

OFFICIAL STATEMENT
January 21, 2021

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.

\$1,390,000

CITY OF ELMENDORF, TEXAS

**(A political subdivision of the State of Texas located in Bexar and Wilson Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021**

Dated Date: January 1, 2021

Due: August 1, as shown on inside cover

The \$1,390,000 City of Elmendorf, 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 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, and an ordinance (the "Ordinance") adopted by the City Council of the City of Elmendorf, Texas (the "City" or the "Issuer") on January 21, 2021. (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 Subordinate Lien Obligations, and any Prior Lien Obligations, 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 ordinance 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, 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) constructing, acquiring, purchasing, renovating, enlarging, and improving the System; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)



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

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

The Certificates are offered for delivery, when, as and if issued and received by 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, McCall, Parkhurst & Horton L.L.P., 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 February 17, 2021.

\$1,390,000
CITY OF ELMENDORF, TEXAS
(A political subdivision of the State of Texas located in Bexar and Wilson Counties, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021

MATURITY SCHEDULE
(Due August 1)

CUSIP Prefix No. 28938P⁽¹⁾

\$410,000 Serial Certificates

Stated Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix ⁽¹⁾
8/1 2022	\$10,000	3.000%	0.350%	BE1
2023	30,000	3.000%	0.400%	BF8
2024	55,000	3.000%	0.500%	BG6
2025	60,000	3.000%	0.600%	BH4
2026	60,000	3.000%	0.700%	BJ0
2027	65,000	3.000%	0.800%	BK7
2028	65,000	3.000%	0.900%	BL5
2029	65,000	3.000%	1.000%	BM3

\$980,000 Term Certificates

\$290,000 3.000% Term Certificates due on August 1, 2033 and priced to yield 1.290% ⁽²⁾ CUSIP Suffix BN1⁽¹⁾
\$325,000 3.000% Term Certificates due on August 1, 2037 and priced to yield 1.470% ⁽²⁾ CUSIP Suffix BP6⁽¹⁾
\$365,000 3.000% Term Certificates due on August 1, 2041 and priced to yield 1.630% ⁽²⁾ CUSIP Suffix BQ4⁽¹⁾

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after August 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2030, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Certificates maturing on August 1, 2033, August 1, 2037 and August 1, 2041 (the "Term Certificates") are also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

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

⁽²⁾ Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on August 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 Elmendorf, Texas
8304 FM 327
Elmendorf, Texas 78112**

ELECTED OFFICIALS

Name	Years Served	Term Expires (November)	Occupation
Michael J. Gonzales, Mayor	9	2022	Hospital Facilities Director
Tommy Hicks, Mayor Pro-Tem	9	2021	Retired – Diesel Shop Operator
Tracy Riojas, Councilmember, Place 1	4	2021	Operations Manager
Polo Maldonado, Councilmember, Place 3	6	2022	Retired-Insurance
Manuel Decena, Councilmember, Place 4	4	2021	Outside Sales
Linda Pena Ortiz, Councilmember, Place 5	22	2022	Retired

ADMINISTRATION

Name	Position	Length of Service at the City
Cody Dailey	City Administrator	14
Roxanne De Leon	City Secretary	9

CONSULTANTS AND ADVISORS

Bond CounselNorton Rose Fulbright US LLP
San Antonio, Texas

Certified Public AccountantsBeyer & Company
Sinton, Texas

Financial AdvisorSAMCO Capital Markets, Inc.
San Antonio, Texas

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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 Advisor 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 or the Bond Insurer, if any, and its municipal bond insurance policy described herein under the heading “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” as such information is provided by DTC and the Bond Insurer respectively.

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.

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

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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.

The Issuer

The City of Elmendorf, Texas (the "City" or the "Issuer"), a municipal corporation and political subdivision of the State of Texas, was originally incorporated in 1963. The City operates under Mayor/Alderman form of government, as a Type A municipality, with a Mayor and City Council comprised of five alderman elected at large. The City comprises 4.5 Square miles and is about 17 miles southeast of San Antonio. (See "APPENDIX B – General Information Regarding the City of Elmendorf and Bexar and Wilson Counties, Texas" herein.)

The Certificates

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") adopted by the City Council of the City, on January 21, 2021. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.

Security

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the 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 Subordinate Lien Obligations, and any Prior Lien Obligations, 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 ordinance 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, 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.)

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after August 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 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 on August 1, 2033, August 1, 2037 and August 1, 2041 (the "Term Certificates") are also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Tax Matters

In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS", and will not be included in calculating the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.)

Qualified Tax-Exempt Obligations

The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)

Use of 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) constructing, acquiring, purchasing, renovating, enlarging, and improving the System; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Bond Insurance

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

Payment Record

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

Future Debt Issues

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2021, except potentially issuing refunding bonds for debt service savings.

Delivery

When issued, anticipated on or about February 17, 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

\$1,390,000

CITY OF ELMENDORF, TEXAS

(A political subdivision of the State of Texas located in Bexar and Wilson Counties, 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 Elmendorf, Texas (the “City” or the “Issuer”) of its \$1,390,000 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, for example, the issuance on October 7, 2020 of Executive Order GA-32, which, among other things, provided further guidelines for the reopening of businesses and the maximum threshold level of occupancy related to such establishments. Certain businesses, such as cybersecurity services, child-care services, local government operations, youth camps, recreational programs, schools, and religious services, do not have the foregoing limitations. The Governor’s order also states, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-32 permits visits to nursing homes, state supported living centers, assisted living facilities, or long-term care facilities as determined through the guidance from the Texas Health and Human Services Commission. Executive Order GA-32 remains in place until amended, rescinded, or superseded by the Governor. 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 Bexar and Wilson Counties, 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 to be 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 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, and an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on January 21, 2021.

Security for Payment

Limited Pledge of Ad Valorem Taxes. The Certificates are general obligations of the City, payable primarily from the proceeds 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 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 and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of the currently outstanding Subordinate Lien Obligations, and any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the City. 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 ordinance 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, 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 August 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 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 August 1, 2033, August 1, 2037 and August 1, 2041 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 August 1, in the years and principal amounts shown below:

Term Certificates to Mature on August 1, 2033		Term Certificates to Mature on August 1, 2037		Term Certificates to Mature on August 1, 2041	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2030	\$70,000	2034	\$80,000	2038	\$85,000
2031	70,000	2035	80,000	2039	90,000
2032	75,000	2036	80,000	2040	95,000
2033*	75,000	2037*	85,000	2041*	95,000

*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) constructing, acquiring, purchasing, renovating, enlarging, and improving the System; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Certificates	\$ 1,390,000.00
Accrued Interest on the Certificates	5,328.33
Reoffering Premium	<u>181,403.85</u>
Total Sources of Funds	<u>\$ 1,576,732.18</u>
Uses	
Project Fund Deposit	\$ 1,500,000.00
Underwriters' Discount	18,775.00
Certificate Fund Deposit	5,328.33
Costs of Issuance	43,628.94
Bond Insurance Premium	<u>8,999.91</u>
Total Uses	<u>\$ 1,576,732.18</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 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 (15th) 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.

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."

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("BAM" or the "Bond Insurer") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as APPENDIX E to this Official Statement.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$505.3 million, \$158.1 million and \$347.2 million, respectively.

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

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

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

BAM GreenStar Certificates

The Certificates have been designated *BAM GreenStar Certificates* because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles ("GBPs") developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bond, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and as a Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Certificates will identify which of the following GBP categories applies to the Certificates:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Certificates:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

The Issuer makes no representation regarding the applicability of or suitability of the GreenStar designation. The term "GreenStar" is neither defined in, nor related to, the security documents relating to the Certificates. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Certificates are entitled to any security other than that described in this official statement. The Issuer is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to "GreenStar" designation. The Issuer has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Certificates and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis and is based on BAM's own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer

or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the Issuer of or the Underwriters for the Certificates, and the issuer and underwriter assume no responsibility for such designation.

BAM's GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Certificates and is not a recommendation to any person to purchase, hold, or sell the Certificates. Such labeling does not address the market price, marketability or suitability of these Certificates for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgment, circumstances so warrant.

