS**

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION** **TABLE 1**

2020 Actual Certified Market Value of Taxable Property (100% of Market Value).....	\$ 221,231,899
Less Exemptions:	
Optional Over-65 or Disabled Homestead	\$ 2,643,977
Disabled/Deceased Veterans'	3,436,698
Open-Space Land and Timberland	1,574,490
Loss to 10% HO Cap	1,869,797
<b>TOTAL EXEMPTIONS</b> .....	<u>\$ 9,524,962</u>
2020 Certified Assessed Value of Taxable Property.....	<u>\$ 211,706,937</u>

Source: Atascosa Central Appraisal District.

**GENERAL OBLIGATION BONDED DEBT<sup>(1)</sup>**

(as of November 1, 2020)

**General Obligation Debt Principal Outstanding**

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006	\$ 50,000
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2011	4,118,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	2,100,000
Combination Tax and Municipal Hotel Occupancy Tax Junior Lien Revenue Certificates of Obligation, Series 2014	3,975,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019	3,895,000
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2020A	6,845,000
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2020B	2,495,000
The Certificates	<u>1,040,000</u>
<b>Total Gross General Obligation Debt</b>	<u>\$ 24,518,000</u>

**Less: Self Supporting Debt**

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2011 (100% Utility Fund)	\$ 4,118,000
Combination Tax and Municipal Hotel Occupancy Tax Junior Lien Revenue Certificates of Obligation, Series 2014 (100% HOT)	3,975,000
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2020A (100% Utility Fund)	6,845,000
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2020B (100% Utility Fund)	<u>2,495,000</u>
<b>Total Self-Supporting Debt</b>	<u>\$ 8,093,000</u>
<b>Total Net General Obligation Debt Outstanding</b>	<u>\$ 16,425,000</u>

2020 Net Assessed Valuation	\$ 211,706,937
Ratio of Gross General Obligation Debt Principal to Net Taxable Assessed Valuation	11.58%
Ratio of Net General Obligation Debt to Net Taxable Assessed Valuation	7.76%

Population: 2000 - 3,732; 2010 - 3,871; est. 2020 - 4,500  
 Per Capita Net Taxable Assessed Valuation - \$47,045.99  
 Per Capita Gross General Obligation Debt Principal - \$5,448.44  
 Per Capita Net General Obligation Debt Principal - \$3,650.00

<sup>(1)</sup> Unaudited

**DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE** **TABLE 2**

**Operating Leases:**

The following lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. In December 2018, the City entered into a capital lease agreement for the acquisition of equipment (excavator and drum roller) in the amount of \$115,403 payable in annual payments of \$42,024 with an interest rate of 4.681%. The equipment is included in the Capital Assets at a cost of \$115,403 with accumulated depreciation of \$14,010 as of September 30, 2019. The debt, capital assets and accumulated depreciation are split between the governmental, water and wastewater funds.

In December 2018, the City entered into a capital lease agreement for the acquisition of equipment (excavator and drum roller) in the amount of \$115,403 payable in annual payments of \$42,024 with an interest rate of 4.681%. The equipment is included in the Capital Assets at a cost of \$115,403 with accumulated depreciation of \$14,010 as of September 30, 2019. The debt, capital assets and accumulated depreciation are split between the governmental, water and wastewater funds.

The City entered into a capital lease agreement for the acquisition of equipment (loader) in the amount of \$115,403 payable in annual payments of \$26,544 with an interest rate of 4.681%. The equipment is included in the Capital Assets at a cost of \$124,140 with accumulated depreciation of \$49,656 as of September 30, 2019. The debt, capital assets and accumulated depreciation are split between the governmental, water and wastewater funds.

The City entered into a capital lease agreement for the acquisition of equipment (mower) in the amount of \$50,412 payable in annual payments of \$11,170 with an interest rate of 4.25%. The equipment is included in the Capital Assets at a cost of \$50,412 with accumulated depreciation of \$18,905 as of September 30, 2019. The debt, capital assets and accumulated depreciation are recorded in the governmental fund.

Future minimum lease payments under the capital leases are as follows:

FYE (9/30)	Governmental Activities	Business Activities
2020	\$ 42,850	\$ 36,898
2021	42,850	36,898
<u>2022</u>	<u>32,615</u>	<u>36,900</u>
Total	\$ 118,315	\$ 110,696
Less: Amounts Representing Interest	(8,242)	(8,706)
Present Value of Minimum Lease Payments	<u>\$ 110,073</u>	<u>\$ 101,990</u>

Source: The City's Comprehensive Annual Financial Report for fiscal year ended September 30, 2019.

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending (9/30)	Current Total Outstanding Debt <sup>(1)</sup>	The Certificates			Total Combined Debt Service	Less: Self Supporting Debt Service	Total Net Debt Service
		Principal	Interest	Total			
2021	\$ 1,190,902		\$ 17,121	\$ 17,121	\$ 1,208,023	\$ 714,858	\$ 493,165
2022	1,358,690	\$ 15,000	29,200	\$ 44,200	1,402,890	897,126	505,764
2023	1,348,961	30,000	28,750	\$ 58,750	1,407,711	892,397	515,314
2024	1,346,786	35,000	28,100	\$ 63,100	1,409,886	891,197	518,689
2025	1,345,270	35,000	27,400	\$ 62,400	1,407,670	891,007	516,664
2026	1,346,800	35,000	26,700	\$ 61,700	1,408,500	889,311	519,189
2027	1,346,954	35,000	26,000	\$ 61,000	1,407,954	891,690	516,264
2028	1,346,648	35,000	25,125	\$ 60,125	1,406,773	889,059	517,714
2029	1,346,982	35,000	24,075	\$ 59,075	1,406,057	890,468	515,589
2030	1,344,603	35,000	23,025	\$ 58,025	1,402,628	887,851	514,776
2031	1,345,180	35,000	21,975	\$ 56,975	1,402,155	888,891	513,264
2032	1,350,517	35,000	20,925	\$ 55,925	1,406,442	890,053	516,389
2033	1,348,621	35,000	19,875	\$ 54,875	1,403,496	889,345	514,151
2034	1,154,287	210,000	16,200	\$ 226,200	1,380,487	893,261	487,226
2035	1,157,260	215,000	9,825	\$ 224,825	1,382,085	896,465	485,620
2036	825,567	220,000	3,300	\$ 223,300	1,048,867	565,115	483,751
2037	823,646	-	-	-	823,646	563,773	259,873
2038	822,372	-	-	-	822,372	563,347	259,025
2039	819,656	-	-	-	819,656	561,628	258,028
2040	560,807	-	-	-	560,807	560,807	-
2041	564,311	-	-	-	564,311	564,311	-
2042	562,682	-	-	-	562,682	562,682	-
2043	561,747	-	-	-	561,747	561,747	-
2044	559,644	-	-	-	559,644	559,644	-
2045	563,006	-	-	-	563,006	563,006	-
2046	561,215	-	-	-	561,215	561,215	-
2047	559,184	-	-	-	559,184	559,184	-
2048	556,972	-	-	-	556,972	556,972	-
2049	560,378	-	-	-	560,378	560,378	-
2050	214,592	-	-	-	214,592	214,592	-
2051	214,590	-	-	-	214,590	214,590	-
<b>Total</b>	<b>\$ 29,008,831</b>	<b>\$ 1,040,000</b>	<b>\$ 347,596</b>	<b>\$ 1,387,596</b>	<b>\$ 30,396,427</b>	<b>\$ 21,485,974</b>	<b>\$ 8,910,453</b>

<sup>(1)</sup> Includes self-supporting debt.

**TAX ADEQUACY (Includes Self-Supporting Debt)**

2020 Certified Net Taxable Assessed Valuation	\$ 211,706,937
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024)	1,409,886 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.67955 *

\* Includes the Certificates.

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

**TAX ADEQUACY (Excludes Self-Supporting Debt)**

2020 Certified Net Taxable Assessed Valuation	\$ 211,706,937
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2026)	519,189 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.25024 *

\* Includes the Certificates.

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

**INTEREST AND SINKING FUND MANAGEMENT INDEX**

Unaudited I&S Fund Balance on 9/30/2020	\$	2
2020 Anticipated Interest and Sinking Fund Tax Levy at 98% Collections Produce <sup>(1)</sup>		<u>493,163</u>
Total Available for General Obligation Debt	\$	<u>493,165</u>
General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/21	\$	493,165
Anticipated Unaudited I&S Fund Balance on 9/30/2021	\$	0

<sup>(1)</sup> Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

(as of November 1, 2020)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding <sup>(a)</sup>	The Certificates	Total		
2021	\$ 742,000		\$ 742,000	\$ 23,776,000	3.03%
2022	929,000	\$ 15,000	944,000	22,832,000	6.88%
2023	937,000	30,000	967,000	21,865,000	10.82%
2024	954,000	35,000	989,000	20,876,000	14.85%
2025	973,000	35,000	1,008,000	19,868,000	18.97%
2026	996,000	35,000	1,031,000	18,837,000	23.17%
2027	1,019,000	35,000	1,054,000	17,783,000	27.47%
2028	1,042,000	35,000	1,077,000	16,706,000	31.86%
2029	1,065,000	35,000	1,100,000	15,606,000	36.35%
2030	1,084,000	35,000	1,119,000	14,487,000	40.91%
2031	1,107,000	35,000	1,142,000	13,345,000	45.57%
2032	1,136,000	35,000	1,171,000	12,174,000	50.35%
2033	1,160,000	35,000	1,195,000	10,979,000	55.22%
2034	989,000	210,000	1,199,000	9,780,000	60.11%
2035	1,013,000	215,000	1,228,000	8,552,000	65.12%
2036	697,000	220,000	917,000	7,635,000	68.86%
2037	706,000	-	706,000	6,929,000	71.74%
2038	716,000	-	716,000	6,213,000	74.66%
2039	725,000	-	725,000	5,488,000	77.62%
2040	475,000	-	475,000	5,013,000	79.55%
2041	485,000	-	485,000	4,528,000	81.53%
2042	490,000	-	490,000	4,038,000	83.53%
2043	496,000	-	496,000	3,542,000	85.55%
2044	501,000	-	501,000	3,041,000	87.60%
2045	512,000	-	512,000	2,529,000	89.69%
2046	518,000	-	518,000	2,011,000	91.80%
2047	524,000	-	524,000	1,487,000	93.94%
2048	530,000	-	530,000	957,000	96.10%
2049	542,000	-	542,000	415,000	98.31%
2050	204,000	-	204,000	211,000	99.14%
2051	211,000	-	211,000	-	100.00%
Total	<u>\$ 23,478,000</u>	<u>\$ 1,040,000</u>	<u>\$ 24,518,000</u>		

<sup>(a)</sup> Includes self-supporting debt.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2011-2020**

**TABLE 3**

Year	Net Taxable		Change From Preceding Year	
	Assessed Valuation		Amount (\$)	Percent
2011-12	\$ 130,615,912		---	---
2012-13	146,844,302		16,228,390	12.42%
2013-14	173,519,656		26,675,354	18.17%
2014-15	190,325,578		16,805,922	9.69%
2015-16	204,331,435		14,005,857	7.36%
2016-17	183,960,308		(20,371,127)	-9.97%
2017-18	188,197,675		4,237,367	2.30%
2018-19	198,570,860		10,373,185	5.51%
2019-20	216,259,903		17,689,043	8.91%
2020-21	211,706,937		(4,552,966)	-2.11%

Source: Atascosa Central Appraisal District.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 4**

	<b>2020</b>	<b>% of Total</b>	<b>2019</b>	<b>% of Total</b>	<b>2018</b>	<b>% of Total</b>
Real, Residential, Single-Family	\$ 117,893,637	51.79%	\$ 108,359,725	47.60%	\$ 103,169,957	49.07%
Real, Residential, Multi-Family	5,920,567	2.60%	7,586,172	3.33%	7,098,956	3.38%
Real, Vacant Lots/Tracts	4,322,319	1.90%	5,198,171	2.28%	5,543,650	2.64%
Real, Acreage (Land Only)	1,669,620	0.73%	1,784,040	0.78%	1,337,270	0.64%
Real, Farm and Ranch Improvements	2,425,100	1.07%	12,456,440	5.47%	10,152,580	4.83%
Real, Commercial and Industrial	56,515,836	24.83%	56,327,189	24.75%	51,218,651	24.36%
Real & Tangible, Personal Utilities	6,452,300	2.83%	6,520,860	2.86%	5,129,670	2.44%
Tangible Personal, Commercial &	21,126,910	9.28%	25,800,770	11.33%	23,402,500	11.13%
Tangible Personal, Mobile Homes	4,218,770	1.85%	3,561,500	1.56%	3,135,410	1.49%
Real Property, Inventory	656,060	0.29%	-	0.00%	44,690	0.02%
Real Property, Special Inventory	30,780	0.01%	31,830	0.01%	28,340	0.01%
<b>Total Appraised Value</b>	<u>\$ 221,231,899</u>	97.19%	<u>\$ 227,626,697</u>	100.00%	<u>\$ 210,261,674</u>	100.00%
<b>Less:</b>						
Optional Over-65 or Disabled Homestead	\$ 2,643,977		\$ 2,542,917		\$ 2,490,903	
Disabled/Deceased Veterans'	3,436,698		3,028,165		2,923,286	
Open-Space Land and Timberland	1,574,490		1,689,670		1,236,570	
Loss to 10% HO Cap	1,869,797		4,106,042		5,040,055	
<b>Net Taxable Assessed Valuation</b>	<u>\$ 211,706,937</u>		<u>\$ 216,259,903</u>		<u>\$ 198,570,860</u>	

Source: Atascosa Central Appraisal District.