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

BOND INSURANCE GENERAL RISKS

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Certificate owner as a voidable preference under applicable bankruptcy law may be covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Payment of principal and interest is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. See "THE CERTIFICATES – Default and Remedies". The Bond Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercises and the Bond Insurer's consent may be required in connection with amendments to any applicable Certificate documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the security provided pursuant to the applicable Certificate documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Certificates insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies.

None of the City, the Financial Advisor, or the Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any potential Bond Insurer, particularly over the life of the Certificates.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

In the past, Moody's Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc. have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible.

In addition, past events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including the Bond Insurer of the Certificates.

INVESTMENTS

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.

Investment Policies

Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to

monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

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

Current Investments ⁽¹⁾

TABLE 1

As of October 31, 2020 the City held investments as follows:

<u>Type of Security</u>	<u>Market Value</u>	<u>Percentage of Total</u>
TexPool	\$1,176,378	100.00%

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.

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not

required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

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

For a discussion of how the various exemptions described above are applied to the City, see “Ad Valorem Property Taxation – The Property Tax Code as Applied to the City”.

Chapter 380 Agreements

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

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. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four

equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “AD VALOREM PROPERTY TAXATION – Temporary Exemption for Qualified Property Damaged by a Disaster” for a discussion of the applicability of this section of the Property Tax Code.

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 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

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 not 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 has adopted a tax freeze for citizens who are disabled or are 65 years of age or older.

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

The City does not tax nonbusiness personal property; and Bexar County Tax Assessor Collector collects City taxes.

The City participates in two tax increment reinvestment zones.

The City does tax freeport property.

The City does not tax Goods-in-Transit.

The City does not offer discounts but does allow split payments.

The City participates in two Chapter 380 Economic Development Agreements.

Alamo Junction Rail Park, LLC. Pursuant to the terms of a Chapter 380 Economic Development Agreement with Alamo Junction Rail Park, LLC (“Alamo”), effective as of November 13, 2014, and subsequently amended on April 14, 2016, the City has agreed to provide up to \$10 million in grant payments from lawfully available funds, such payments made annually in an amount equal to one-half of the ad valorem tax revenue generated from any increase in assessed valuation resulting from improvements on eligible property (measured against the “base value” of such property as certified by the Bexar Appraisal District for the tax year beginning January 1, 2015) in each tax year. In consideration for such grant payments, Alamo has agreed to voluntary annexation into the City, and to develop a railyard and commercial and industrial buildings, including but not limited to installation of a water meter and water lines, gas lines, and wastewater facilities on the subject property. Unless terminated earlier pursuant to default, the agreement shall be effective for 27 years, and City grant payments will continue until the earlier of either (i) the date the total annual payments equal \$10 million, or (ii) the 25th annual payment has been made.

Halliburton Energy Services, Inc. Pursuant to the terms of a Chapter 380 Economic Development Agreement with Halliburton Energy Services, Inc. (“Halliburton”), entered into as of October 15, 2014, the City has agreed to provide grant payments from lawfully available funds to Halliburton equal to \$25,000 or fifty percent of the first \$50,000 of revenue from the City’s one percent sales and use tax received by the City from Halliburton each year; \$30,000 or sixty percent of the next \$50,000 sales and use tax revenues received by the City from Halliburton each year; and seventy-five percent of any sales and use tax revenues received by the City from Halliburton over \$100,000 each year during the term of the agreement. The City has agreed to provide grant payments for a period of ten years from the date on which the City makes the first grant payment to Halliburton. In consideration for such grant payments, Halliburton has agreed to enter into a lease agreement with Alamo Junction Rail Park, LLC, for a 20-acre tract of land and to develop on such land a facility serving as Halliburton’s proppant storage epicenter within the region. On December 8, 2016, this agreement was extended to include the ½ of one percent sales and use tax levied for the benefit of the Elmendorf Economic Development Corporation.

CONVENING OF THE TEXAS LEGISLATURE

On January 12, 2021, the 87th Texas Legislature convened in general session which is scheduled to adjourn on May 31, 2021. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the City and its finances. The City makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed legislation for any developments applicable to the City.

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, 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 1-10 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/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for liquidity enhancement, or debt service reserves. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB.

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

Availability of Information

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

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 Underwriters from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

Compliance with Prior Undertakings

During the past five years, the City has not entered into any continuing disclosure agreement made in accordance with the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Underwriters 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 Opinions and No-Litigation Certificate" (except for the last sentence of the first paragraph thereof, 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 this 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. Certain matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, whose fees are contingent on the sale and initial delivery of the Certificates.

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". 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 a rating of "AA" to the Certificates based solely upon the municipal bond insurance policy to be issued by the Bond Insurer on the date of initial delivery of the Certificates. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.) An explanation of the significance of such rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the City 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. The City has not made application to S&P, Moody's Investors Service, Inc., Fitch Ratings, Inc., or any similar rating agency for an underlying municipal bond rating on the Certificates, nor does the City anticipate applying for such underlying rating in the future.

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 Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. 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 \$1,552,628.85 (representing the par amount of the Certificates of \$1,390,000.00, plus a reoffering premium of \$181,403.85, and less an Underwriters' discount of \$18,775.00), and accrued interest on the Certificates in the amount of \$5,328.33.

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.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

FHN Financial Capital Markets is a division of First Horizon Bank and First Horizon Advisors, Inc. is a wholly owned subsidiary of First Horizon Bank. FHN Financial Capital Markets has entered into a distribution agreement with First Horizon Advisors, Inc. for the distribution of the offered Certificates at the original issue prices. Such arrangement generally provides that FHN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Horizon Advisors, Inc.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificate, 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 this 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.

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Concluding Statement

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

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

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

This Official Statement has been 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 ELMENDORF, TEXAS

/s/ Michael J. Gonzales
Mayor
City of Elmendorf, Texas

ATTEST:

/s/ Roxanne De Leon
City Secretary
City of Elmendorf, Texas

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APPENDIX A

**FINANCIAL INFORMATION RELATING TO
THE CITY OF ELMENDORF, 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).....	\$ 159,050,190
Less Exemptions:	
Optional Over-65 or Disabled Homestead	\$ 3,238,264
Disabled/Deceased Veterans'	1,609,637
Open-Space Land and Timberland	14,126,756
TOTAL EXEMPTIONS	\$ 18,974,657
2020 Certified Assessed Value of Taxable Property.....	\$ 140,075,533
Less: 2020 Freeze Taxable	\$ 16,185,009
2020 Certified Freeze Adjusted Assessed Value of Taxable Property.....	\$ 123,890,524

Source: *Bexar Appraisal District and Wilson County Appraisal District*

GENERAL OBLIGATION BONDED DEBT ⁽¹⁾

(as of February 1, 2021)

General Obligation Debt Principal Outstanding

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 (re-issued)	\$ 1,144,000
Limited Tax Notes, Series 2017	75,692
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2018	10,770,000
The Certificates	1,390,000
Total Gross General Obligation Debt	\$ 13,379,692

Less: Self Supporting Debt

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2011 (100% Utility Fund)	\$ 10,770,000
Total Self-Supporting Debt	\$ 10,770,000
Total Net General Obligation Debt Outstanding	\$ 2,609,692

2020 Net Assessed Valuation	\$ 140,075,533
Ratio of Gross General Obligation Debt Principal to Net Taxable Assessed Valuation	9.55%
Ratio of Net General Obligation Debt to Net Taxable Assessed Valuation	1.86%

Population: 2000 - 644; 2010 - 1,488; est. 2020 - 2,144
 Per Capita Net Taxable Assessed Valuation - \$65,333.74
 Per Capita Gross General Obligation Debt Principal - \$6,240.53
 Per Capita Net General Obligation Debt Principal - \$1,217.21

⁽¹⁾ *Unaudited*

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

- NONE -

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 ⁽¹⁾	The Certificates			Total Combined Debt Service	Less: Self Supporting Debt Service	Total Net Debt Service
		Principal	Interest	Total			
2021	\$ 598,659		\$ 24,325	\$ 24,325	\$ 622,984	\$ 541,367	\$ 81,617
2022	600,903	\$ 10,000	41,700	51,700	652,603	543,269	109,334
2023	602,611	30,000	41,400	71,400	674,011	544,669	129,342
2024	597,914	55,000	40,500	95,500	693,414	540,582	152,832
2025	582,890	60,000	38,850	98,850	681,740	525,382	156,358
2026	577,849	60,000	37,050	97,050	674,899	520,100	154,799
2027	577,449	65,000	35,250	100,250	677,699	519,493	158,206
2028	581,760	65,000	33,300	98,300	680,060	523,541	156,519
2029	580,441	65,000	31,350	96,350	676,791	522,172	154,619
2030	578,913	70,000	29,400	99,400	678,313	520,539	157,774
2031	582,083	70,000	27,300	97,300	679,383	523,637	155,746
2032	579,956	75,000	25,200	100,200	680,156	521,392	158,764
2033	583,374	75,000	22,950	97,950	681,324	523,902	157,422
2034	580,463	80,000	20,700	100,700	681,163	521,054	160,109
2035	582,264	80,000	18,300	98,300	680,564	522,951	157,613
2036	579,748	80,000	15,900	95,900	675,648	519,515	156,133
2037	580,858	85,000	13,500	98,500	679,358	520,891	158,467
2038	582,683	85,000	10,950	95,950	678,633	521,964	156,669
2039	583,150	90,000	8,400	98,400	681,550	522,730	158,820
2040	584,350	95,000	5,700	100,700	685,050	523,227	161,823
2041	584,121	95,000	2,850	97,850	681,971	523,452	158,520
2042	584,622	-	-	-	584,622	523,403	61,219
2043	584,779	-	-	-	584,779	523,079	61,700
2044	584,628	-	-	-	584,628	522,478	62,151
2045	584,057	-	-	-	584,057	521,597	62,461
2046	583,174	-	-	-	583,174	520,434	62,740
2047	586,939	-	-	-	586,939	523,988	62,951
2048	585,250	-	-	-	585,250	522,138	63,112
2049	63,172	-	-	-	63,172	-	63,172
2050	64,164	-	-	-	64,164	-	64,164
2051	64,072	-	-	-	64,072	-	64,072
Total	\$ 16,567,296	\$ 1,390,000	\$ 524,875	\$ 1,914,875	\$ 18,482,171	\$ 14,702,944	\$ 3,779,227

⁽¹⁾ Includes self-supporting debt.

TAX ADEQUACY (Includes Self-Supporting Debt)

2020 Certified Net Taxable Assessed Valuation	\$ 140,075,533
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024)	693,414 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.50513 *

* 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	\$ 140,075,533
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2040)	161,823 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.11788 *

* 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	\$ 270,947
2020 Anticipated Interest and Sinking Fund Tax Levy at 98% Collections Produce ⁽¹⁾	89,503
Total Available for General Obligation Debt	<u>\$ 360,450</u>
General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/21	\$ 81,617
Anticipated Unaudited I&S Fund Balance on 9/30/2021	\$ 278,833

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of February 1, 2021)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding ^(a)	The Certificates	Total		
2021	\$ 326,123		\$ 326,123	\$ 13,053,569	2.44%
2022	338,751	\$ 10,000	348,751	12,704,817	5.04%
2023	345,459	30,000	375,459	12,329,358	7.85%
2024	346,192	55,000	401,192	11,928,166	10.85%
2025	337,166	60,000	397,166	11,531,000	13.82%
2026	338,000	60,000	398,000	11,133,000	16.79%
2027	344,000	65,000	409,000	10,724,000	19.85%
2028	355,000	65,000	420,000	10,304,000	22.99%
2029	361,000	65,000	426,000	9,878,000	26.17%
2030	367,000	70,000	437,000	9,441,000	29.44%
2031	378,000	70,000	448,000	8,993,000	32.79%
2032	384,000	75,000	459,000	8,534,000	36.22%
2033	396,000	75,000	471,000	8,063,000	39.74%
2034	402,000	80,000	482,000	7,581,000	43.34%
2035	413,000	80,000	493,000	7,088,000	47.02%
2036	420,000	80,000	500,000	6,588,000	50.76%
2037	431,000	85,000	516,000	6,072,000	54.62%
2038	443,000	85,000	528,000	5,544,000	58.56%
2039	454,000	90,000	544,000	5,000,000	62.63%
2040	466,000	95,000	561,000	4,439,000	66.82%
2041	477,000	95,000	572,000	3,867,000	71.10%
2042	489,000	-	489,000	3,378,000	74.75%
2043	501,000	-	501,000	2,877,000	78.50%
2044	513,000	-	513,000	2,364,000	82.33%
2045	525,000	-	525,000	1,839,000	86.26%
2046	537,000	-	537,000	1,302,000	90.27%
2047	554,000	-	554,000	748,000	94.41%
2048	566,000	-	566,000	182,000	98.64%
2049	58,000	-	58,000	124,000	99.07%
2050	61,000	-	61,000	63,000	99.53%
2051	63,000	-	63,000	-	100.00%
Total	<u>\$ 11,989,692</u>	<u>\$ 1,390,000</u>	<u>\$ 13,379,692</u>		

^(a) 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	\$ 35,720,922		---	---
2012-13	36,234,640		513,718	1.44%
2013-14	37,310,901		1,076,261	2.97%
2014-15	44,888,405		7,577,504	20.31%
2015-16	67,287,336		22,398,931	49.90%
2016-17	99,216,846		31,929,510	47.45%
2017-18	122,700,659		23,483,813	23.67%
2018-19	134,583,471		11,882,812	9.68%
2019-20	139,007,644		4,424,173	3.29%
2020-21	140,075,533		1,067,889	0.77%

Source: Bexar Appraisal District and Wilson County Appraisal District

CLASSIFICATION OF ASSESSED VALUATION

TABLE 4

	2020	% of Total	2019	% of Total	2018	% of Total
Real, Residential, Single-Family	\$ 65,068,671	0.409108	\$ 57,555,678	37.40%	\$ 51,516,468	34.88%
Real, Residential, Multi-Family	49,620	0.03%	45,340	0.03%	44,260	0.03%
Real, Vacant Lots/Tracts	6,821,390	4.29%	4,660,020	3.03%	3,672,260	2.49%
Real, Acreage (Land Only)	14,449,424	9.08%	11,929,359	7.75%	10,641,248	7.20%
Real, Farm and Ranch Improvements	12,103,553	7.61%	10,622,005	6.90%	10,085,886	6.83%
Real, Commercial and Industrial	30,410,651	19.12%	31,152,652	20.24%	30,193,399	20.44%
Real & Tangible, Personal Utilities	410,906	0.26%	420,828	0.27%	420,232	0.28%
Tangible Personal, Commercial &	25,323,898	15.92%	32,634,977	21.21%	35,915,661	24.32%
Tangible Personal, Mobile Homes	4,028,027	2.53%	4,190,870	2.72%	4,481,190	3.03%
Real Property, Inventory	384,050	0.24%	669,260	0.43%	739,200	0.50%
Total Appraised Value	\$ 159,050,190	100.00%	\$ 153,880,989	100.00%	\$ 147,709,804	100.00%
Less:						
Loss to 10% HO Cap	\$ 3,238,264		\$ 1,911,389		\$ 1,952,813	
Disabled/Deceased Veterans'	1,609,637		1,333,652		832,548	
Open-Space Land and Timberland	14,126,756		11,628,304		10,340,972	
Net Taxable Assessed Valuation	\$ 140,075,533		\$ 139,007,644		\$ 134,583,471	

Source: Bexar Appraisal District and Wilson County Appraisal District

PRINCIPAL TAXPAYERS 2020

TABLE 5

Name	Type of Business/Property	2020 Net Taxable Assessed Valuation	% of 2020 Assessed Valuation
Brenntag Southwest Inc.	Chemical Distribution	\$ 11,530,830	8.23%
Alamo Junction Rail Park LLC	Railyard	9,789,726	6.99%
National Property Holdings LP	Business Center	9,675,350	6.91%
Halliburton Energy Services, Inc. ⁽¹⁾	Oil Field Services	7,840,113	5.60%
CCS Properties, Inc.	Commercial Property	4,190,000	2.99%
Musket Corporation	Oil Field Services	2,217,090	1.58%
WT Byler Co.	Construction Company	1,636,040	1.17%
Cudd Pumping Services, Inc. ⁽²⁾	Oil Field Services	1,428,180	1.02%
ARC DG EDFTX001 LLC	Dollar Store	1,406,409	1.00%
Rausch Coleman Homes San Antonio	Home Builder	1,207,570	0.86%
		\$ 50,921,308	36.35%*

*As shown in the table above, the top ten taxpayers in the City account for in excess of 36% 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. Oil/gas prices in Texas and worldwide have been historically subject to fluctuation due to a multitude of factors. Recently, unprecedented volatility in the oil and gas industry due to the unused supply of oil as a result of COVID-19 stay-at-home orders and other mitigation efforts resulted in historic low prices in a key segment of the nation's oil trading. The State may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in the State and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted. As a result, the City's taxable assessed valuation and, therefore, the tax rates required to pay debt service on the City's indebtedness, may be subject to volatility in future years. 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.