**PRINCIPAL TAXPAYERS 2019**

**TABLE 5**

<b>Name</b>	<b>Type of Business/Property</b>	<b>2020 Net Taxable Assessed Valuation</b>	<b>% of 2020 Assessed Valuation</b>
Methodist Healthcare System	Healthcare	\$ 13,470,610	6.36%
Methodist Hospital South	Hospital	6,029,910	2.85%
AEP Texas Central Company	Utility	5,410,110	2.56%
JWTC Homes LTD	Home Builder	3,391,410	1.60%
Freer Investment Group LTD	Oil Field Services	4,763,970	2.25%
Argent Court of Pleasanton, LLC	Retirement Home	2,995,920	1.42%
Wiley Lease Co LTD	Car Dealership	2,317,710	1.09%
Jourdanton Hotels LLC	Hotel Group	2,622,371	1.24%
A&Y Group Inc	Hotel Group	2,234,686	1.06%
Tenga Jourdanton LLC	Oil Field Services	1,376,910	0.65%
		<u>\$44,613,607</u>	<u>21.07%*</u>

As shown in the table above, the top ten taxpayers in the City account for in excess of 21% of the City's tax base. Adverse developments in economic conditions, especially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the city, resulting in less local tax revenue. See "INFECTIOUS DISEASE OUTBREAK - COVID 19" in this Official Statement. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Certificates may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "THE CERTIFICATES – Default and Remedies" and "AD VALOREM PROPERTY TAXATION – City's Rights in the Event of Tax Delinquencies" in this Official Statement.



**TAX RATE DISTRIBUTION****TABLE 6**

	2020	2019	2018	2017	2016
General Fund	\$ 0.472300	\$ 0.439300	\$ 0.438087	\$ 0.409400	\$ 0.412400
I&S Fund	0.237700	0.210700	0.098413	0.111900	0.116300
Total Tax Rate	<u>\$ 0.710000</u>	<u>\$ 0.650000</u>	<u>\$ 0.536500</u>	<u>\$ 0.521300</u>	<u>\$ 0.505800</u>

Source: Atascosa Central Appraisal District

**TAX DATA****TABLE 7**

Taxes are due October 1 and become delinquent after January 31. Discounts are allowed: 3% October, 2% November, and 1% if paid in December. Current collections are those taxes collected through August 31, applicable to the current year's tax levy. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentages of collections set for below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2010	\$ 127,213,475	\$ 0.452300	\$ 575,387	91.74	98.42	9/30/2011
2011	130,615,912	0.460300	601,225	92.72	98.29	9/30/2012
2012	146,844,302	0.472200	693,399	95.46	104.75	9/30/2013
2013	173,519,656	0.472200	819,360	91.85	99.95	9/30/2014
2014	190,325,578	0.489770	932,158	91.44	97.62	9/30/2015
2015	204,331,435	0.489770	1,000,754	92.61	97.59	9/30/2016
2016	183,960,308	0.505800	930,471	92.53	98.41	9/30/2017
2017	188,197,675	0.521300	981,074	99.72	100.63	9/30/2018
2018	198,570,860	0.536500	1,065,333	93.63	100.18	9/30/2019
2019	216,259,903	0.650000	1,405,689	93.73	96.48	9/30/2020*
2020	211,706,937	0.710000	1,503,119	(In Process of Collection)		9/30/2021

Source: Atascosa Central Appraisal District

\* Collections as of September 30, 2020.

**MUNICIPAL SALES TAX COLLECTIONS**

**TABLE 8**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. The Issuer has authorized the additional one-half cent sales tax for property tax relief. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2010	\$ 489,424	85.06%	\$ 0.385
2011	517,185	86.02%	0.396
2012	688,606	99.31%	0.469
2013	1,085,950	132.54%	0.626
2014	1,235,948	132.59%	0.649
2015	1,061,469	106.07%	0.519
2016	942,655	101.31%	0.512
2017	892,084	90.93%	0.474
2018	1,070,538	100.49%	0.539
2019	1,021,681	72.68%	0.472
2020	730,638	(as of October 1, 2020)	

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

**OVERLAPPING DEBT INFORMATION**

(as of November 1, 2020)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt (As of 10/10/2020)	% Overlapping	Amount Overlapping
Atascosa County	\$ 22,340,000	4.43%	\$ 989,662
Jourdanton ISD	42,324,000	19.79%	8,375,920
Total Gross Overlapping Debt			<u>\$ 9,365,582</u>
Jourdanton, City of			\$ 24,518,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 33,883,582 *</u>

Ratio of Gross Direct Debt and Overlapping Debt 138.20% \*

Per Capita Gross Direct Debt and Overlapping Debt \$7,529.68 \*

Note: The above figures show Gross General Obligation Debt for the City of Jourdanton, Texas. The Issuer's Net General Obligation Debt is \$16,425,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt \$ 25,790,582 \*

Ratio of Net Direct and Overlapping Debt to 2019 Net Assessed Valuation 12.18% \*

Per Capita Net Direct and Overlapping Debt \$5,731.24 \*

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

\* Includes the Certificates.

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**

**TABLE 9**

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

	Fiscal Year Ended				
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Fund Balance - Beginning of Year	\$ 1,684,108	\$ 1,494,226	\$ 1,393,424	\$ 1,608,522	\$ 1,645,838
Revenues	3,188,345	3,270,978	3,207,437	3,057,445	3,191,421
Expenditures	3,060,976	3,469,725	3,437,734	3,604,068	3,134,072
Excess (Deficit) of Revenues Over Expenditures	\$ 127,369	\$ (198,747)	\$ (230,297)	\$ (546,623)	\$ 57,349
Other Financing Sources (Uses):					
Operating Transfers In	\$ 334,375	\$ 343,366	\$ 334,703	\$ 331,525	\$ -
Capital Lease Issued	46,287	69,518	-	-	-
Proceeds from Settlement	525,000	-	-	-	-
Operating Transfers Out	(392,503)	(4,884)	(3,604)	-	(94,665)
Total Other Financing Sources (Uses):	\$ 513,159	\$ 408,000	\$ 331,099	\$ 331,525	\$ (94,665)
Prior Period Adjustment	222,542	-	-	-	-
Fund Balance - End of Year	\$ 2,547,178*	\$ 1,703,479	\$ 1,494,226	\$ 1,393,424	\$ 1,608,522

Source: The Issuer's Comprehensive Annual Financial Reports and information provided by the Issuer.

\* The City expects to end the fiscal year 2020 with an unaudited General Fund balance of \$2,253,160. The City previously recorded \$525,000 in proceeds resulting from settled litigation (in the City's favor) in the prior fiscal year's general fund balance. Those funds were moved to the Capital Fund in FYE 2020.

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

Governmental Subdivision	2020 Assessed Valuation	% of Actual	2020 Tax Rate
Atascosa County	\$ 4,818,658,518	100%	\$ 0.490000
Jourdanton ISD	1,107,006,683	100%	1.372000

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

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

Issuer	Date of Authorization	Amount Authorized	Amount Issued to Date	Amount Unissued
Atascosa County	None			
Jourdanton ISD	None			

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

**UTILITY PLANT IN SERVICE**

**TABLE 10**

(As of September 30, 2019)

Land	\$	66,424
Equipment		617,336
Distribution System		17,653,185
<b>Total</b>	\$	18,336,945
Less: Accumulated Depreciation		(6,767,968)
<b>Net Property, Plant and Equipment</b>	\$	11,568,977

Source: The Issuer's Comprehensive Annual Financial Report.

**WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**

**TABLE 11**

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

	Fiscal Year Ended				
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Revenues	\$1,757,632	\$1,844,189	\$1,744,666	\$1,646,970	\$1,794,636
Expenses	1,422,087	1,379,827	1,266,680	1,604,609	1,380,626
Net Revenue Available for Debt Service	\$ 335,545	\$ 464,362	\$ 477,986	\$ 42,361	\$ 414,010

Source: The Issuer's Annual Financial Reports.

**WATER RATES**

**TABLE 12**

Rates Effective February 1, 2020

	Residential (ISL)	Residential (OCL)	Commercial (ICL)	Commercial (OCL)	Residential (ICL - Water Only)	Residential (OCL - Water Only)	Commercial (ICL - Water Only)	Commercial (OCL - Water Only)
Minimum Charge first 2,000 Gallons								
5/8" Meter	\$ 22.59	\$ 31.84	\$ 24.45	\$ 34.46	\$ 22.59	\$ 31.84	\$ 24.45	\$ 34.46
3/4" Meter	22.59	31.84	24.45	34.46	22.59	31.84	24.45	34.46
1" Meter	23.35	32.91	27.01	38.07	23.35	32.91	27.01	38.07
1 1/2" Meter	25.41	35.81	31.19	43.96	25.41	35.81	31.19	43.96
2" Meter	27.42	38.64	41.36	58.30	27.42	38.64	41.36	58.30
3" Meter	-	-	61.52	86.73	-	-	61.52	86.73
4" Meter	-	-	85.03	119.88	-	-	85.03	119.88
5" Meter	-	-	156.38	220.48	-	-	453.38	220.48
6" Meter	-	-	169.56	239.06	-	-	169.56	239.06
<b>Consumption Charge - per 1,000 Gallons</b>								
2,000 - 3,000	\$ 0.53	\$ 0.71	\$ 0.54	\$ 0.72	\$ 0.53	\$ 0.71	\$ 0.54	\$ 0.72
3,001 - 4,000	2.12	2.82	2.17	2.90	2.12	2.82	2.17	2.90
4,001 - 5,000	2.12	2.82	2.17	2.90	2.12	2.82	2.17	2.90
5,001 - 6,000	2.22	2.88	2.29	2.95	2.22	2.88	2.29	2.95
6,001 - 7,000	2.22	2.88	2.29	2.95	2.22	2.88	2.29	2.95
7,001 - 10,000	2.22	2.88	2.29	2.95	2.22	2.88	2.29	2.95
10,001 - 13,000	2.44	3.04	2.51	3.12	2.44	3.04	2.51	3.12
13,001 - 15,000	2.44	3.04	2.51	3.12	2.44	3.04	2.51	3.12
15,001 - 20,000	2.44	3.04	2.51	3.12	2.44	3.04	2.51	3.12
20,001 - 21,000	2.66	3.26	2.73	3.35	2.66	3.26	2.73	3.35
21,001 - 25,000	2.66	3.26	2.73	3.35	2.66	3.26	2.73	3.35
25,001 - 30,000	2.66	3.26	2.73	3.35	2.66	3.26	2.73	3.35
30,001 - 50,000	2.93	3.63	3.01	3.74	2.93	3.63	3.01	3.74
50,001 - 100,000	3.31	4.01	3.40	4.13	3.31	4.01	3.40	4.13
00,001 or Greater	3.74	4.45	3.85	4.57	3.74	4.45	3.85	4.57

**SEWER RATES**

**TABLE 13**

*Rates Effective February 1, 2020*

	<i>Residential</i>		<i>Commercial</i>	
	<i>Residential (ICL)</i>	<i>(OCL)</i>	<i>(ICL)</i>	<i>Commercial (OCL)</i>
Minimum Charge first 2K ( <b>Consumption Charge -</b> <b>per 1,000 Gallons</b>	\$ 27.50	\$ 35.50	\$ 27.90	\$ 36.07
2,000 - 3,000	\$ 0.50	\$ 0.85	\$ 0.52	\$ 0.88
3,001 - 4,000	2.01	3.42	2.06	3.51
4,001 - 5,000	2.01	3.42	2.06	3.51
5,001 - 6,000	2.06	3.47	2.12	3.57
6,001 - 7,000	2.06	3.47	2.12	3.57
7,001 - 10,000	2.06	3.47	2.12	3.57
10,001 - 13,000	2.22	3.63	2.29	3.74
13,001 - 15,000	2.22	3.63	2.29	3.74
15,001 - 20,000	2.22	3.63	2.29	3.74
20,001 - 21,000	2.39	3.80	2.45	3.90
21,001 - 25,000	2.39	3.80	2.45	3.90
25,001 - 30,000	2.39	3.80	2.45	3.90
30,001 - 50,000	2.55	3.96	2.62	4.07
50,001 - 100,000	2.77	4.23	2.84	4.35
100,001 or Greater	2.98	4.50	3.07	4.63

**EMPLOYEE'S PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS**

**TABLE 14**

Information regarding the City's Pension Plan can be found within the City's 2019 Annual Financial Report.

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF JOURDANTON  
AND ATASCOSA COUNTY, TEXAS**

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## **GENERAL INFORMATION REGARDING THE CITY OF JOURDANTON AND ATASCOSA COUNTY, TEXAS**

The following information is qualified by the impact from the effects of the COVID-19 pandemic. Within the body of the Official Statement, under the caption "INFECTIOUS DISEASE OUTBREAK - COVID-19", the City described this event, as well as its initial impact and possible effects. The City has not attempted to update the descriptions included in this APPENDIX B to account for the effects of COVID-19, as the specific results of this event are evolving and their extent unknown; rather, the City makes reference to the aforementioned section of the body of the Official Statement and directs the reader thereto for a general discussion of the COVID-19 event as of the date of the Official Statement.

### **Location and Government**

The City of Jourdanton (the "City"), the Atascosa County seat, is located at the intersection of State Highways 97 and 16, approximately 30 miles south of the City of San Antonio. The City is an important marketing center for farmers and ranchers. Jourdanton was founded in 1909 and was named after founder Jourdan Campbell. The county seat was moved from Pleasanton to Jourdanton in 1910. The City has a total area of 3.5 Square miles.

The Jourdanton Police Department serves the citizens of Jourdanton and is comprised of 9 fulltime officers and 4 reserve officers. In recent years the department has set the standard that others have followed, by acquiring some of the most state of the art equipment in the region, as well as having some of the best trained officers the area has to offer.

### **Medical**

South Texas Regional Medical Center serves the City of Jourdanton. The hospital is 67 bed center and offers an array of healthcare services.

Other healthcare facilities in the Jourdanton vicinity are a nursing home with 60 beds, a cancer treatment center and dialysis center.

### **Recreational Facilities**

Some of the recreational facilities in and around Jourdanton include a golf course/country club, tennis courts, city park with pool, playground, jogging trail. There are 3 major lakes with 40 miles that offer great hunting and fishing.