⁽¹⁾ Halliburton ceased operations at its facility within the City in May 2020, resulting in decreasing sales tax within the City (although certain expenditures associated with the Halliburton Chapter 380 agreement were eliminated). See "AD VALOREM PROPERTY TAXATION - The Property Tax Code as Applied to the City" in this Official Statement. While Halliburton is currently not utilizing the facility, the City understands that the property is not for sale and being held for possible future use after COVID-19 when demand for oil is expected to rise. The City does not expect a property tax payment failure.

⁽²⁾ Cudd Energy bought its property within the City's boundaries in 2018 with plans for a regional distribution facility; however, those plans never came to fruition. The property is currently for sale. No new construction or sales tax revenues were associated with this property, and the City expects payment of the property taxes.

TAX RATE DISTRIBUTION**TABLE 6**

	2020	2019	2018	2017	2016
General Fund	\$ 0.396100	\$ 0.388400	\$ 0.395100	\$ 0.340500	\$ 0.316800
I&S Fund	0.065200	0.059800	0.044900	0.047600	0.053200
Total Tax Rate	<u>\$ 0.461300</u>	<u>\$ 0.448200</u>	<u>\$ 0.440000</u>	<u>\$ 0.388100</u>	<u>\$ 0.370000</u>

Source: Bexar Appraisal District and Wilson County 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	\$ 35,129,200	\$ 0.313300	\$ 110,060	90.39%	96.47%	9/30/2011
2011	35,720,922	0.481700	172,068	91.02%	95.59%	9/30/2012
2012	36,234,640	0.477300	172,948	92.09%	97.33%	9/30/2013
2013	37,310,901	0.477300	178,085	93.64%	98.57%	9/30/2014
2014	44,888,405	0.442300	198,541	93.79%	98.48%	9/30/2015
2015	67,287,336	0.400000	269,149	94.99%	100.52%	9/30/2016
2016	99,216,846	0.370000	367,102	95.71%	99.78%	9/30/2017
2017	122,700,659	0.388100	476,201	95.93%	98.88%	9/30/2018
2018	134,583,471	0.440000	592,167	96.42%	99.27%	9/30/2019
2019	139,007,644	0.448200	623,032	93.34%	96.43%	9/30/2020
2020	140,075,533	0.461300	646,168	(In Process of Collection)		9/30/2021

Source: Bexar Appraisal District and Wilson County Appraisal District

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	\$ 43,329	39.37%	\$ 0.123
2011	54,942	31.93%	0.154
2012	73,794	42.67%	0.204
2013	81,326	45.67%	0.218
2014	115,185	58.02%	0.257
2015	176,194	65.46%	0.262
2016	443,015	120.68%	0.447
2017	814,779	171.10%	0.664
2018	1,261,571	213.04%	0.937
2019	818,010	131.29%	0.588
2020	468,873	(as of December 1, 2020)	

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

OVERLAPPING DEBT INFORMATION

(as of February 1, 2021)

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 1/1/2021)	% Overlapping	Amount Overlapping
Alamo CCD	\$ 437,790,000	0.07%	\$ 306,453
Bexar Co	1,944,900,000	0.07%	1,361,430
East Central ISD	116,638,479	2.75%	3,207,558
Wilson Co	6,380,000	0.01%	638
Wilson Co Memorial Hospital	6,455,000	0.01%	646
Total Gross Overlapping Debt			<u>\$ 4,876,725</u>
Elmendorf, City of			\$ 13,379,692 *
Total Gross Direct and Overlapping Debt			<u>\$ 18,256,417 *</u>
Ratio of Gross Direct Debt and Overlapping Debt			136.45% *
Per Capita Gross Direct Debt and Overlapping Debt			\$8,515.12 *
Note: The above figures show Gross General Obligation Debt for the City of Elmendorf, Texas. The Issuer's Net General Obligation Debt is \$2,609,692*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:			
Total Net Direct and Overlapping Debt			\$ 7,486,417 *
Ratio of Net Direct and Overlapping Debt to 2020 Net Assessed Valuation			5.34% *
Per Capita Net Direct and Overlapping Debt			\$3,491.80 *

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	\$ 767,750	\$ 350,749	\$ 264,505	\$ 218,947	\$ 174,571
Revenues	1,775,775	1,893,626	1,260,584	1,009,474	769,615
Expenditures	1,528,527	1,692,505	1,247,415	1,030,125	805,184
Excess (Deficit) of Revenues Over Expenditures	\$ 247,248	\$ 201,121	\$ 13,169	\$ (20,651)	\$ (35,569)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 89,333	\$ 87,880	\$ 73,075	\$ 66,209	\$ 98,915
Notes Payable	-	128,000	-	-	-
Total Other Financing Sources (Uses):	\$ 89,333	\$ 215,880	\$ 73,075	\$ 66,209	\$ 98,915
Fund Balance - End of Year	\$ 1,104,331*	\$ 767,750	\$ 350,749	\$ 264,505	\$ 237,917

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

* *The City estimates the fiscal year ended 2020 with an unaudited General Fund balance of \$1,072,000.*

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2020 Assessed Valuation	% of Actual	2020 Tax Rate
Alamo CCD	\$ 186,455,022,211	100%	\$ 0.149000
Bexar Co	182,629,182,936	100%	0.289000
East Central ISD	4,392,799,685	100%	1.142000
Wilson Co	3,900,687,789	100%	0.485000
Wilson Co Memorial Hospital District	3,838,537,019	100%	0.117000

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
Alamo CCD	5/6/2017	\$ 450,000,000	\$ 173,000,000	\$ 277,000,000
Bexar Co	11/4/2003	99,246,000	49,981,000	49,265,000
East Central ISD	5/7/2016	86,100,000	83,945,000	2,155,000
Wilson Co	None			
Wilson Co Memorial Hospital District	None			

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

UTILITY PLANT IN SERVICE

(As of September 30, 2019)

Land	\$	30
Construction in Progress		1,079,720
Equipment		383,932
Buildings and Improvements		87,062
Total	\$	1,550,744
Less: Accumulated Depreciation		(314,894)
Net Property, Plant and Equipment	\$	1,235,850

Source: The Issuer's Comprehensive Annual Financial Report.

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

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	\$1,459,020	\$1,432,715	\$1,290,398	\$1,161,245	\$1,045,415
Expenses	<u>1,098,417</u>	<u>1,213,410</u>	<u>1,172,141</u>	<u>913,303</u>	<u>815,754</u>
Net Revenue Available for Debt Service	<u>\$ 360,603</u>	<u>\$ 219,305</u>	<u>\$ 118,257</u>	<u>\$ 247,942</u>	<u>\$ 229,661</u>

Source: The Issuer's Annual Financial Reports.

WATER RATES

Rates Effective December 19, 2019

Minimum Monthly for metered water service, including gallons allowed is based upon meter size and is as follows:

Meter Size	Inside Monthly Rate	Outside Monthly Rate	Gallons Allowed
Less than 1"	\$ 64.43	\$ 72.61	3,000
1"	161.08	177.43	8,000
1.5"	322.14	363.02	12,000
2"	515.43	580.82	-
3" DISP	579.86	653.43	-
3" CMPD	1,030.85	1,161.64	-
3" TURB	1,127.50	1,270.55	-
4" CMPD	1,610.70	1,815.06	-
4" TURB	1,932.84	2,178.08	-
6" CMPD	3,221.40	3,630.12	-
6" TURB	4,026.76	4,537.66	-
8" CMPD	5,154.24	5,808.20	-
10" CMPD	7,409.22	8,349.28	-

In addition to the service availability charge, water usage in excess of the gallons allowed per month listed above will be billed at the following rates:

Number of Gallons	Inside	Outside
1,000 - 3,000	6.90	7.04
4,000 - 8,000	7.22	4.58
9,000 - 12,000	7.78	8.38
13,000 - 16,000	8.25	8.94
17,000 - 20,000	9.26	10.10
21,000 - 30,000	10.32	11.32
31,000 - 40,000	11.39	12.54
41,000 - Greater	12.44	13.75

EMPLOYEE'S PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS

TABLE 10

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

APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF ELMENDORF
AND BEXAR AND WILSON COUNTIES, TEXAS**

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GENERAL INFORMATION REGARDING THE CITY OF ELMENDORF AND BEXAR AND WILSON COUNTIES, 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 Economy

The City of Elmendorf (the “City”) was founded in 1885 and is located in southeastern Bexar County 17 miles southeast of San Antonio, Texas with a small portion extending into southeast Wilson County. The City has a total area of 4.5 square miles.

In 2010 the City increased in population by 120% in 10 years. For 60 years the City’s population was stagnant with a population range of 600 and in 2010 stood under 1,500 citizens. With growth in population the City has increased in New home developments. The Industry is also the Alamo Junction Rail Park, an industrial park located on 400+ acres which will bring manufacturing and industrial business and will generate an estimated 500 new jobs.

Education

School districts serving the City of Elmendorf include Floresville Independent School District, East Central Independent School District and Southside 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.

BEXAR COUNTY, TEXAS

Creation and Location of Bexar County

The County was organized in 1836 as one of the original counties of the Republic of Texas and is now the fourth most populous of the 254 counties in the State of Texas with a 2019 estimated population of 2,003,554. The County has an area of approximately 1,248 square miles and contains 27 incorporated cities within its boundaries.

The County is located in south central Texas and is a component of the Metropolitan Statistical Area (“MSA”) of San Antonio. The San Antonio MSA is one of the nation's largest MSAs and the third largest MSA in Texas. The principal city within the County is San Antonio, the county seat. The City was founded in the early eighteenth century and was incorporated by the Republic of Texas in 1837. The City covers approximately 467 square miles and is located in south central Texas approximately 80 miles south of Austin, the state capital. The City's 2010 census population of 1,327,407 makes it the second largest city in Texas and the seventh largest in the United States.

The following table provides, at the dates shown, the population of the City, the County, and the Area MSA, which includes Bexar, Comal, Wilson and Guadalupe Counties.

Calendar Year	City of San Antonio	Bexar County	Area MSA
1930	231,542	292,533	333,442
1940	253,854	338,176	376,093
1950	408,442	500,460	542,209
1960	587,718	687,151	736,066
1970	654,153	830,460	888,179
1980	786,023	988,870	1,088,881
1990	935,933	1,185,394	1,407,745
2000	1,144,646	1,392,931	1,711,703
2010	1,327,407	1,714,773	2,142,508
2019	1,547,253	2,003,554	2,550,960

Source: U.S. Census of Population.

Labor Force Statistics ⁽¹⁾

	<u>2020</u> ⁽²⁾	<u>2019</u> ⁽³⁾	<u>2018</u> ⁽³⁾	<u>2017</u> ⁽³⁾	<u>2016</u> ⁽³⁾
Civilian Labor Force	959,472	949,380	936,251	924,257	905,115
Total Employed	886,801	919,763	905,106	891,563	871,260
Total Unemployed	72,671	29,617	31,145	32,694	33,855
% Unemployment	7.6%	3.1%	3.3%	3.5%	3.7%
Texas Unemployment	8.0%	3.5%	3.8%	4.3%	4.6%

(1) Source: Texas Workforce Commission.

(2) As of November 2020.

(3) Average Annual Statistics.

Wilson County

On February 13, 1860, the Texas Legislature passed the act creating Wilson County (the "County") from portions of Bexar and Karnes Counties. At this time, a store in Sutherland Springs was rented as the temporary location for the Wilson County Courthouse. The Courthouse was not settled in Floresville until 1873 when Floresville was established as the center of County government. Since that time, the Courthouse has been located in Floresville.

Wilson County is a south Texas county with an economy based on agriculture. The county is traversed by U.S. Highways 87 and 182, State Highways 97, 119 and 123 and six farm-to-market roads. Principal sources of agricultural income include cattle, hogs, poultry, peanuts and sorghum.

Minerals produced in the county include oil, gas and clays.

Oil has played a major role in the economy for South Texas. The Eagle Ford Shale play (EFS) is quite possibly the largest single economic development in the history of the state of Texas. The Eagle Ford Shale was one of the most actively drilled targets for oil and gas in the United States in 2010. The play had more than a \$25 billion dollar impact on the local South Texas economy in 2011. The term "play" is used in the oil and gas industry to refer to a geographic area which has been targeted for exploration due to favorable survey results.

The play is located in South Texas and produces from various depths between 4,000 and 14,000 feet. The EFS takes its name from the town of Eagle Ford Texas where the shale outcrops at the surface in clay form. (Some operators refer to the play as the Eagleford.) The Eagle Ford is the most active shale play in the world with ~250 rigs running. Operators are indicating the play will be developed for decades to come. The EFS Benefits from high liquids yields across much of the play, which support economics of development even while natural gas prices are low. Higher oil prices have helped spur development as oil, condensate, and NGLs (ethane, propane and butane) all command better prices than natural gas

Labor Force Statistics ⁽¹⁾

	<u>2020 ⁽²⁾</u>	<u>2019 ⁽³⁾</u>	<u>2018 ⁽³⁾</u>	<u>2017 ⁽³⁾</u>	<u>2016 ⁽³⁾</u>
Civilian Labor Force	24,761	24,876	24,547	24,184	23,741
Total Employed	23,259	24,174	23,798	23,340	22,815
Total Unemployed	1,502	702	749	844	926
% Unemployment	6.1%	2.8%	3.1%	3.5%	3.9%
Texas Unemployment	8.0%	3.5%	3.8%	4.3%	4.6%

(1) Source: Texas Workforce Commission.

(2) As of November 2020.

(3) Average Annual Statistics.

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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 Elmendorf, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021” (the *Certificates*), dated January 1, 2021 in the aggregate principal amount of \$1,390,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Elmendorf, 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 August 1 in each of the years 2022 through 2029, August 1, 2033, August 1, 2037, and August 1, 2041, 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 ELMENDORF, 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 Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Subordinate Lien Obligations that are payable in part from and secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System in accordance with the ordinance authorizing the issuance of the currently outstanding Subordinate Lien Obligations. The Issuer has also previously authorized the issuance of the 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 ordinance 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, 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

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

subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Norton Rose Fulbright US LLP

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APPENDIX D

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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BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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Please reply to Pleasanton address

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Elmendorf, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elmendorf, Texas, as of September 30, 2019, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Butterfield PID Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Employee Retirement System Information, and the OPEB system information on pages 3–12, 70-72, and 81 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.



BEYER & COMPANY
Certified Public Accountants
February 13, 2020

Management's Discussion and Analysis

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

Financial Highlights

- . The assets of the City of Elmendorf, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$3,583,940 (net position). Of this amount, \$1,863,828 or 52% (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position increased by \$675,552. This increase is mainly attributable to an increase in careful budget management.
- . At the end of the current fiscal year, unassigned fund balance for the general fund was \$837,981 or 55 percent of total general fund expenditures.
- . The City of Elmendorf, Texas' restricted net position at September 30, 2019 was \$1,006,763.
- . The City of Elmendorf, Texas' total debt increased by \$540,287 (24%) during the current fiscal year. The key factor in this increase was the issuance of bonds of \$547,851.

Overview of the Financial Statements

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

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Elmendorf, Texas' finances, in a manner like a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City of Elmendorf, Texas that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Elmendorf, Texas include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Elmendorf, Texas include a Water, Sewer System, and Garbage.

The government-wide financial statements include only the City of Elmendorf, Texas itself (known as the *primary government*.)

The government-wide financial statements can be found on pages 13-14 for this report.

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

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

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

The City of Elmendorf, Texas maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the Butterfield PID fund, and the Economic Development Corporation fund. The City of Elmendorf, Texas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and the Butterfield PID fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary funds: The City of Elmendorf, Texas maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Elmendorf, Texas uses enterprise funds to account for its Water, Sewer System, and Garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water, Sewer System, and Garbage operations, which is a major fund of the City of Elmendorf, Texas. The basic proprietary fund financial statements can be found on pages 21-25 of this report.