### **Education**

Jourdanton Independent School District (the "District") serves the City of Jourdanton. In addition to the District, the County is home to Karnes City ISD, Lytle ISD, Somerset ISD, Poteet ISD, Pleasanton ISD, and Charlotte ISD. Higher education facilities available to the City are nearby and are within 30 miles some of the facilities include the Texas A&M University-San Antonio and Alamo Community Colleges, Our Lady of the Lake University, Trinity University, University of the Incarnate Word, St. Mary's University, University of Texas health Science Center, University of Texas at San Antonio.

### **Economy**

Jourdanton's economy is based upon the Agribusiness and the oilfield industry. Historically, Jourdanton business serviced the needs of the farmers and ranchers in and around the City. During the last few years, the economy has diversified and is now largely driven by the oilfield industry servicing the Eagle Ford Shale formation.

## ATASCOSA COUNTY, TEXAS

Atascosa County (the "County") and was formed in 1856 from Bexar County. Its county seat is the City of Jourdanton. The largest towns in the county are Charlotte, Pleasanton, Jourdanton, and Poteet. Atascosa County is south of San Antonio on Interstate Highway 37 in the Rio Grande Plain region of south central Texas. The county covers 1,218 square miles of level to rolling land. Elevation ranges from 350 to 700 feet, and the soils are generally deep with loamy surface layers and clayey subsoils. Along the southern borders the light-colored soils have limestone near the surface. In some areas the soils are gray to black, cracking and clayey, and expand and shrink considerably. In the South Texas Plains vegetation area, the subtropical dry-land vegetation consists primarily of cactus, weeds, grasses, thorny shrubs and trees such as mesquite, live oak and post oak. Many of the open grasslands have been seeded with buffalo grass. Between 41 and 50 percent of the county is considered prime farmland. Wildlife in Atascosa County includes white-tailed deer, javelina, turkey, fox squirrel, jackrabbits, foxes, ring-tailed cats, skunks, and opossum. The main predators are bobcats and coyotes. Ducks, cranes, and geese migrate across the county. Tanks are stocked with catfish, bass, and sunfish. Mineral resources include clay, uranium, sand and gravel, and oil and gas. Other minerals and products include caliche and clay, lignite coal, construction and industrial sand, sulfur, and uranium.

The area was sparsely settled by the mid-1850s, and in 1856 the county was marked off from Bexar County. The first county seat, Navatasco, was established in 1857 on land donated by Navarro. Among the county's early settlers were Peter Tumlinson, who organized one of the first Ranger companies in the state in 1836, Indian fighter Thomas Rodriguez, George F. Hindes, Marshall Burney, and Eli Johnson. In 1858 Pleasanton, a newly founded community, became county seat, and a new courthouse was constructed. Settlers continued to trickle in, but the threat of Indian attack, poor roads, and the area's general isolation kept the population low.

Hunters are attracted to the county, particularly during the fall and winter deer seasons. Other leading attractions include the Poteet Strawberry Festival, Jourdanton Days Celebration, and the Cowboy Homecoming and Rodeo in Pleasanton.

### Economy

Atascosa County is located in south Texas and sits atop the Eagle Ford Shale play. Atascosa county is almost entirely in the liquids-rich oil window of the Eagle Ford Shale. Primarily, drilling in Atascosa County targets the Eagle Ford Shale in the southern and eastern portions of the county where operators refer to both the crude oil and volatile oil windows.

### Major Operators in Atascosa

EOG Resources is the most active operator in Atascosa County. The company's lease holdings include the Peeler Ranch. A horizontal well in the Jendrusch Gerold Unit produced at initial rates of 830 bpd and 411 mcf/d.

#### Labor Force Statistics <sup>(1)</sup>

	<u>2020</u> <sup>(2)</sup>	<u>2019</u> <sup>(3)</sup>	<u>2018</u> <sup>(3)</sup>	<u>2017</u> <sup>(3)</sup>	<u>2016</u> <sup>(3)</sup>
Civilian Labor Force	22,140	21,707	21,413	20,943	21,012
Total Employed	20,366	20,928	20,611	20,052	19,892
Total Unemployed	1,774	779	802	891	1,120
% Unemployment	8.0%	3.6%	3.7%	4.3%	5.3%
Texas Unemployment	8.3%	3.5%	3.8%	4.3%	4.6%

(1) Source: Texas Workforce Commission.

(2) As of October 2020.

(3) Average Annual Statistics.

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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## FINAL

IN REGARD to the authorization and issuance of the “City of Jourdanton, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021” (the *Certificates*), dated January 1, 2021 in the aggregate principal amount of \$1,040,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Jourdanton, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2022 through 2027, February 1, 2033, and February 1 in each of the years 2034 through 2036, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

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

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

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**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF JOURDANTON, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021”**

concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

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

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

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

**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF JOURDANTON, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021”**

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**

**FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

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

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jourdanton, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Jourdanton's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jourdanton, 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.

## ***Emphasis of Matter***

### *Change in Accounting Estimate*

As discussed in Note 1L of the financial statements, the City of Jourdanton changed the estimated useful lives of the buildings from 50 years to 40 years. Our opinion is not modified with respect to this matter.

## ***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, and schedules related to the City's net pension and total other postemployment benefit liabilities – TMRS, 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Jourdanton's basic financial statements. The comparative financial statements and combining and nonmajor 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 comparative financial statements and combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Armstrong, Vaughan & Associates, P.C.

March 30, 2020

**JOURDANTON**  
★ TEXAS ★

## MANAGEMENTS DISCUSSION AND ANALYSIS

As management of the City of Jourdanton, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Jourdanton for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### Financial Highlights

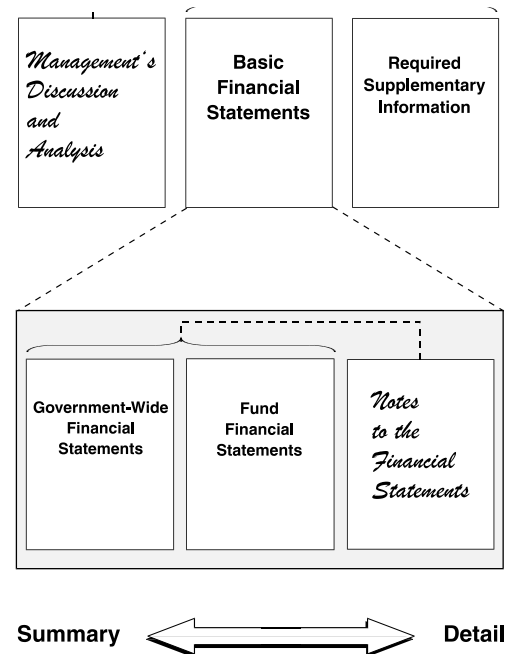
- The City's total net position was \$14.1 million at September 30, 2019.
- The City's total net position increased by \$1.6 million mainly due to settlement proceeds for the sports complex pool.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8.7 million, an increase of \$6.3 million in comparison with the prior year. The increase is due to settlement proceeds for the sports complex pool and proceeds from issuance of certificates of obligation.
- At the end of the fiscal year, the General Fund unassigned fund balance was \$2.0 million which is 66% of the general fund expenditures not including capital outlay.
- The City issued \$3,980,000 certificates of obligation bonds during the fiscal year ending September 30, 2019 for street repairs. The premium on those bonds was \$185,820.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the governments operates *like businesses*.

**Figure A-1, Required Components of the City's Annual Financial Report**



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

<b>Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements</b>			
<i>Type of Statements</i>	<b>Fund Statements</b>		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water and sewer.
<i>Required financial statements</i>	• Statement of Net Position	• Balance Sheet	• Statement of Net Position
	• Statement of Activities	• Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Government-Wide Statements**

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

The two government-wide statements report the City’s net position and how they have changed. Net position—the difference between the City’s assets and liabilities—is one way to measure the City’s financial health or *position*.



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

The government-wide financial statements of the City include the *Governmental activities*. Most of the City’s basic services are included here, such as administration, public safety, public works, parks and recreation, library and interest on long-term debt. Property taxes, sales taxes and grants finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City’s most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net Position:** The City’s combined net position was \$14.1 million at September 30, 2019. See Table A-1.

**Table A-1**  
City of Jourdanton Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
<b>Assets</b>						
Current Assets	\$ 9,192,837	\$ 2,777,127	\$ 1,836,178	\$ 1,894,637	\$ 11,029,015	\$ 4,671,764
Capital Assets	10,726,994	11,039,077	11,568,977	12,087,501	22,295,971	23,126,578
Total Assets	<u>19,919,831</u>	<u>13,816,204</u>	<u>13,405,155</u>	<u>13,982,138</u>	<u>33,324,986</u>	<u>27,798,342</u>
<b>Deferred Outflows of Resources</b>	<u>131,080</u>	<u>80,537</u>	<u>76,905</u>	<u>42,921</u>	<u>207,985</u>	<u>123,458</u>
<b>Liabilities</b>						
Current Liabilities	794,476	539,047	432,850	343,887	1,227,326	882,934
Noncurrent Liabilities	10,650,289	6,884,579	7,451,568	7,517,202	18,101,857	14,401,781
Total Liabilities	<u>11,444,765</u>	<u>7,423,626</u>	<u>7,884,418</u>	<u>7,861,089</u>	<u>19,329,183</u>	<u>15,284,715</u>
<b>Deferred Inflows of Resources</b>	<u>55,053</u>	<u>107,320</u>	<u>47,806</u>	<u>57,193</u>	<u>102,859</u>	<u>164,513</u>
<b>Net Position</b>						
Net Investment in						
Capital Assets	5,950,352	3,870,872	4,073,988	4,935,146	10,024,340	8,806,018
Restricted	277,429	455,589	191,777	260,468	469,206	716,057
Unrestricted	2,323,312	2,039,334	1,284,071	911,163	3,607,383	2,950,497
Total Net Position	<u>\$ 8,551,093</u>	<u>\$ 6,365,795</u>	<u>\$ 5,549,836</u>	<u>\$ 6,106,777</u>	<u>\$ 14,100,929</u>	<u>\$ 12,472,572</u>

\*Note: Comparative information for 2018 has been restated to reflect the results of a prior period adjustment. See Note 10.

**Changes in net position:** Governmental activities net position increased by \$2.2 million, which is mainly attributable to settlement proceeds for the sports complex pool as well as other fluctuations in program revenues and expenditures. Business-type activities of the water and sewer funds decreased by \$557 thousand mainly due to repairs and maintenance expenditures.

**Table A-2**  
Changes in City of Jourdanton Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 941,096	\$ 942,473	\$ 1,743,128	\$ 1,844,189	\$ 2,684,224	\$ 2,786,662
Operating Grants and Contributions	30,318	-	-	-	30,318	-
General Revenues						
Property Taxes	1,088,052	994,367	-	-	1,088,052	994,367
Sales Taxes	1,054,698	1,024,810	-	-	1,054,698	1,024,810
Franchise Taxes	174,698	180,552	-	-	174,698	180,552
Occupancy Taxes	410,559	335,531	-	-	410,559	335,531
Investment Earnings	24,073	12,276	2,705	178	26,778	12,454
Miscellaneous	73,690	171,587	11,799	-	85,489	171,587
Settlement Proceeds	2,130,000	-	-	-	2,130,000	-
<b>Total Revenues</b>	<b>5,927,184</b>	<b>3,661,596</b>	<b>1,757,632</b>	<b>1,844,367</b>	<b>7,684,816</b>	<b>5,505,963</b>
<b>Expenses:</b>						
Administration	1,035,630	795,126	-	-	1,035,630	795,126
Public Safety	1,137,292	1,116,837	-	-	1,137,292	1,116,837
Public Works	334,204	330,305	-	-	334,204	330,305
Parks and Recreation	301,621	338,487	-	-	301,621	338,487
Library	620,713	685,452	-	-	620,713	685,452
Utilities	-	-	2,314,573	2,291,697	2,314,573	2,291,697
Interest and Fiscal Agent Fees	312,425	197,848	-	-	312,425	197,848
<b>Total Expenses</b>	<b>3,741,885</b>	<b>3,464,055</b>	<b>2,314,573</b>	<b>2,291,697</b>	<b>6,056,458</b>	<b>5,755,752</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 2,185,299</b>	<b>\$ 197,541</b>	<b>\$ (556,941)</b>	<b>\$ (447,330)</b>	<b>\$ 1,628,358</b>	<b>\$ (249,789)</b>

\*Note: Comparative information for 2018 has been restated for the effects of a prior period adjustment.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

**Governmental Funds:** Activities of the primary government's general fund, capital projects funds, special revenue funds and debt service funds are considered general government functions. The general fund is the City's general operating fund. The capital projects fund is used to account for financial activity related to the acquisition and construction of major capital facilities. Special revenue funds are used to account for proceeds of specific sources that are legally restricted as to expenditures. The debt service fund is used to account for financial activity related to the City's general bonded indebtedness, as well as long-term obligations.

As of September 30, 2019, the City's governmental funds reported combined ending fund balances of \$8.7 million, an increase of \$6.3 million in comparison with fiscal year 2018.

For the fiscal year ended September 30, 2019, the fund balance of the City's general fund increased by \$640.5 thousand. Key factors in this increase are as follows:

- Settlement proceeds received and deposited to the general fund for sports complex construction

As of September 30, 2019, the fund balance of the hotel occupancy tax fund increased by \$47 thousand. The increase is mainly due to higher than expected occupancy tax revenues.

The City established a separate debt service fund in the current year. The fund balance at year end is \$2 which is restricted for debt service payments.

The City also issued a new bond for \$4.0 million which they also received a premium of \$185 thousand, resulting in proceeds of 4.2 million.