Notes to the financial statements: The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-69 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Elmendorf, Texas' progress in funding its obligation to provide pension benefits to its employees. The required supplementary information can be found on pages 70-72 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Elmendorf, Texas, assets exceeded liabilities by \$3,583,940 at the close of the most recent fiscal year.

A portion of the City of Elmendorf, Texas' net position (20 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Elmendorf, Texas uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Elmendorf, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF ELMENDORF, TEXAS
NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$1,520,882	\$1,392,274	\$826,378	\$661,490	\$2,347,260	\$2,053,764
Restricted Assets:	777,498	459,981	229,265	435,950	1,006,763	895,931
Capital Assets:	1,953,032	1,941,932	1,235,850	712,060	3,188,882	2,653,992
Total Assets	4,251,412	3,794,187	2,291,493	1,809,500	6,542,905	5,603,687
Total Deferred Outflows of Resources	40,778	22,354	22,356	14,233	63,134	36,587
Long-Term Liabilities	1,314,486	1,325,269	1,465,452	914,382	2,779,938	2,239,651
Other Liabilities (Payable from Restricted Assets)	0	0	1,300	1,300	1,300	1,300
Other Liabilities	103,141	273,985	136,343	207,475	239,484	481,460
Total Liabilities	1,417,627	1,599,254	1,603,095	1,123,157	3,020,722	2,722,411
Total Deferred Inflows of Resources	889	5,789	488	3,686	1,377	9,475
Invested in Capital Assets, Net of Related Debt	692,040	646,161	21,309	246,859	713,349	893,020
Restricted	777,498	407,538	229,265	436,250	1,006,763	843,788
Unrestricted	1,404,136	1,157,799	459,692	13,781	1,863,828	1,171,580
Total Net Position	\$2,873,674	\$2,211,498	\$710,266	\$696,890	\$3,583,940	\$2,908,388

An additional portion of the City of Elmendorf, Texas' net position (28 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$1,863,828) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Elmendorf, Texas can report positive balances in three categories of net position, for the government, as well as for the separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's total net position increased by \$675,552. This increase is mainly attributable to an increase in careful budget management.

Governmental activities: Governmental activities increased the City of Elmendorf, Texas' net position by \$662,176 which accounted for 98 percent of the total growth in the net position of the City of Elmendorf, Texas. Key elements of this increase are as follows: This increase is mainly attributable to careful budget management.

**CITY OF ELMENDORF, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$472,220	\$486,985	\$1,445,978	\$1,429,303	\$1,918,198	\$1,916,288
Operating Grants and Contributions	36,359	119,555			36,359	119,555
General Revenues:						
Maintenance and Operations Taxes	588,922	479,098			588,922	479,098
Sales Taxes	913,305	1,191,933			913,305	1,191,933
Franchise Taxes	81,367	98,741			81,367	98,741
Unrestricted Investment Earnings	13,859	3,802	13,044	3,412	26,903	7,214
Miscellaneous	54,539	49,701			54,539	49,701
Total Revenue	2,160,571	2,429,815	1,459,022	1,432,715	3,619,593	3,862,530
Expenses:						
General Administration	688,431	1,100,440			688,431	1,100,440
Public Safety	698,488	538,918			698,488	538,918
Public Facilities	60,121	43,799			60,121	43,799
Public Transportation	96,023	84,342			96,023	84,342
Culture and Recreation	1,178	5,969			1,178	5,969
Interest and Fiscal Charges	43,487	43,829			43,487	43,829
Utility			1,356,313	1,259,874	1,356,313	1,259,874
Total Expenses	1,587,728	1,817,297	1,356,313	1,259,874	2,944,041	3,077,171
Increase in Net Position Before Transfers and Special Items	572,843	612,518	102,709	172,841	675,552	785,359
Transfers	89,333	87,880	(89,333)	(87,880)	0	0
Increase in Net Position	662,176	700,398	13,376	84,961	675,552	785,359
Net Position at 09/30/2018	2,211,498	1,511,100	696,890	611,929	2,908,388	2,123,029
Net Position at 09/30/2019	\$2,873,674	\$2,211,498	\$710,266	\$696,890	\$3,583,940	\$2,908,388

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$688,431	\$17,451	\$36,359
Public Safety	698,488	454,769	
Public Facilities	60,121		
Public Transportation	96,023		
Culture and Recreation	1,178		
Interest and Fiscal Charges	43,487		
Total Government Activities	<u>\$1,587,728</u>	<u>\$472,220</u>	<u>\$36,359</u>

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$472,220	22%
Operating Grants and Contributions	36,359	2%
Maintenance and Operations Taxes	588,922	27%
Sales Taxes	913,305	41%
Franchise Taxes	81,367	4%
Unrestricted Investment Earnings	13,859	1%
Miscellaneous	54,539	3%
	<u>\$2,160,571</u>	<u>100%</u>

For the most part, increases and decreases in expenses closely paralleled inflation and growth/decline in the demand for services.

Business-type activities: Business-type activities increased the City of Elmendorf, Texas' net position by \$13,376, accounting for 2 percent of the total growth in the government's net position. Key elements of this increase are as follows: Careful budget management.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary government			
Business-Type Activities:			
Utility	\$1,356,313	\$1,445,978	\$0
Total Business-Type Activities	<u>\$1,356,313</u>	<u>\$1,445,978</u>	<u>\$0</u>

Revenues by Source - Business-Type Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$1,445,978	99%
Unrestricted Investment Earnings	13,044	1%
	<u>\$1,459,022</u>	<u>100%</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Elmendorf, Texas' governmental funds reported combined ending fund balances of \$1,615,479, an increase of \$555,436 in comparison with the prior year. Approximately 52% of this total amount \$837,981 constitutes *uncommitted, undesignated fund balance*, which is available for spending at the government's discretion. There is no fund balance that is *reserved or designated*.

The general fund is the chief operating fund of the City of Elmendorf, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$837,981 while total fund balance reached \$1,104,331. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55 percent of total general fund expenditures, while total fund balance represents 72 percent of that same amount.

The fund balance of the City of Elmendorf, Texas' general fund increased by \$336,581 during the current fiscal year. Key factor in this increase is as follows: This increase is mainly attributable to careful budget management.

There is no analysis for the Butterfield PID fund because it is used to pay back to the developer for infrastructure expenses from assessments on the property.

At the end of the current fiscal year, restricted fund balance of the economic development fund was \$511,048 while total fund balance reached \$511,048. As a measure of the economic development fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 596 percent of total economic development fund expenditures. The fund balance of the City of Elmendorf, Texas' economic development fund increased by \$218,855 during the current fiscal year. Key factor in this increase is as follows: Careful budget management.

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

Unrestricted net position of the Utility fund at the end of the year amounted to \$459,692. The total increase in net position for the Utility fund was \$13,376. Key factors in this overall increase are as follows:

1. This increase is mainly attributable to careful budget management.

General Fund Budgetary Highlights

During the year there was no increase between the original and final amended budget for the general fund.

Capital Asset and Debt Administration

Capital assets: The City of Elmendorf, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$3,188,882 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Elmendorf, Texas' investment in capital assets for the current fiscal year was 20 percent (a 1 percent increase for governmental activities and a 74 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following: The government had a Water Supply Project during the 2018-2019 year. The project is ongoing into the 2019-2020 year.

CITY OF ELMENDORF, TEXAS CAPITAL ASSETS (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$133,990	\$133,990	\$30	\$30	\$134,020	\$134,020
Construction in Progress	18,773	0	1,079,720	521,644	1,098,493	521,644
Building and Improvements	1,510,274	1,531,566	58,056	59,797	1,568,330	1,591,363
Machinery and Equipment	119,198	100,898	98,044	130,589	217,242	231,487
Intangible	0	0			0	0
Infrastructure	170,797	175,478			170,797	175,478
Distribution System					0	0
Total	\$1,953,032	\$1,941,932	\$1,235,850	\$712,060	\$3,188,882	\$2,653,992

Additional information of the City of Elmendorf, Texas' capital assets can be found in note IV.C on pages 39-40 of this report.

Long-term debt:

At the end of the current fiscal year, the City of Elmendorf, Texas had the following bonded debt.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$1,180,000	\$0	\$18,000	\$1,162,000	\$19,000	\$1,143,000
<u>Business-Type activities:</u>						
Bonds Payable	894,880	547,851		1,442,731		1,442,731
Grand Total	\$2,074,880	\$547,851	\$18,000	\$2,604,731	\$19,000	\$2,585,731

The City had an increase in bonded debt of \$529,851 or 26%. The increase is a result of the issuance of Combination Tax and Lien Bonds, Series 2018 of \$547,851. The terms of the arrangement were that proceeds would be provided as construction progressed on the Utility Water project. \$1,442,731 has been issued as of September 30, 2019.

Additional information on the City of Elmendorf, Texas' long-term debt can be found in note IV.F on page 41-42 of this report.

Economic Factors:

As reported last year the City is in the process of building water facilities including 4 wells, treatment plant, ground storage tanks, associated water line extensions, water meter conversion to radio read and an elevated water storage tank. Funding was secured in 2018 for the total project cost of 10.7 million. Construction will occur in several phases over the next 2 years. This project helped spur a new fire station in the city being built by Bexar ESD10. Construction set to be this summer.

The City, as well as the Elmendorf EDC, also experienced a large increase in sales tax proceeds over the course of the year. This is primarily driven by Halliburton as their sales increased significantly beyond expectations. Cudd Energy has also completed purchase of approximately 40 acres on the east side of town where they are beginning the process of building a multi-million-dollar facility to serve as its regional hub for south Texas in the City of Elmendorf.

The City also experienced growth in the residential sector during 2018. Unit 2a of the Homewood Place subdivision was purchased by Rausch Coleman Homes. Most of the lots were built and sold within 6 months of acquisition. This amounted to increases seen in permitting fees as well as increased revenues in the water utility for new meter sets which brought in approximately \$56,000.00 in new income during 2018. Further, DR Horton has recently announced acquisition in Elmendorf of a 3500-lot master planned community slated to begin this spring.

Requests for Information

This financial report is designed to provide a general overview of the City of Elmendorf, Texas' 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 financial information should be addressed to the Office of the Finance Department, P.O. Box 247, Elmendorf, Texas 78112.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ELMENDORF, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$927,572	\$672,280	\$1,599,852
Receivables (Net of Allowance for Uncollectibles)	593,310	154,098	747,408
Restricted Assets:			
Cash and Cash Equivalents	759,298	229,265	988,563
Receivables (Net of Allowance for Uncollectibles)	18,200	0	18,200
Capital Assets Not Being Depreciated:			
Land	152,763	30	152,793
Construction in Progress	0	1,079,720	1,079,720
Total Capital Assets Being Depreciated, Net			
Building and Improvements	1,510,274	58,056	1,568,330
Machinery and Equipment	119,198	98,044	217,242
Intangible	0		0
Infrastructure	170,797		170,797
Total Assets	\$4,251,412	\$2,291,493	\$6,542,905
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Deferred Outflow of Resources-Contributions (after 12/31/18)	27,630	15,147	42,777
Difference in expected and actual experience	2,110	1,157	3,267
Difference in proj. and actual earnings on pension plan invest.	11,038	6,052	17,090
Total Deferred Outflows of Resources	40,778	22,356	63,134
LIABILITIES:			
Accounts Payable	\$68,748	\$90,626	\$159,374
Accrued Wages	19,333	8,121	27,454
Park Deposits	8,470		8,470
Accrued Interest	6,590	37,596	44,186
Consumer Meter Deposit		1,300	1,300
Noncurrent Liabilities:			
Due Within One Year	64,367	7,331	71,698
Due in More Than One Year	1,250,119	1,458,121	2,708,240
Total Liabilities	1,417,627	1,603,095	3,020,722
DEFERRED INFLOWS OF RESOURCES			
GASB 75			
Difference in expected and actual experience	86	47	133
Change in assumptions	803	441	1,244
Total Deferred Inflows of Resources	889	488	1,377
NET POSITION			
Invested in Capital Assets, Net of Related Debt	692,040	21,309	713,349
Restricted			
Butterfield Ranch PID	100	915	1,015
Debt Service	108,829	160	108,989
Economic Development	511,048		511,048
Infrastructure	145,796	228,190	373,986
PEG Fund	11,725		11,725
Unrestricted	1,404,136	459,692	1,863,828
Total Net Position	\$2,873,674	\$710,266	\$3,583,940

The accompanying notes are an integral part of this statement.

CITY OF ELMENDORF, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Government Activities:						
General Administration	\$688,431	\$17,451	\$36,359	(\$634,621)		(\$634,621)
Public Safety	698,488	454,769		(243,719)		(243,719)
Public Facilities	60,121			(60,121)		(60,121)
Public Transportation	96,023			(96,023)		(96,023)
Culture and Recreation	1,178			(1,178)		(1,178)
Interest and Fiscal Charges	43,487			(43,487)		(43,487)
Total Government Activities	1,587,728	472,220	36,359	(1,079,149)	0	(1,079,149)
Business-Type Activities:						
Utility (Water, Garbage, and Sewer)	1,356,313	1,445,978			89,665	89,665
Total Business-Type Activities	1,356,313	1,445,978	0	0	89,665	89,665
Total Primary Government	\$2,944,041	\$1,918,198	\$36,359	(1,079,149)	89,665	(989,484)
General Revenues						
Property Taxes, Levies for General Purposes				588,922		588,922
Sales Taxes				913,305		913,305
Franchise Taxes				81,367		81,367
Unrestricted Investment Earnings				13,859	13,044	26,903
Miscellaneous				54,539		54,539
Transfers				89,333	(89,333)	0
Total General Revenues and Transfers				1,741,325	(76,289)	1,665,036
Change in Net Position				662,176	13,376	675,552
Net Position - Beginning				2,211,498	696,890	2,908,388
Net Position - Ending				\$2,873,674	\$710,266	\$3,583,940

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF ELMENDORF, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Butterfield PID Fund	Economic Development Corporation	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$927,572			\$927,572
Receivables (Net of Allowance for Uncollectibles)	56,453			56,453
Restricted Assets:				
Cash and Cash Equivalents	266,350	100	492,848	759,298
Receivables (Net of Allowance for Uncollectibles)			18,200	18,200
Total Assets	\$1,250,375	\$100	\$511,048	\$1,761,523
LIABILITIES AND FUND BALANCES:				
Accounts Payable	\$68,748			\$68,748
Accrued Wages	19,333			19,333
Park Deposits	8,470			8,470
Total Liabilities	96,551	0	0	96,551
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes	49,493			49,493
Fund Balances:				
Restricted				
Butterfield Ranch PID		100		100
Debt Service	108,829			108,829
Economic Development			511,048	511,048
Infrastructure	145,796			145,796
PEG Fund	11,725			11,725
Unassigned	837,981			837,981
Total Fund Balance	1,104,331	100	511,048	1,615,479
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,200,882	\$100	\$511,048	\$1,712,030

The accompanying notes are an integral part of this statement.

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

Total Fund Balances - Governmental Funds Balance Sheet \$1,615,479

Amounts reported for governmental activities in the statement of net position ("SNA") are different because:

Capital assets used in governmental activities are not reported in the funds. 1,953,032

Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). 49,493

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 576,746

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (1,321,076)

Net Position of Governmental Activities - Statement of Net Position \$2,873,674

The accompanying notes are an integral part of this statement.

CITY OF ELMENDORF, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Butterfield PID Fund	Economic Development Corporation	Total Governmental Funds
<i>REVENUES</i>				
Taxes				
Property	\$584,832			\$584,832
Sales	608,883		304,422	913,305
Franchise	81,367			81,367
Licenses and Permits	36,359			36,359
Intergovernmental	0			0
Charges for Services	242,432			242,432
Fines and Forfeitures	153,622	15,805		169,427
Interest	13,741		118	13,859
Miscellaneous	54,539			54,539
Total Revenues	<u>1,775,775</u>	<u>15,805</u>	<u>304,540</u>	<u>2,096,120</u>
<i>EXPENDITURES</i>				
Current:				
General Administration	594,563	15,805	85,685	696,053
Public Safety	715,491			715,491
Public Facilities	29,818			29,818
Public Transportation	104,588			104,588
Culture and Recreation	5,753			5,753
Debt Service				
Principal Retirement	34,779			34,779
Interest Retirement	43,535			43,535
Total Expenditures	<u>1,528,527</u>	<u>15,805</u>	<u>85,685</u>	<u>1,630,017</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>247,248</u>	<u>0</u>	<u>218,855</u>	<u>466,103</u>
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Notes Payable				0
Operating Transfers In	89,333			89,333
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>89,333</u>	<u>0</u>	<u>0</u>	<u>89,333</u>
Net Changes in Fund Balances	<u>336,581</u>	<u>0</u>	<u>218,855</u>	<u>555,436</u>
Fund Balances - Beginning	767,750	100	292,193	1,060,043
Fund Balances - Ending	<u>\$1,104,331</u>	<u>\$100</u>	<u>\$511,048</u>	<u>\$1,615,479</u>

The accompanying notes are an integral part of this statement.