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

Unrestricted net position of the total water and sewer funds as of September 30, 2019 totaled \$5.5 million. The total decrease in the net position for the water and sewer funds was \$557 thousand. Most of the decrease is due to increased repair and maintenance expenditures.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The City has a legally adopted budget for the General Fund. Revenues \$135 thousand higher than budgeted revenues due to settlement proceeds and higher than expected ad valorem and sales tax collections. Expenditures were \$470 thousand less than budgeted expenditures due to lower than expected equipment purchases and repairs and maintenance expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** - The City's investment in capital assets for its governmental and business- type activities as of September 30, 2019 totaled \$22.3 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, vehicles, and roads. More detailed information about the City's capital assets is presented in the notes to the financial statements.

**Table A-3**  
City of Jourdanton Capital Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018*	2019	2018*	2019	2018*
Land	\$ 342,593	\$ 342,593	\$ 66,424	\$ 66,424	\$ 409,017	\$ 409,017
Buildings & Improvements	10,802,564	11,281,314	-	-	10,802,564	11,281,314
Water/Wastewater System - Plant	-	-	17,653,185	17,653,185	17,653,185	17,653,185
Machinery, Equipment & Vehicles	1,047,050	967,301	617,336	543,002	1,664,386	1,510,303
Infrastructure	1,285,696	1,285,696	-	-	1,285,696	1,285,696
Construction in Progress	471,750	-	-	-	471,750	-
Less: Accumulated Depreciation	(3,222,659)	(2,837,827)	(6,767,968)	(6,175,110)	(9,990,627)	(9,012,937)
<b>TOTALS</b>	<b>\$ 10,726,994</b>	<b>\$ 11,039,077</b>	<b>\$ 11,568,977</b>	<b>\$ 12,087,501</b>	<b>\$ 22,295,971</b>	<b>\$ 23,126,578</b>

\*Note: Comparative information for 2018 has been restated to reflect the results of a prior period adjustment. See Note 10.

**Long-Term Debt** – As of September 30, 2019, the City had a total bonded debt outstanding of \$18.1 million. More detailed information about the City’s capital assets is presented in the notes to the financial statements.

**TABLE A-4**  
City of Jourdanton Long-Term Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 2,335,000	\$ 2,515,000	\$ -	\$ -	\$ 2,335,000	\$ -
Certificates of Obligation	8,170,000	4,400,000	4,192,000	4,264,000	12,362,000	8,664,000
Revenue Bonds	-	-	3,201,000	3,283,000	3,201,000	3,283,000
Capital Leases	110,073	86,874	101,990	42,938	212,063	129,812
<b>TOTALS</b>	<b>\$ 10,615,073</b>	<b>\$ 7,001,874</b>	<b>\$ 7,494,990</b>	<b>\$ 7,589,938</b>	<b>\$ 18,110,063</b>	<b>\$ 12,076,812</b>

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The City adopted a tax rate of \$0.53650 which was a 7.83% increase from the fiscal year 2018 tax rate. The tax components are as follows: \$0.438087 for Maintenance and Operations and \$0.098413 for Interest and Sinking.

Expenditures for the general fund are budgeted at \$3,984,957.

**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 government’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City Hall at 1604 Hwy. 97 East, Suite A, Jourdanton, Texas 78026.

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## BASIC FINANCIAL STATEMENTS

CITY OF JOURDANTON  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents:			
Unrestricted	\$ 2,380,454	\$ 1,130,449	\$ 3,510,903
Restricted	5,163,151	279,053	5,442,204
Investments			
Unrestricted	303,984	-	303,984
Restricted	200,900	108,216	309,116
Receivables (net of allowances):			
Property Taxes	216,076	-	216,076
Sales and Franchise Taxes	178,605	-	178,605
Occupancy Taxes	41,434	-	41,434
Garbage and Other	111,554	289,695	401,249
Municipal Court	96,679	-	96,679
Settlement Proceeds	500,000	-	500,000
Inventories	-	28,765	28,765
<i>Total Current Assets</i>	<u>9,192,837</u>	<u>1,836,178</u>	<u>11,029,015</u>
<i>Noncurrent Assets:</i>			
Capital Assets:			
Land	342,593	66,424	409,017
Buildings & Improvements	10,802,564	-	10,802,564
Water/Wastewater System - Plant	-	17,653,185	17,653,185
Machinery, Equipment & Vehicles	1,047,050	617,336	1,664,386
Infrastructure	1,285,696	-	1,285,696
Construction in Progress	471,750	-	471,750
Less: Accumulated Depreciation	<u>(3,222,659)</u>	<u>(6,767,968)</u>	<u>(9,990,627)</u>
<i>Total Noncurrent Assets:</i>	<u>10,726,994</u>	<u>11,568,977</u>	<u>22,295,971</u>
<b>TOTAL ASSETS</b>	<u>19,919,831</u>	<u>13,405,155</u>	<u>33,324,986</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Related Outflows	129,629	76,193	205,822
Deferred OPEB Related Outflows	<u>1,451</u>	<u>712</u>	<u>2,163</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 131,080</u>	<u>\$ 76,905</u>	<u>\$ 207,985</u>

See accompanying notes to basic financial statements.



CITY OF JOURDANTON  
STATEMENT OF NET POSITION (CONTINUED)  
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 108,622	\$ 30,568	\$ 139,190
Accrued Expenses	40,463	16,832	57,295
Accrued Interest Payable	55,929	52,688	108,617
Compensated Absences	18,093	12,978	31,071
Current Portion of Long-Term Debt	543,483	195,689	739,172
Payable from Restricted Assets:			
Customer Deposits Payable	27,886	124,095	151,981
<i>Total Current Liabilities</i>	<u>794,476</u>	<u>432,850</u>	<u>1,227,326</u>
<i>Noncurrent Liabilities:</i>			
Net Pension Liability	180,105	122,234	302,339
OPEB Liability	57,025	30,034	87,059
Long-Term Debt	10,413,159	7,299,300	17,712,459
<i>Total Noncurrent Liabilities</i>	<u>10,650,289</u>	<u>7,451,568</u>	<u>18,101,857</u>
<b>TOTAL LIABILITIES</b>	<u>11,444,765</u>	<u>7,884,418</u>	<u>19,329,183</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Related Inflows	42,814	40,901	83,715
Deferred OPEB Related Inflows	12,239	6,905	19,144
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>55,053</u>	<u>47,806</u>	<u>102,859</u>
<b>NET POSITION</b>			
Net Investment In Capital Assets	5,950,352	4,073,988	10,024,340
Restricted For:			
Tourism Development	222,816	-	222,816
Debt Service	-	191,777	191,777
Municipal Court	19,385	-	19,385
Public Safety	12,505	-	12,505
Library	7,633	-	7,633
Culture and Recreation	8,902	-	8,902
Other	6,188	-	6,188
Unrestricted	2,323,312	1,284,071	3,607,383
<b>TOTAL NET POSITION</b>	<u>\$ 8,551,093</u>	<u>\$ 5,549,836</u>	<u>\$ 14,100,929</u>

See accompanying notes to basic financial statements.

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

<b>Functions and Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
Administration	\$ 1,035,630	\$ 77,338	\$ -	\$ -
Public Safety	1,137,292	103,641	30,318	-
Public Works	334,204	715,152	-	-
Parks and Recreation	301,621	44,965	-	-
Library	620,713	-	-	-
Interest and Fiscal Agent Fees	312,425	-	-	-
<i>Total Governmental Activities</i>	3,741,885	941,096	30,318	-
<i>Business-Type Activities</i>				
Water Utilities	1,322,382	950,784	-	-
Sewer Utilities	992,191	792,344	-	-
<i>Total Business-Type Activities</i>	2,314,573	1,743,128	-	-
<b>Total Primary Government</b>	<b>\$ 6,056,458</b>	<b>\$ 2,684,224</b>	<b>\$ 30,318</b>	<b>\$ -</b>
<b>General Revenues:</b>				
Taxes:				
Property Taxes				
Sales Taxes				
Franchise Taxes				
Occupancy Taxes				
Settlement Proceeds				
Investment Earnings				
Miscellaneous				
<b>Total General Revenues</b>				
<b>Change in Net Position</b>				
<b>Net Position at Beginning of Year</b>				
Prior Period Adjustment				
<b>Net Position at End of Year</b>				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (958,292)	\$ -	\$ (958,292)
(1,003,333)	-	(1,003,333)
380,948	-	380,948
(256,656)	-	(256,656)
(620,713)	-	(620,713)
(312,425)	-	(312,425)
<u>(2,770,471)</u>	<u>-</u>	<u>(2,770,471)</u>
-	(371,598)	(371,598)
-	(199,847)	(199,847)
<u>-</u>	<u>(571,445)</u>	<u>(571,445)</u>
<u>(2,770,471)</u>	<u>(571,445)</u>	<u>(3,341,916)</u>
1,088,052	-	1,088,052
1,054,698	-	1,054,698
174,698	-	174,698
410,559	-	410,559
2,130,000	-	2,130,000
24,073	2,705	26,778
73,690	11,799	85,489
<u>4,955,770</u>	<u>14,504</u>	<u>4,970,274</u>
2,185,299	(556,941)	1,628,358
6,151,177	6,472,761	12,623,938
214,617	(365,984)	(151,367)
<u>\$ 8,551,093</u>	<u>\$ 5,549,836</u>	<u>\$ 14,100,929</u>

CITY OF JOURDANTON  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019

	General Fund	Debt Service	Capital Projects Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,130,006	\$ 14,455	\$ -
Investments	303,984	-	-
Accounts Receivables (net of allowances):			
Property Taxes	176,440	39,636	-
Sales and Franchise Fees	178,605	-	-
Occupancy Taxes	-	-	-
Garbage and Other	111,554	-	-
Municipal Court	96,679	-	-
Settlement Proceeds	-	-	500,000
Restricted Assets:			
Cash and Cash Equivalents	-	-	5,163,151
Investments	-	-	200,900
<b>TOTAL ASSETS</b>	<b>\$ 2,997,268</b>	<b>\$ 54,091</b>	<b>\$ 5,864,051</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<i>Liabilities:</i>			
Accounts Payable	\$ 108,622	\$ -	\$ -
Accrued Expenditures	40,463	-	-
Accrued Interest Payable	-	14,455	-
Deposits Payable	27,886	-	-
<i>Total Liabilities</i>	<i>176,971</i>	<i>14,455</i>	<i>-</i>
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenues - Taxes	176,440	39,636	-
Unavailable Revenues - Municipal Court	96,679	-	-
<i>Total Deferred Inflows of Resources</i>	<i>273,119</i>	<i>39,636</i>	<i>-</i>
<i>Fund Balances:</i>			
Restricted for:			
Capital Projects	525,000	-	5,864,051
Tourism Development	-	-	-
Municipal Court	-	-	-
Public Safety	-	-	-
Library	-	-	-
Culture and Recreation	-	-	-
Other	-	-	-
Unassigned	2,022,178	-	-
<i>Total Fund Balances</i>	<i>2,547,178</i>	<i>-</i>	<i>5,864,051</i>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,997,268</b>	<b>\$ 54,091</b>	<b>\$ 5,864,051</b>

Hotel Occupancy Tax	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 181,382	\$ 54,613	\$ 2,380,456
-	-	303,984
-	-	216,076
-	-	178,605
41,434	-	41,434
-	-	111,554
-	-	96,679
-	-	500,000
-	-	5,163,151
-	-	200,900
<u>\$ 222,816</u>	<u>\$ 54,613</u>	<u>\$ 9,192,839</u>
\$ -	\$ -	\$ 108,622
-	-	40,463
-	-	14,455
-	-	27,886
<u>-</u>	<u>-</u>	<u>191,426</u>
-	-	216,076
-	-	96,679
<u>-</u>	<u>-</u>	<u>312,755</u>
-	-	6,389,051
222,816	-	222,816
-	19,385	19,385
-	12,505	12,505
-	7,633	7,633
-	8,902	8,902
-	6,188	6,188
<u>-</u>	<u>-</u>	<u>2,022,178</u>
<u>222,816</u>	<u>54,613</u>	<u>8,688,658</u>
<u>\$ 222,816</u>	<u>\$ 54,613</u>	<u>\$ 9,192,839</u>

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CITY OF JOURDANTON  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 8,688,658
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,726,994
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds.		312,753
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(18,093)
Long-term liabilities, including bonds payable and related premiums, are not due and payable in the current period and therefore, not reported in the funds:		
Long Term Debt	(10,956,642)	
Accrued Interest Payable	<u>(41,474)</u>	(10,998,116)
Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
Net Pension Liability	(180,105)	
Pension Related Deferred Outflows	129,629	
Pension Related Deferred Inflows	<u>(42,814)</u>	(93,290)
OPEB Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
OPEB Liability	(57,025)	
OPEB Related Deferred Outflows	1,451	
OPEB Related Deferred Inflows	<u>(12,239)</u>	<u>(67,813)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 8,551,093</u>

See accompanying notes to basic financial statements.

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

	General Fund	Debt Service	Capital Projects Fund
<b>REVENUES</b>			
Property Taxes	\$ 885,596	\$ 202,941	\$ -
Sales Taxes	1,054,698	-	-
Franchise Taxes	174,698	-	-
Occupancy Taxes	-	-	-
Licenses and Permits	42,072	-	-
Charges for Service	774,578	-	-
Fines and Forfeitures	147,171	-	-
Grants	1,196	-	-
Investment Earnings	13,638	2	9,334
Miscellaneous	94,698	-	-
<b>TOTAL REVENUES</b>	<b>3,188,345</b>	<b>202,943</b>	<b>9,334</b>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Administration	761,789	-	-
Public Safety	1,098,614	-	-
Streets	249,133	-	-
Culture and Recreation	257,978	-	-
Public Works	620,713	-	-
<i>Capital Outlay</i>	72,749	-	-
<i>Debt Service:</i>			
Principal	-	412,963	-
Interest and Fiscal Charges	-	201,854	113,490
<b>TOTAL EXPENDITURES</b>	<b>3,060,976</b>	<b>614,817</b>	<b>113,490</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>127,369</b>	<b>(411,874)</b>	<b>(104,156)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	334,375	392,503	18,201
Transfers Out	(392,503)	-	(8,460)
Proceeds from Capital Leases	46,287	-	-
Proceeds from Settlement	525,000	-	1,605,000
Issuance of Certificates of Obligation	-	-	3,980,000
Bond Premium	-	-	185,820
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>513,159</b>	<b>392,503</b>	<b>5,780,561</b>
<b>Net Change in Fund Balance</b>	<b>640,528</b>	<b>(19,371)</b>	<b>5,676,405</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,684,108</b>	<b>19,371</b>	<b>187,646</b>
Prior Period Adjustment	222,542	-	-
<b>Fund Balances at End of Year</b>	<b>\$ 2,547,178</b>	<b>\$ -</b>	<b>\$ 5,864,051</b>

See accompanying notes to basic financial statements.



Hotel Occupancy Tax	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,088,537
-	-	1,054,698
-	-	174,698
410,559	-	410,559
-	-	42,072
-	-	774,578
-	-	147,171
-	-	1,196
-	1,099	24,073
-	30,099	124,797
<u>410,559</u>	<u>31,198</u>	<u>3,842,379</u>
11,266	37,885	810,940
-	1,542	1,100,156
-	-	249,133
-	-	257,978
-	-	620,713
-	-	72,749
-	-	412,963
-	-	315,344
<u>11,266</u>	<u>39,427</u>	<u>3,839,976</u>
<u>399,293</u>	<u>(8,229)</u>	<u>2,403</u>
-	8,460	753,539
(352,576)	-	(753,539)
-	-	46,287
-	-	2,130,000
-	-	3,980,000
-	-	185,820
<u>(352,576)</u>	<u>8,460</u>	<u>6,342,107</u>
46,717	231	6,344,510
176,099	54,382	2,121,606
-	-	222,542
<u>\$ 222,816</u>	<u>\$ 54,613</u>	<u>\$ 8,688,658</u>

**JOURDANTON**  
★ TEXAS ★

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,344,510

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	72,749	
Depreciation Expense	(384,832)	(312,083)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (43,674)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Proceeds from Bonds Issued	(3,980,000)	
Premium on Bonds Issued	(185,820)	
Capital Lease Proceeds	(46,287)	
Principal Repayments	412,963	
Amortization of Premiums, Discounts, Losses	10,583	(3,788,561)

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded actuarially determined pension expense. 2,115

Governmental funds report required contributions to OPEB as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded actuarially determined OPEB expense. 2,868

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	2,242	
Accrued Interest	(22,118)	(19,876)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 2,185,299

CITY OF JOURDANTON  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
SEPTEMBER 30, 2019

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents:			
Unrestricted	\$ -	\$ 1,238,836	\$ 1,238,836
Restricted for Debt Service	154,958	-	154,958
Restricted for Customer Deposits	86,198	37,897	124,095
Restricted Investments for Water Well	108,216	-	108,216
Accounts Receivable, Net of Allowance:			
Customer Accounts	142,574	147,121	289,695
Inventory	28,765	-	28,765
<i>Total Current Assets</i>	<u>520,711</u>	<u>1,423,854</u>	<u>1,944,565</u>
<i>Noncurrent Assets:</i>			
Capital Assets:			
Land	45,442	20,982	66,424
Water/Wastewater System - Plant	7,373,504	10,279,681	17,653,185
Machinery, Equipment, & Vehicles	320,314	297,022	617,336
Less: Accumulated Depreciation	<u>(2,990,450)</u>	<u>(3,777,518)</u>	<u>(6,767,968)</u>
<i>Total Noncurrent Assets</i>	<u>4,748,810</u>	<u>6,820,167</u>	<u>11,568,977</u>
<b>TOTAL ASSETS</b>	<u>5,269,521</u>	<u>8,244,021</u>	<u>13,513,542</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Related Outflows	52,978	23,215	76,193
Deferred OPEB Related Outflows	482	230	712
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 53,460</u>	<u>\$ 23,445</u>	<u>\$ 76,905</u>

See accompanying notes to basic financial statements.

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 21,084	\$ 9,484	\$ 30,568
Accrued Expenses	12,588	4,244	16,832
Withdraws in Excess of Deposits	108,387	-	108,387
Accrued Interest Payable	24,655	28,033	52,688
Compensated Absences	7,536	5,442	12,978
Current Portion of Long-Term Debt	69,568	126,121	195,689
Payable from Restricted Assets:			
Customer Deposits Payable	86,198	37,897	124,095
<i>Total Current Liabilities</i>	<u>330,016</u>	<u>211,221</u>	<u>541,237</u>
<i>Noncurrent Liabilities:</i>			
Net Pension Liability	80,813	41,421	122,234
OPEB Liability	20,626	9,408	30,034
Long-Term Debt	3,109,968	4,189,332	7,299,300
<i>Total Noncurrent Liabilities</i>	<u>3,211,407</u>	<u>4,240,161</u>	<u>7,451,568</u>
<b>TOTAL LIABILITIES</b>	<u>3,541,423</u>	<u>4,451,382</u>	<u>7,992,805</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Related Inflows	21,575	19,326	40,901
Deferred OPEB Related Inflows	4,801	2,104	6,905
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>26,376</u>	<u>21,430</u>	<u>47,806</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,569,274	2,504,714	4,073,988
Restricted - Debt Service	191,777	-	191,777
Unrestricted, (Deficit)	(5,869)	1,289,940	1,284,071
<b>TOTAL NET POSITION</b>	<u>\$ 1,755,182</u>	<u>\$ 3,794,654</u>	<u>\$ 5,549,836</u>

See accompanying notes to basic financial statements.

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Metered Water Sales	\$ 907,293	\$ -	\$ 907,293
Sewer Sales Charges	-	772,495	772,495
Tap and Reconnection Fees	29,392	4,350	33,742
Customer Penalties	14,099	15,499	29,598
<b>TOTAL OPERATING REVENUES</b>	<u>950,784</u>	<u>792,344</u>	<u>1,743,128</u>
<b>OPERATING EXPENSES</b>			
Personnel	517,499	226,968	744,467
Supplies	80,030	62,046	142,076
Other Services and Charges	335,903	199,641	535,544
Depreciation	286,315	347,119	633,434
<b>TOTAL OPERATING EXPENSES</b>	<u>1,219,747</u>	<u>835,774</u>	<u>2,055,521</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(268,963)</u>	<u>(43,430)</u>	<u>(312,393)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Gain on Sale of Equipment	4,695	-	4,695
Interest Revenue	2,705	-	2,705
Miscellaneous Revenues	5,176	1,928	7,104
Interest Expense	(102,635)	(156,417)	(259,052)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(90,059)</u>	<u>(154,489)</u>	<u>(244,548)</u>
<b>NET INCOME BEFORE TRANSFERS</b>	<u>(359,022)</u>	<u>(197,919)</u>	<u>(556,941)</u>
<b>TRANSFERS</b>			
Transfers In	-	153,189	153,189
Transfers Out	(153,189)	-	(153,189)
<b>TOTAL TRANSFERS</b>	<u>(153,189)</u>	<u>153,189</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(512,211)	(44,730)	(556,941)
<b>NET POSITION AT BEGINNING OF YEAR</b>	2,265,146	4,207,615	6,472,761
Prior Period Adjustment	2,247	(368,231)	(365,984)
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 1,755,182</u>	<u>\$ 3,794,654</u>	<u>\$ 5,549,836</u>

See accompanying notes to basic financial statements.

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash Received From Customers	\$ 965,041	\$ 782,277	\$ 1,747,318
Cash Paid to Supplier for Goods & Services	(393,241)	(251,976)	(645,217)
Cash Paid for Employee Salaries and Benefits	(510,271)	(214,003)	(724,274)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>61,529</u>	<u>316,298</u>	<u>377,827</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(37,453)	(8,215)	(45,668)
Impact, Grants and Misc. Fees	9,871	1,928	11,799
Interest Paid on Long-Term Debt	(93,046)	(147,771)	(240,817)
Principal Paid on Long-Term Debt	(58,483)	(105,707)	(164,190)
Interfund Payables (Receivables)	136,177	(136,177)	-
Transfers From (To) Other Funds	(153,189)	153,189	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(196,123)</u>	<u>(242,753)</u>	<u>(438,876)</u>
<b>Cash Flows From Investing Activities:</b>			
Reinvestment of Investment Earnings	(2,473)	-	(2,473)
Interest and Investment Earnings	2,705	-	2,705
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>232</u>	<u>-</u>	<u>232</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(134,362)</u>	<u>73,545</u>	<u>(60,817)</u>
<b>Cash and Cash Equivalents at Beginning of Year:</b>			
Cash and Cash Equivalents	30,284	1,165,291	1,195,575
Restricted Cash and Cash Equivalents	236,847	37,897	274,744
	<u>267,131</u>	<u>1,203,188</u>	<u>1,470,319</u>
<b>Cash and Cash Equivalents at End of Year:</b>			
Cash and Cash Equivalents	-	1,238,836	1,238,836
Restricted Cash and Cash Equivalents	241,156	37,897	279,053
	<u>\$ 241,156</u>	<u>\$ 1,276,733</u>	<u>\$ 1,517,889</u>

See accompanying notes to basic financial statements.

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

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income	\$ (268,963)	\$ (43,430)	\$ (312,393)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	286,315	347,119	633,434
Decrease (Increase) in Assets:			
Accounts Receivable (net)	10,181	(10,067)	114
Deferred Pension Related Outflows	(24,713)	(10,413)	(35,126)
Deferred OPEB Related Outflows	794	348	1,142
Increase (Decrease) in Liabilities:			
Accounts Payable	19,662	9,227	28,889
Accrued Expenses	3,031	484	3,515
Compensated Absences	1,850	900	2,750
Customer Deposits Payable	4,076	-	4,076
Net Pension Liability	46,755	20,488	67,243
OPEB Liability	(4,471)	(1,959)	(6,430)
Deferred Pension Related Inflows	(17,789)	1,497	(16,292)
Deferred OPEB Related Inflows	4,801	2,104	6,905
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 61,529</b>	<b>\$ 316,298</b>	<b>\$ 377,827</b>
Noncash Capital and Related Financing Transactions:			
Developer Contributions of Capital Assets	\$ -	\$ -	\$ -
Contribution of Capital Asset from General Fund	\$ -	\$ -	\$ -
Assets Purchased through Capital Lease	\$ 27,697	\$ 41,545	\$ -

See accompanying notes to basic financial statements.



NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jourdanton, Texas, was incorporated in 1911. The City operates under a council- manager form of government and provides the following services as authorized by its charter: police and fire protection, maintenance of streets, planning and zoning, parks and recreation, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government, for financial purposes, management has considered all potential component units and associated component units. The decision to include a potential component unit or associated component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, *The Financial Reporting Entity* and GASB Statement 39 *Determining Whether Certain Organizations are Component Units*. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based upon the application of these criteria, the City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of inter-fund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The values of inter-fund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services. The City has no fiduciary funds.

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

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

C. Government-Wide and Fund Financial Statements (Continued)

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. 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. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. The general fund and capital projects fund meet the criteria as major governmental funds. The combined amounts for all nonmajor funds are reflected in a single column in the fund balance sheet and statement of revenues, expenditures, and changes in fund balances. Detailed statements for nonmajor funds are presented within combining and individual fund statements and schedules.

D. 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. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. 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. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred inflow of resources. Property taxes which are levied prior to September 30, 2018, and became due October 1, 2018 have been assessed to finance the budget of the fiscal year beginning October 1, 2018 and, accordingly, have been reflected as deferred inflow of resources and taxes receivable in the fund financial statement at September 30, 2019.

Sales taxes, franchise taxes, hotel occupancy taxes, and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

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

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

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

**General Fund** is the general operating fund of the City and always classified as a major fund. The general fund is used to account for financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

**Debt Service Fund** accounts for financial resources to use for the payment of long-term debt.

**Capital Projects Fund** accounts for street repairs to paid with proceeds from issuance of 2019 certificates of obligation.

**Hotel Occupancy Tax Fund** is used to administer hotel and motel taxes for the betterment of the Jourdanton business area.

Non-major funds include special revenue funds and capital projects funds.

**Proprietary fund** level financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's proprietary fund is the water and wastewater funds (used to account for the provisions of water and wastewater services to residents).

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise fund (water and wastewater fund) considers all highly liquid investments including cash in banks, cash on hand, and savings accounts to be cash equivalents.

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

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

F. Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market investments, investments in TexPool and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost. The investments in TexPool are reported at a share price of \$1 which approximates their fair value.

Fair Value Measurement is measured by the City using the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City's investments carried at fair value are valued using quoted markets prices (Level 1 inputs).

G. Receivables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2018 and past due after January 31, 2019. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred inflows of resources in the fund statements. Receivables are shown net of allowances for uncollectible accounts.

CITY OF JOURDANTON  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2019

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

H. Inventories and Prepaid Items

The City accounts for inventories using the consumption method. Inventories consist primarily of supplies and are valued at cost determined by the average cost method. 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. Prepaid Items of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Budget

An operating budget is adopted each fiscal year for all City governmental funds. The budget is adopted on the GAAP basis of accounting.

J. Restricted Assets

Certain proceeds of Certificates of Obligation, enterprise fund revenues collected for a specific purpose by state law and city ordinances, as well as certain resources set aside for their repayment, are classified as restricted on the on the statement of net position and balance sheet because their use is limited by law.

Deposits of water and wastewater customers and performance bond deposits pending refund to the customer are considered restricted assets.

K. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include city-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets, donated works of art and capital assets received in a service concession arrangement are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

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

Asset	Useful Lives (Years)
Buildings& Improvements	15 - 40
Water/Wastewater System - Plant	20 - 33
Machinery, Equipment & Vehicles	5 - 10
Infrastructure	30

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

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

L. Change in Accounting Estimate

During the year ended September 30, 2019, the City of Jourdanton changed the useful lives of depreciable assets for buildings from 50 years to 40 years to be consistent with industry standards and IRS guidelines. The change in estimate increased 2019 depreciation expense by \$66,218 in the governmental activities.