CITY OF ELMENDORF, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 SEPTEMBER 30, 2019

Net Changes in Fund Balances - Total Governmental Funds \$555,436

Amounts reported for governmental activities in the statement of net position
 ("SNA") 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. This is the amount by which capital outlays exceeded depreciation in the current period.	11,100
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	6,755
Deferred Outflow-Difference in expected and actual experience. This is the change in these amounts this year.	1,473
Deferred Outflow-Dif. in proj. and actual earnings on pension plan investments. This is the change in these amounts this year.	16,827
GASB 75	
Deferred Inflow-Difference in expected and actual experience. This is the change in these amounts this year.	(86)
Deferred Inflow of Resources-Change in assumptions. This is the change in these amounts this year.	(1,645)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	60,361
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	4,090
(Decrease) increase in net pension receivable.	(2,966)
(Increase) decrease in compensated absences from beginning of period to end of period.	(9,705)
(Increase) decrease in net pension payable.	(13,590)
(Increase) decrease in OPEB payable.	(701)
(Increase) decrease in accrued interest payable from beginning of period to end of period.	48
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	34,779
Change in Net Position of Governmental Activities - Statement of Activities	\$662,176

The accompanying notes are an integral part of this statement.

CITY OF ELMENDORF, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS)
BUDGET AND ACUTAL FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes				
Property	\$532,000	\$532,000	\$584,832	\$52,832
Sales	775,000	775,000	608,883	(166,117)
Franchise	91,400	91,400	81,367	(10,033)
Licenses and Permits	35,000	35,000	36,359	1,359
Charges for Services	253,900	253,900	242,432	(11,468)
Fines and Forfeitures	100,500	100,500	153,622	53,122
Interest	2,600	2,600	13,741	11,141
Miscellaneous	57,490	57,490	54,539	(2,951)
Total Revenues	1,847,890	1,847,890	1,775,775	(72,115)
EXPENDITURES				
Current:				
General Administration				
General Administration	277,700	277,700	251,318	26,382
Insurance	17,600	17,600	16,259	1,341
Operations	16,720	16,720	8,627	8,093
Miscellaneous	50,060	50,060	38,289	11,771
Non Departmental	495,120	495,120	280,070	215,050
Public Safety				
Police	538,900	538,900	602,688	(63,788)
Jail	6,000	6,000	10,142	(4,142)
Municipal Court	28,240	28,240	44,182	(15,942)
Public Facilities				
Building	14,600	14,600	29,818	(15,218)
Public Transportation				
Streets	19,700	19,700	40,614	(20,914)
Public Transportation	64,400	64,400	63,974	426
Culture and Recreation				
Library	6,500	6,500	5,753	747
Debt Service				
Principal Retirement	34,779	34,779	34,779	0
Interest and Fiscal Charges	37,621	37,621	43,535	(5,914)
Total Expenditures	1,607,940	1,607,940	1,470,048	137,892
Excess (Deficiency) of Revenues Over (Under) Expenditures	239,950	239,950	305,727	65,777
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances - Budgetary Basis	239,950	239,950	305,727	65,777
Reconciliation from Budgetary Basis to Modified Accrual:				
Police Grant				
Other Capital Expenditures			(58,479)	
Transfer from PID Fund			89,333	
Net Changes in Fund Balances - Modified Accrual Basis			336,581	
Fund Balances - Beginning			767,750	
Fund Balances - Ending			\$1,104,331	

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

CITY OF ELMENDORF, TEXAS
 BUTTERFIELD PID FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$16,000	\$16,000	\$15,805	(\$195)
Total Revenues	16,000	16,000	15,805	(195)
EXPENDITURES				
Current				
General Administration	17,000	17,000	15,805	1,195
Total Expenditures	17,000	17,000	15,805	1,195
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000)	(1,000)	0	1,000
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(1,000)	(1,000)	0	1,000
Fund Balances - Beginning			100	
Fund Balances - Ending	(\$1,000)	(\$1,000)	\$100	1,100

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

CITY OF ELMENDORF, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$672,280	\$534,540	\$672,280
Accounts Receivables (Net of Allowance for Uncollectibles)	154,098	126,718	154,098
Net Pension Receivable	0	232	0
Total Current Assets	826,378	661,490	826,378
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents - Debt Service	160	160	160
Cash and Cash Equivalents - Construction	228,190	435,690	228,190
Cash and Cash Equivalents - Butterfield PID	915	100	915
Total Restricted Assets	229,265	435,950	229,265
Capital Assets			
Land	30	30	30
Construction in Progress	1,079,720	521,644	1,079,720
Buildings and Improvements	87,062	87,062	87,062
Machinery and Equipment	383,932	388,932	383,932
Total Capital Assets	1,550,744	997,668	1,550,744
Less Accumulated Depreciation	(314,894)	(285,608)	(314,894)
Total Capital Assets (Net of Accumulated Depreciation)	1,235,850	712,060	1,235,850
Total Noncurrent Assets	1,465,115	1,148,010	1,465,115
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Deferred Outflow of Resources-Contributions (after 12/31/18)		13,291	0
Deferred Outflow of Resources-Contributions (after 12/31/19)	15,147		15,147
Difference in projected and actual earnings on pension plan investments	6,052		6,052
Difference in expected and actual experience	1,157	406	1,157
GASB 75			
Change in assumptions	0	536	0
Total Deferred Outflow of Resources	22,356	14,233	22,356
TOTAL ASSETS	\$2,291,493	\$1,809,500	\$2,291,493

(continued)

(continued)

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$90,626	\$165,029	\$90,626
Accrued Wages	8,121	6,521	8,121
Accrued Interest Payable	37,596	35,925	37,596
Compensated Absences	7,331	6,335	7,331
Capital Lease Payable - Current		6,011	0
Total Current Liabilities (Payable from Current Assets)	<u>143,674</u>	<u>219,821</u>	<u>143,674</u>
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	1,300	1,300	1,300
Total Current Liabilities Payable from Restricted Assets	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>
Noncurrent Liabilities			
Revenue Certificates of Obligation	1,442,731	894,880	1,442,731
Net Pension Liability	8,844	0	8,844
Net OPEB Liability	6,546	7,156	6,546
Total Noncurrent Liabilities	<u>1,458,121</u>	<u>902,036</u>	<u>1,458,121</u>
Total Liabilities	<u>1,603,095</u>	<u>1,123,157</u>	<u>1,603,095</u>
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in projected and actual earnings on pension plan investments	0	3,686	0
GASB 75			
Difference in expected and actual experience	47	0	47
Change in assumptions	441	0	441
Total Deferred Inflow of Resources	<u>488</u>	<u>3,686</u>	<u>488</u>
Invested in Capital Assets, Net of Related Debt	21,309	246,859	21,309
Restricted for Butterfield Ranch PID - Expendable	915	100	915
Restricted for Debt Service - Expendable	160	160	160
Restricted for Infrastructure - Expendable	228,190	435,990	228,190
Unrestricted	459,692	13,781	459,692
Total Net Position	<u>\$710,266</u>	<u>\$696,890</u>	<u>\$710,266</u>

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

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

	Business-Type Activities		
	Enterprise Funds		Totals
	Utility Current Year	Utility Prior Year	Current Year
OPERATING REVENUES:			
Charges for Services (Water)	\$1,106,594	\$1,113,593	\$1,106,594
Charges for Services (Sewer)	38,010	29,831	38,010
Charges for Services (Garbage)	215