M. Compensated Absences

Vested or accumulated vacation leave time that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. The City is responsible for payment of vested or accumulated vacation leave. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government wide statements. Vested or accumulated vacation leave of the proprietary funds are recorded as an expenditure and liability of that fund as the benefits accrue to employees. Accumulated vacation pay at September 30, 2019 of \$12,978 and \$18,093 has been recorded in accrued liabilities of the proprietary funds and government-wide statements, respectively. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The general fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

N. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has pension and OPEB related deferred outflows.

*Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified basis of accounting. Unavailable revenues from property tax and court fines are deferred and recognized as an inflow of resources in the period the amounts become available. The City also has pension and OPEB related deferred inflows.

O. 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/deduction 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.

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

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

P. OPEB Liability

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deduction from TMRS's Total OPEB Liability 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.

Q. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premium and discounts are deferred and amortized over the life of the term of the related debt.

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

R. Net Position

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

S. Fund Balance Classification Policies

The City adopted Governmental Accounting Standards Board Statement Number 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

- **Non-spendable** - These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- **Restricted** - These funds are governed by externally enforceable restrictions.



CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

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

S. Fund Balance Classification Policies (Continued)

- **Committed** - Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- **Assigned** - For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the council, such as a City Manager or Finance Director. Assigned fund balance is delegated by the City Council to the City Manager.
- **Unassigned** - This classification is the default for all funds that do not fit into the other categories. The general fund is the only fund that reports a positive fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for a specific purposes, it may be necessary to report a negative unassigned fund balance in that particular fund.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

T. Inter-fund Transactions

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both governmental and proprietary funds.

U. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water and wastewater services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as non-operating.

V. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

W. Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. The reclassifications had no effect on the changes in financial position.

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

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

X. Adoption of Governmental Accounting Standards Board Statement

For the year ending September 30, 2019, the City implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement establishes new note disclosure requirements for long-term debt, including direct borrowing and placements. In addition, this statement requires that a government should disclose in the notes to the financial statements summarized information about the following items: (1) amount of unused lines of credit, (2) assets pledged as collateral for debt, (3) terms specified in debt agreements with finance-related consequences such as: (a) events of default, (b) termination events, and (c) subjective acceleration clauses. This Statement also requires that disclosures for direct borrowings and placements be distinct from other debt disclosures.

Y. New Accounting Pronouncements

The Government Accounting Standards Board has issued the following statements:

- **Statement No. 84, Fiduciary Activities** – The requirements of this Statement will take effect for reporting periods beginning after December 15, 2018. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting certain criteria will be reported in a fiduciary fund in the basic financial statements. The City has not early adopted this pronouncement.
- **Statement No. 87, Leases** – The requirements of this Statement will take effect for reporting periods beginning after December 15, 2019. A lessee will be required to recognize the assets and liabilities for leases with lease terms of more than 12 months. The City has not early adopted this pronouncement.
- **Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period** – The requirements of this Statement will take effect for financial statements starting with the fiscal year ended December 31, 2020. This statement no longer requires interest cost to be capitalized.
- **Statement No. 90, Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 67** – This Statement provides guidance for reporting a component unit if a government acquires a 100 percent equity interest of another legally separate entity. The objectives of the Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and improve the relevance of financial information for certain component units. This Statement is effective for the City’s financial period beginning October 1, 2019.

NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash

At September 30, 2019, the carrying amount of the City’s cash on hand was \$350; deposits in the bank were \$9,011,012 and the book balance was \$8,952,757. The City had funds in excess of combined federal deposit insurance coverage (FDIC) and pledged collateral of \$1,734,102 at a banking institution as of September 30, 2019.

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits. The city did not adopt an investment policy for the fiscal year ended September 30, 2019.

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

The City's investments at September 30, 2019 are as shown below:

Investment Type	Fair Value	Weighted Average Maturity in Days	Ratings	
			MOODY'S	S&P
TexPool	\$ 613,100	34	Aaa	AAAM

C. Analysis of Specific Deposit and Investment Risks

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

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

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

*Concentration of Credit Risk.* This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. All City funds are in the external investment pool as allowed by the City's investment policy, and the investment pool invests in hundreds of authorized securities that minimize concentrations of credit risk. At year end, the City was not exposed to concentration of credit risk.

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Analysis of Specific Deposit and Investment Risks (Continued)

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

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

D. Public Funds Investment Pools

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

NOTE 3 -- UNINSURED DEPOSITS

At September 30, 2019, the City's the bank balance at a financial institution exceeded the combined coverage provided by Federal Deposit Insurance Corporation (FDIC) and pledged collateral by \$1,734,012.

NOTE 4 – RECEIVABLES

Receivables consist of the following as of September 30, 2019:

	Governmental Funds			Proprietary Funds		
	General	Debt Service	Hotel Occupancy Tax	Capital Projects Fund	Water Fund	Wastewater Fund
<i>Receivables:</i>						
Property Taxes	\$ 189,720	\$ 42,619	\$ -	\$ -	\$ -	\$ -
Municipal Fines	241,696	-	-	-	-	-
Garbage	131,228	-	-	-	-	-
Sales Taxes	164,817	-	-	-	-	-
Franchise Taxes	13,788	-	-	-	-	-
Occupancy Taxes	-	-	41,434	-	-	-
Customers	-	-	-	-	183,412	177,849
Settlement Funds	-	-	-	500,000	-	-
Other	2,719	-	-	-	-	-
Gross Receivables	743,968	42,619	41,434	500,000	183,412	177,849
Less: Allowance for Uncollectibles	(180,690)	(2,983)	-	-	(40,838)	(30,728)
Net Total Receivables	\$ 563,278	\$ 39,636	\$ 41,434	\$ 500,000	\$ 142,574	\$ 147,121

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 5 -- PROPERTY TAX CALENDAR

The City’s property tax is levied and becomes collectible each October 1 based on the assessed values listed as of prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Atascosa County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2018, upon which the fiscal 2019 levy was based, was \$197,801,885 (market value less exemptions).

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2019 was \$0.536500 per \$100 of assessed value, which means that the City has a tax margin of \$ 1.9635 for each \$100 value. The City may not, however, adopt a tax rate that exceeds the rollback rate or the effective rate, whichever is lower, without first having two public hearings. If the City adopts a tax rate that exceeds the rollback tax rate, registered voters may petition the City for an election on the tax increase. A successful election limits the City’s current tax rate to the rollback rate.

Property taxes are recorded as receivables and deferred inflows of resources at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

NOTE 6 -- INTERFUND TRANSACTIONS

Transfers consist of the following:

Transfer From	Transfer To	Amount	Purpose
Hotel Occupancy Tax Fund	General Fund	\$ 334,375	Supplement Debt Payment
General Fund	Debt Service Fund	392,503	Debt Payment
Water Fund	Sewer Fund	153,189	Repayment of expenses
Capital Projects Fund	Nonmajor Governmental	8,460	Equipment Purchases
Hotel Occupancy Tax Fund	Capital Projects Fund	18,201	Professional Services

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 7 -- CAPITAL ASSETS

Governmental and Business-type capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance*	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 342,593	\$ -	\$ -	\$ 342,593
Construction in Progress	471,750	-	-	471,750
<b>Total Capital Assets Not Being Depreciated</b>	<b>814,343</b>	<b>-</b>	<b>-</b>	<b>814,343</b>
<i>Capital Assets, Being Depreciated:</i>				
Buildings & Improvements	10,802,564	-	-	10,802,564
Machinery, Equipment & Vehicles	974,301	72,749	-	1,047,050
Infrastructure	1,285,696	-	-	1,285,696
<b>Total Capital Assets Being Depreciated</b>	<b>13,062,561</b>	<b>72,749</b>	<b>-</b>	<b>13,135,310</b>
<i>Accumulated Depreciation:</i>				
Buildings & Improvements	(1,291,668)	(272,275)	-	(1,563,943)
Machinery, Equipment & Vehicles	(678,262)	(77,732)	-	(755,994)
Infrastructure	(867,897)	(34,825)	-	(902,722)
<b>Total Accumulated Depreciation</b>	<b>(2,837,827)</b>	<b>(384,832)</b>	<b>-</b>	<b>(3,222,659)</b>
Total Capital Assets Being Depreciated, Net	10,224,734	(312,083)	-	9,912,651
Governmental Activities Capital Assets, Net	<b>\$ 11,039,077</b>	<b>\$ (312,083)</b>	<b>\$ -</b>	<b>\$ 10,726,994</b>
<b>Business-Type Activities:</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 66,424	\$ -	\$ -	\$ 66,424
<b>Total Assets Not Being Depreciated</b>	<b>66,424</b>	<b>-</b>	<b>-</b>	<b>66,424</b>
<i>Capital Assets, Being Depreciated:</i>				
Water/Wastewater System - Plant	17,653,185	-	-	17,653,185
Machinery, Equipment & Vehicles	543,002	114,910	(40,576)	617,336
<b>Total Capital Assets Being Depreciated</b>	<b>18,196,187</b>	<b>114,910</b>	<b>(40,576)</b>	<b>18,270,521</b>
<i>Accumulated Depreciation:</i>				
Water/Wastewater System - Plant	(5,703,146)	(599,564)	-	(6,302,710)
Machinery, Equipment & Vehicles	(471,964)	(33,870)	40,576	(465,258)
<b>Total Accumulated Depreciation</b>	<b>(6,175,110)</b>	<b>(633,434)</b>	<b>40,576</b>	<b>(6,767,968)</b>
Total Capital Assets Being Depreciated, Net	12,021,077	(518,524)	-	11,502,553
Business-Type Activities Capital Assets, Net	<b>\$ 12,087,501</b>	<b>\$ (518,524)</b>	<b>\$ -</b>	<b>\$ 11,568,977</b>

\*Beginning balances were restated to reflect the results of a prior period adjustment. See Note 10.

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 7 -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

<i>Governmental Activities:</i>	
General Administration	\$ 97,620
Public Safety	23,696
Streets	84,992
Culture & Recreation	163,318
Public Works	8,843
<i>Total Depreciation Expense - Governmental Activities</i>	<u><u>\$ 378,469</u></u>
 <i>Business-Type Activities:</i>	
Water System	\$ 286,315
Sewer System	347,119
<i>Total Depreciation Expense - Business Type Activities</i>	<u><u>\$ 633,434</u></u>

NOTE 8 -- CAPITAL LEASES

The following lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

In December 2018, the City entered into a capital lease agreement for the acquisition of equipment (excavator and drum roller) in the amount of \$115,403 payable in annual payments of \$42,024 with an interest rate of 4.681%. The equipment is included in the Capital Assets at a cost of \$115,403 with accumulated depreciation of \$14,010 as of September 30, 2019. The debt, capital assets and accumulated depreciation are split between the governmental, water and wastewater funds.

The City entered into a capital lease agreement for the acquisition of equipment (loader) in the amount of \$115,403 payable in annual payments of \$26,544 with an interest rate of 4.681%. The equipment is included in the Capital Assets at a cost of \$124,140 with accumulated depreciation of \$49,656 as of September 30, 2019. The debt, capital assets and accumulated depreciation are split between the governmental, water and wastewater funds.

The City entered into a capital lease agreement for the acquisition of equipment (mower) in the amount of \$50,412 payable in annual payments of \$11,170 with an interest rate of 4.25%. The equipment is included in the Capital Assets at a cost of \$50,412 with accumulated depreciation of \$18,905 as of September 30, 2019. The debt, capital assets and accumulated depreciation are recorded in the governmental fund.

Future minimum payments under the capital leases are as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities
2020	\$ 42,850	\$ 36,898
2021	42,850	36,898
2022	32,615	36,900
Total Payments	118,315	110,696
Less: Amounts Representing Interest	(8,242)	(8,706)
Present Value of Minimum Lease Payments	<u><u>\$ 110,073</u></u>	<u><u>\$ 101,990</u></u>

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 9 -- LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2019 were comprised of the following individual issues:

	<u>Issue Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Balance</u>	<u>Security</u>
<b><i>Primary Government</i></b>					
Governmental Activities:					
General Obligation Bonds					
2006 Series	\$ 700,000	2021	4.52%	\$ 100,000	Ad Valorem/Utility Revenues
2012 Series	2,975,000	2033	2.00% - 3.50%	2,235,000	Ad Valorem
Certificates of Obligation					
Series 2014	500,000	2035	2.00% - 3.50%	4,190,000	Occupancy Tax
Series 2019	3,980,000	2039	2.00% - 4.00%	3,980,000	Ad Valorem
<b>Total Governmental Long-Term Obligations</b>				<b><u>\$ 10,505,000</u></b>	
	<u>Issue Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Balance</u>	
Business Type:					
Revenue Bonds					
Series 1982	\$ 506,000	2021	5.00%	\$ 70,000	Utility Revenue
Series 2008	401,000	2048	4.50%	350,000	Utility Revenue
Series 2012	3,037,000	2052	2.75%	2,781,000	Utility Revenue
Certificates of Obligation					
2011 Series	4,645,000	2051	3.375%	4,192,000	Ad Valorem/Utility Revenues
<b>Total Business-Type Long-Term Obligations</b>				<b><u>\$ 7,393,000</u></b>	

The 2006 Series General Obligation Bonds and 2011 Series Certificates of Obligation require a sinking fund of at least 2%. Additionally they are both Direct Borrowings from the USDA.



CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 9 -- LONG-TERM DEBT (Continued)

The annual requirements to amortize all long-term bonded debt and obligations outstanding, excluding compensated absences, as of September 30, 2019, including interest payments, are as follows:

Governmental Activities - Direct Borrowings and Placements				Governmental Activities - Public Offering			
September 30,	Principal	Interest	Total	September 30,	Principal	Interest	Total
2020	\$ 50,000	\$ 3,390	\$ 53,390	2020	\$ 435,000	\$ 296,439	\$ 731,439
2021	50,000	1,130	51,130	2021	475,000	285,289	760,289
2022	-	-	-	2022	520,000	272,539	792,539
2023	-	-	-	2023	530,000	257,526	787,526
2024	-	-	-	2024	550,000	240,801	790,801
2025-2029	-	-	-	2025-2029	3,025,000	924,894	3,949,894
2030-2034	-	-	-	2030-2034	3,315,000	441,295	3,756,295
2035-2039	-	-	-	2035-2039	1,555,000	78,947	1,633,947
Total	<u>\$ 100,000</u>	<u>\$ 4,520</u>	<u>\$ 104,520</u>	Total	<u>\$ 10,405,000</u>	<u>\$ 2,797,730</u>	<u>\$ 13,202,730</u>

Business-Type Activities - Direct Borrowings and Placements				Business-Type Activities - Public Offering			
September 30,	Principal	Interest	Total	September 30,	Principal	Interest	Total
2020	\$ 74,000	\$ 140,622	\$ 214,622	2020	\$ 89,000	\$ 95,144	\$ 184,144
2021	77,000	137,694	214,694	2021	90,000	91,584	181,584
2022	79,000	135,062	214,062	2022	58,000	88,167	146,167
2023	82,000	132,345	214,345	2023	60,000	86,422	146,422
2024	84,000	129,895	213,895	2024	61,000	84,827	145,827
2025-2029	470,000	602,313	1,072,313	2025-2029	342,000	394,192	736,192
2030-2034	556,000	515,987	1,071,987	2030-2034	403,000	339,063	742,063
2035-2039	657,000	413,779	1,070,779	2035-2039	481,000	273,378	754,378
2040-2044	777,000	293,211	1,070,211	2040-2044	570,000	194,990	764,990
2025-2049	921,000	150,017	1,071,017	2025-2049	654,000	102,032	756,032
2050-2052	415,000	14,182	429,182	2050-2052	393,000	16,476	409,476
Total	<u>\$ 4,192,000</u>	<u>\$ 2,665,107</u>	<u>\$ 6,857,107</u>	Total	<u>\$ 3,201,000</u>	<u>\$ 1,766,275</u>	<u>\$ 4,967,275</u>

Total Governmental-Type Activities				Business-Type Activities			
September 30,	Principal	Interest	Total	September 30,	Principal	Interest	Total
2020	\$ 485,000	\$ 299,829	\$ 784,829	2020	\$ 163,000	\$ 235,766	\$ 398,766
2021	525,000	286,419	811,419	2021	167,000	229,278	396,278
2022	520,000	272,539	792,539	2022	137,000	223,229	360,229
2023	530,000	257,526	787,526	2023	142,000	218,767	360,767
2024	550,000	240,801	790,801	2024	145,000	214,722	359,722
2025-2029	3,025,000	924,894	3,949,894	2025-2029	812,000	996,505	1,808,505
2030-2034	3,315,000	441,295	3,756,295	2030-2034	959,000	855,050	1,814,050
2035-2039	1,555,000	78,947	1,633,947	2035-2039	1,138,000	687,157	1,825,157
2040-2044	-	-	-	2040-2044	1,347,000	488,201	1,835,201
2025-2049	-	-	-	2025-2049	1,575,000	252,049	1,827,049
2050-2052	-	-	-	2050-2052	808,000	30,658	838,658
Total	<u>\$ 10,505,000</u>	<u>\$ 2,802,250</u>	<u>\$ 13,307,250</u>	Total	<u>\$ 7,393,000</u>	<u>\$ 4,431,382</u>	<u>\$ 11,824,382</u>

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 9 -- LONG-TERM DEBT (Continued)

The changes in long-term liabilities during the year ended September 30, 2019 are as follows:

	Balance 9/30/2018	Additions	Reductions	Balance 9/30/2019	Due Within One Year
<i>Governmental Activities:</i>					
Direct Borrowings and Placements:					
General Obligation Bonds, 2006	\$ 150,000	\$ -	\$ (50,000)	\$ 100,000	\$ 50,000
Non Direct Borrowings and Placements:					
General Obligation Bonds, 2012	2,365,000	-	(130,000)	2,235,000	135,000
Certificates of Obligation, 2014	4,400,000	-	(210,000)	4,190,000	215,000
Premium	166,332	-	(10,583)	155,749	10,583
Certificates of Obligation, 2019	-	3,980,000	-	3,980,000	85,000
Premium	-	185,820	-	185,820	9,291
Capital Leases	86,874	46,162	(22,963)	110,073	38,609
Compensated Absences	15,851	18,093	(15,851)	18,093	18,093
<i>Total Governmental Activities</i>	<u>\$ 7,184,057</u>	<u>\$ 4,230,075</u>	<u>\$ (439,397)</u>	<u>\$ 10,974,735</u>	<u>\$ 561,576</u>
<i>Business-Type Activities:</i>					
Revenue Bonds, Series 1982	\$ 100,000	\$ -	\$ (30,000)	\$ 70,000	\$ 35,000
Revenue Bonds, Series 2008	356,000	-	(6,000)	350,000	6,000
Revenue Bonds, 2012	2,827,000	-	(46,000)	2,781,000	48,000
Subtotal	<u>\$ 3,283,000</u>	<u>\$ -</u>	<u>\$ (82,000)</u>	<u>\$ 3,201,000</u>	<u>\$ 89,000</u>
Direct Borrowings and Placements:					
Certificates of Obligation, 2011	4,264,000	-	(72,000)	4,192,000	74,000
Capital Leases	42,938	69,242	(10,190)	101,990	32,689
Compensated Absences	10,228	12,978	(10,228)	12,978	12,978
<i>Total Business-Type Activities</i>	<u>\$ 7,600,166</u>	<u>\$ 82,220</u>	<u>\$ (174,418)</u>	<u>\$ 7,507,968</u>	<u>\$ 208,667</u>

NOTE 10 -- PRIOR PERIOD ADJUSTMENT

The financial statements for the fiscal year ended September 30, 2018 were restated to reflect the results of a prior period adjustment. The following tables summarize these adjustments to beginning fund balance and net position:

	Governmental Activities	Business-Type Activities
Beginning Net Position, as Previously Reported	\$ 6,151,177	\$ 6,472,761
Understated Accounts Receivable	222,542	71,599
Overstated (Understated) Capital Assets	21,539	(1,139,332)
Overstated (Understated) Accumulated Depreciation	(29,464)	701,749
Beginning Net Position, Restated	<u>\$ 6,365,794</u>	<u>\$ 6,106,777</u>

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 10 -- PRIOR PERIOD ADJUSTMENT (Continued)

	Governmental Fund	Proprietary Funds	
	General Fund	Water Fund	Sewer Fund
Beginning Fund Balance/Net Position, as Previously Reported	\$ 1,684,108	\$ 2,265,146	\$ 4,207,615
Understated Accounts Receivable	222,542	33,823	37,776
Overstated Capital Assets	-	-	(1,139,332)
Overstated (Understated) Accumulated Depreciation	-	(31,576)	733,325
Beginning Fund Balance/Net Position, Restated	<u>\$ 1,906,650</u>	<u>\$ 2,267,393</u>	<u>\$ 3,839,384</u>

NOTE 11 -- PENSION PLAN

Texas Municipal Retirement System

A. Plan Description

The City participates in one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined 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.tmr.com](http://www.tmr.com).

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

B. 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 deposit and interest.

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	19
Inactive Employees Entitled to but Not Yet Receiving Benefits	30
Active Employees	39
	<u>88</u>

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 11 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

C. 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% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.21% and 6.04% for calendar years 2018 and 2019 respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$87,254, and were equal to the required contributions.

D. 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.

E. Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension 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 Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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, first used in the December 31, 2015 valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Morality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 11 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

F. Actuarial Assumptions (Continued)

In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of 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%
	<u>100.00%</u>	

G. 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.

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 11 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

H. Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 2,881,376	\$ 2,765,471	\$ 115,905
Changes for the year:			
Service Cost	145,410	-	145,410
Interest (on Total Pension Liability)	193,670	-	193,670
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(76,938)	-	(76,938)
Changes of Assumptions	-	-	-
Contributions - Employer	-	88,790	(88,790)
Contributions - Employee	-	71,490	(71,490)
Net Investment Income	-	(82,888)	82,888
Benefit Payments, Including Refunds of Employee Contributions	(169,787)	(169,787)	-
Administrative Expense	-	(1,601)	1,601
Other Changes	-	(83)	83
Net Changes	92,355	(94,079)	186,434
Balance at December 31, 2018	\$ 2,973,731	\$ 2,671,392	\$ 302,339

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:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability	\$ 699,710	\$ 302,339	\$ (24,054)

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 11 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

I. 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.tmr.com](http://www.tmr.com).

J. 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 \$92,402.

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	\$ -	\$ 83,715
Changes in Actuarial Assumptions	118	-
Differences Between Projected and Actual Investment Earnings	143,229	-
Contributions Subsequent to the Measurement Date	62,475	-
	\$ 205,822	\$ 83,715

The City reported \$62,475 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (December 31, 2018) will be recognized as a reduction of the net pension liability for the year fiscal ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year Ended December 31,	
2019	\$ 10,295
2020	(10,672)
2021	6,096
2022	53,913
2023	-
Thereafter	-
	\$ 59,632

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 12 -- OTHER POST EMPLOYMENT BENEFIT (OPEB)

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

The 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); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2018, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	16
Inactive Employees Entitled to but Not Yet Receiving Benefits	4
Active Employees	39
	59

The SDBF required contribution rates, based on these assumptions, are as follows:

For the Calendar Year Ended December 31,	Total SDBF Contribution Rate	Retiree Portion to SDBF Contribution Rate
2018	0.25%	0.06%
2019	0.26%	0.07%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method. These assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.71% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GAST Statement No. 68
Mortality Rates - Service Retirees	RP 2000 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	RP 2000 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.



CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 12 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2018 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2017	\$ 104,887
Changes for the year:	
Service Cost	6,577
Interest	3,566
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(23,669)
Changes of Assumptions or Other Inputs	(3,444)
Benefit Payments	(858)
Net Changes	(17,828)
Balance at December 31, 2018	\$ 87,059

There is no separate trust maintained to fund this Total OPEB Liability. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 3.31% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) and 1-percentage point higher (4.71%) than the current rate:

	Discount Rate 2.71%	Discount Rate 3.71%	Discount Rate 4.71%
Total OPEB Liability	\$ 95,770	\$ 87,059	\$ 79,050

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 12 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

For the year ended September 30, 2019, the City recognized OPEB expense of \$6,265. Also as of 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 of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 19,143
Changes in Actuarial Assumptions	1,439	
Contributions Subsequent to the Measurement Date	725	-
	\$ 2,164	\$ 19,143

Deferred outflows of resources in the amount of \$725 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended December 31, 2019 (fiscal year ended September 30, 2020). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended December 31,		
2019	\$	(3,878)
2020		(3,878)
2021		(3,878)
2022		(4,882)
2023		(1,188)
	\$	(17,704)

NOTE 13 -- DEFICIT FUND BALANCE

At September 30, 2019, the Water Fund had a deficit unrestricted fund balance of \$(59,289). The City plans to reduce the deficit by reducing spending in the next fiscal year.

NOTE 14 -- CONTINGENCIES

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

CITY OF JOURDANTON  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2019

NOTE 15 -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2019 were \$56,159.

NOTE 16 -- LITIGATION

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the city's liability in these cases, if decided adversely to the City will not have a material effect on the City's financial position. As of September 30, 2019 there were no outstanding claims against the City.

NOTE 17 -- SETTLEMENT PROCEEDS

During 2018, the City filed a lawsuit against a vendor for sports complex pool construction and a settlement agreement was reached in August 2019. The City received funds as a result of the settlement which are reported as settlement proceeds.

**JOURDANTON**  
★ TEXAS ★

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the CASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund
- Budgetary Comparison Schedule - Hotel Occupancy Tax Fund
- Schedule of Changes in Net Pension Liability and Related Ratios - Last 10 Plan Years
- Schedule of Contributions - Last 10 Fiscal Years
- Schedule of Changes in Total Other Post-Employment Benefit Liability and Related Ratios

CITY OF JOURDANTON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		2019 Actual Amounts	Variance With	2018 Actual
	Original	Final		Final Budget - Positive (Negative)	
<b>REVENUES</b>					
Property Taxes	\$ 836,819	\$ 836,819	\$ 885,596	\$ 48,777	\$ 958,469
Sales Taxes	1,000,000	1,000,000	1,054,698	54,698	1,024,810
Franchise Taxes	181,371	181,371	174,698	(6,673)	180,552
Other Taxes	1,000	1,000	-	(1,000)	908
Licenses and Permits	31,526	31,526	42,072	10,546	85,117
Charges for Service	750,800	750,800	774,578	23,778	744,632
Fines and Forfeitures	183,000	183,000	147,171	(35,829)	184,417
Grants	-	9,887	1,196	(8,691)	1,202
Investment Earnings	6,500	6,500	13,638	7,138	9,141
Miscellaneous	52,610	52,610	94,698	42,088	81,730
<b>TOTAL REVENUES</b>	<b>3,043,626</b>	<b>3,053,513</b>	<b>3,188,345</b>	<b>134,832</b>	<b>3,270,978</b>
<b>EXPENDITURES</b>					
<b>General Administration</b>					
<i>General Government:</i>					
Personnel	122,285	128,841	126,041	2,800	148,009
Supplies	41,812	46,202	49,442	(3,240)	52,720
Insurance	9,996	7,445	7,544	(99)	6,373
Contracted Services	320,760	420,696	385,665	35,031	137,200
Repairs and Maintenance	1,000	5,278	5,369	(91)	-
Miscellaneous	105,500	111,069	90,784	20,285	133,265
<i>Total General Government</i>	<u>601,353</u>	<u>719,531</u>	<u>664,845</u>	<u>54,686</u>	<u>477,567</u>
<i>Sports Complex:</i>					
Personnel Services	100,231	56,645	55,564	1,081	91,616
Supplies	11,563	13,800	12,087	1,713	9,074
Insurance	2,718	1,806	1,805	1	-
Contracted Services	360	360	360	-	270
Repairs and Maintenance	37,500	27,902	27,128	774	30,064
<i>Total Sports Complex</i>	<u>152,372</u>	<u>100,513</u>	<u>96,944</u>	<u>3,569</u>	<u>131,024</u>
<b>Total General Administration</b>	<b>\$ 753,725</b>	<b>\$ 820,044</b>	<b>\$ 761,789</b>	<b>\$ 58,255</b>	<b>\$ 608,591</b>

CITY OF JOURDANTON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 BUDGET AND ACTUAL  
 GENERAL FUND (CONTINUED)  
 YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		2019 Actual Amounts	Variance With Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
<b>Public Safety</b>					
<i>Police:</i>					
Personnel	\$ 706,603	\$ 715,952	\$ 698,602	\$ 17,350	\$ 656,859
Supplies	31,664	37,101	37,506	(405)	35,790
Insurance	12,270	13,077	13,075	2	11,096
Contracted Services	27,988	27,988	25,367	2,621	42,774
Uniforms	7,000	7,000	7,000	-	7,350
Repairs and Maintenance	40,804	69,498	57,135	12,363	48,105
Miscellaneous	14,896	18,409	17,619	790	15,075
Capital Outlay	35,000	-	72,749	(72,749)	7,000
<i>Total Police</i>	<u>876,225</u>	<u>889,025</u>	<u>929,053</u>	<u>(40,028)</u>	<u>824,049</u>
<i>Fire Department:</i>					
Personnel	269	239	238	1	233
Supplies	1,100	1,100	1,154	(54)	1,050
Insurance	3,797	5,260	5,260	-	4,535
Repairs and Maintenance	17,000	22,121	20,904	1,217	18,557
Miscellaneous	6,600	7,660	4,843	2,817	7,224
<i>Total Fire Department</i>	<u>28,766</u>	<u>36,380</u>	<u>32,399</u>	<u>3,981</u>	<u>31,599</u>
<i>EMS Facility:</i>					
Supplies	7,000	9,750	8,163	1,587	5,024
Insurance	311	369	369	-	393
<i>Total EMS Facility</i>	<u>7,311</u>	<u>10,119</u>	<u>8,532</u>	<u>1,587</u>	<u>5,417</u>
<i>Municipal Court:</i>					
Personnel	102,187	109,223	106,509	2,714	101,771
Supplies	12,523	11,120	10,811	309	14,061
Insurance	122	309	309	-	231
Contracted Services	42,998	41,674	31,309	10,365	50,887
Repairs and Maintenance	1,000	1,000	8,565	(7,565)	1,050
Miscellaneous	61,500	61,057	43,876	17,181	55,309
<i>Total Municipal Court</i>	<u>220,330</u>	<u>224,383</u>	<u>201,379</u>	<u>23,004</u>	<u>223,309</u>
<b>Total Public Safety</b>	<u>\$ 1,132,632</u>	<u>\$ 1,159,907</u>	<u>\$ 1,171,363</u>	<u>\$ (11,456)</u>	<u>\$ 1,084,374</u>

CITY OF JOURDANTON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 BUDGET AND ACTUAL  
 GENERAL FUND (CONTINUED)  
 YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		2019 Actual Amounts	Variance With	2018 Actual
	Original	Final		Final Budget - Positive (Negative)	
<b>Streets:</b>					
Personnel	\$ 124,847	\$ 78,017	\$ 76,666	\$ 1,351	\$ 92,277
Supplies	55,000	50,000	50,998	(998)	60,322
Insurance	5,196	7,104	3,786	3,318	6,299
Contractual	-	641	640	1	-
Uniforms	3,645	3,836	3,274	562	3,044
Repairs and Maintenance	265,000	279,635	79,397	200,238	10,422
Miscellaneous	15,000	49,619	34,372	15,247	9,192
Capital Outlay	40,000	40,000	-	40,000	81,251
<b>Total Streets</b>	<b>508,688</b>	<b>508,852</b>	<b>249,133</b>	<b>219,719</b>	<b>262,807</b>
<b>Culture and Recreation:</b>					
<i>Library:</i>					
Personnel	110,053	122,590	119,713	2,877	115,838
Supplies	27,400	24,976	24,663	313	25,687
Insurance	861	1,305	1,305	-	1,319
Contracted Services	4,500	4,500	3,828	672	5,241
Miscellaneous	1,900	11,429	996	10,433	745
<i>Total Library</i>	<b>144,714</b>	<b>164,800</b>	<b>150,505</b>	<b>14,295</b>	<b>148,830</b>
<i>Park:</i>					
Personnel	49,632	83,258	80,295	2,963	40,534
Supplies	1,350	862	577	285	1,211
Insurance	1,977	1,908	1,907	1	1,857
Uniforms	1,780	3,566	3,220	346	1,911
Repairs and Maintenance	13,875	12,779	8,263	4,516	2,939
<i>Total Park</i>	<b>68,614</b>	<b>102,373</b>	<b>94,262</b>	<b>8,111</b>	<b>48,452</b>
<i>Community Center:</i>					
Personnel	4,797	4,797	4,088	709	4,734
Supplies	11,650	6,046	5,958	88	9,876
Insurance	646	530	530	-	648
<i>Total Community Center</i>	<b>17,093</b>	<b>11,373</b>	<b>10,576</b>	<b>797</b>	<b>15,258</b>
<i>Senior Citizens:</i>					
Supplies	4,500	4,470	2,462	2,008	4,634
Insurance	143	173	173	-	185
<i>Total Senior Citizens</i>	<b>4,643</b>	<b>4,643</b>	<b>2,635</b>	<b>2,008</b>	<b>4,819</b>
<b>Total Culture and Recreation</b>	<b>\$ 235,064</b>	<b>\$ 283,189</b>	<b>\$ 257,978</b>	<b>\$ 25,211</b>	<b>217,359</b>



CITY OF JOURDANTON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 BUDGET AND ACTUAL  
 GENERAL FUND (CONTINUED)  
 YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		2019 Actual Amounts	Variance With Final Budget - Positive (Negative)	2018 Actual*
	Original	Final			
<b>Public Works:</b>					
Contracted Services	\$ 617,594	\$ 624,190	\$ 620,713	\$ 3,477	\$ 602,050
<b>Total Public Works</b>	<u>617,594</u>	<u>624,190</u>	<u>620,713</u>	<u>3,477</u>	<u>602,050</u>
<b>Total Expenditures</b>	<u>3,247,703</u>	<u>3,396,182</u>	<u>3,060,976</u>	<u>295,206</u>	<u>2,775,181</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(204,077)	(342,669)	<b>127,369</b>	470,038	495,797
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Capital Lease	46,287	46,287	<b>46,287</b>	-	-
Settlement Proceeds	-	-	<b>525,000</b>	525,000	-
Transfers In	334,375	334,375	<b>334,375</b>	-	343,366
Transfers Out	(588,775)	(588,775)	<b>(392,503)</b>	196,272	(629,910)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(208,113)</u>	<u>(208,113)</u>	<u><b>513,159</b></u>	<u>196,272</u>	<u>(286,544)</u>
<b>Net Change in Fund Balance</b>	(412,190)	(550,782)	<b>640,528</b>	666,310	209,253
<b>Fund Balances, Beginning</b>	1,684,108	1,684,108	<b>1,684,108</b>	-	1,474,855
Prior Period Adjustment	-	-	<b>222,542</b>	222,542	-
<b>Fund Balances, Ending</b>	<u>\$ 1,271,918</u>	<u>\$ 1,133,326</u>	<u><b>\$ 2,547,178</b></u>	<u>\$ 888,852</u>	<u>\$ 1,684,108</u>

CITY OF JOURDANTON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 BUDGET AND ACTUAL  
 HOTEL OCCUPANCY TAX FUND  
 YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		2019 Actual Amounts	Variance With Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
<b>REVENUES</b>					
Occupancy Taxes	\$ 323,611	\$ 323,611	\$ 410,559	\$ 86,948	\$ 335,531
<b>TOTAL REVENUES</b>	<u>323,611</u>	<u>323,611</u>	<u>410,559</u>	<u>86,948</u>	<u>335,531</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
Administration	400	400	11,266	(10,866)	166,668
<b>TOTAL EXPENDITURES</b>	<u>400</u>	<u>400</u>	<u>11,266</u>	<u>(10,866)</u>	<u>166,668</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>323,211</u>	<u>323,211</u>	<u>399,293</u>	<u>97,814</u>	<u>168,863</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	(333,975)	(333,975)	(352,576)	(18,601)	(333,525)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(333,975)</u>	<u>(333,975)</u>	<u>(352,576)</u>	<u>(18,601)</u>	<u>(333,525)</u>
<b>Net Change in Fund Balance</b>	(10,764)	(10,764)	46,717	79,213	(164,662)
<b>FUND BALANCE - BEGINNING</b>	<u>176,099</u>	<u>176,099</u>	<u>176,099</u>	<u>-</u>	<u>340,761</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 165,335</u>	<u>\$ 165,335</u>	<u>\$ 222,816</u>	<u>\$ 79,213</u>	<u>\$ 176,099</u>

\*2018 has not been restated to reflect the results of the prior period adjustment.

CITY OF JOURDANTON  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2019

**Budgetary Information** – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriation budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: general fund, debt service fund and hotel occupancy tax fund.

Budgetary preparation and control is exercised at the department level. The city manager is authorized to transfer budget amounts between accounts within a department. These transfers cannot increase the overall budgeted expenditures. Actual expenditures may not legally exceed appropriations at the fund level. As of September 30, 2019, the City expenditures did not exceed appropriations in total.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be re-appropriated and honored during the subsequent year.

CITY OF JOURDANTON  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS  
LAST TEN PLAN YEARS\*

	Total Pension Liability				
	2014	2015	2016	2017	2018
Service Cost	\$ 106,550	\$ 128,550	\$ 133,998	\$ 144,925	\$ 145,410
Interest (on the Total Pension L	143,611	164,384	171,823	183,153	193,670
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	110,173	(33,767)	(40,691)	(39,312)	(76,938)
Change of Assumptions	-	24,082	-	-	-
Benefit Payments, Including Refunds of					
Employee Contributions	(80,509)	(68,665)	(108,896)	(96,602)	(169,787)
Net Change in Total Pension	279,825	214,584	156,234	192,164	92,355
Total Pension Liability - Begi	2,038,569	2,318,394	2,532,978	2,689,212	2,881,376
Total Pension Liability - E	<u>\$ 2,318,394</u>	<u>\$ 2,532,978</u>	<u>\$ 2,689,212</u>	<u>\$ 2,881,376</u>	<u>\$ 2,973,731</u>
	Plan Fiduciary Net Position				
	2014	2015	2016	2017	2018
Contributions - Employer	\$ 81,746	\$ 79,853	\$ 82,132	\$ 91,242	\$ 88,790
Contributions - Employee	73,658	65,453	66,666	71,959	71,490
Net Investment Income	110,103	3,110	147,735	328,823	(82,888)
Benefit Payments, Including Refunds of					
Employee Contributions	(80,509)	(68,665)	(108,896)	(96,602)	(169,787)
Administrative Expense	(1,149)	(1,895)	(1,668)	(1,704)	(1,601)
Other	(94)	(94)	(90)	(86)	(83)
Net Change in Plan Fiduciary	183,755	77,762	185,879	393,632	(94,079)
Plan Fiduciary Net Position -	1,924,443	2,108,198	2,185,960	2,371,839	2,765,471
Plan Fiduciary Net Position	<u>\$ 2,108,198</u>	<u>\$ 2,185,960</u>	<u>\$ 2,371,839</u>	<u>\$ 2,765,471</u>	<u>\$ 2,671,392</u>
Net Pension Liability - Ending	\$ 210,196	\$ 347,018	\$ 317,373	\$ 115,905	\$ 302,339
Plan Fiduciary Net Position as a Percentage of Total Pension Li	90.93%	86.30%	88.20%	95.98%	89.83%
Covered Payroll	\$ 1,266,197	\$ 1,309,063	\$ 1,333,313	\$ 1,439,179	\$ 1,429,797
Net Pension Liability as a Percentage of Covered Payroll	16.60%	26.51%	23.80%	8.05%	21.15%

\*GASB 68 requires 10 years of data to be provided in this schedule. This is the fifth year implementation of GASB68. The City will develop the schedule prospectively as data becomes available.

CITY OF JOURDANTON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CITY CONTRIBUTIONS  
 LAST TEN FISCAL YEARS\*

**Schedule of Contributions:**

Fiscal Year Ending September 30,	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 87,254	\$ 87,254	\$ -	\$ 1,433,372	6.09%
2018*	-	-	-	-	-
2017*	-	-	-	-	-
2016*	-	-	-	-	-
2015*	-	-	-	-	-

\*Data for fiscal years 2015-2018 is not available.

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the fifth year implementation of GASB68. The City will develop the schedule prospectively as data becomes available.

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (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	2.50%
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**

Notes There were no benefit changes during the year.

CITY OF JOURDANTON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY  
 AND RELATED RATIOS  
 LAST TEN CALENDAR YEARS\*

	Total OPEB Liability	
	2017	2018
Service Cost	\$ 5,901	\$ 6,577
Interest on Total OPEB Liability	3,480	3,566
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	-	(23,669)
Change of Assumptions or Other Inputs	6,838	(3,444)
Benefit Payments	(864)	(858)
Net Change in Total OPEB Liability	15,355	(17,828)
Total OPEB Liability - Beginning	89,532	104,887
Total OPEB Liability - Ending	\$ 104,887	\$ 87,059
 Covered Payroll	 \$ 1,439,179	 \$ 1,429,797
 Total OPEB Liability as a Percentage of Covered Payroll	 7.29%	 6.09%

\*GASB Statement No. 75 requires 10 years of data to be provided in this schedule. This is the second year implementation of GASB75. The City will develop the schedule prospectively as data becomes available.

NOTES TO SCHEDULE OF CHANGES

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

Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.71% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
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.



Financial Advisory Services  
Provided By:

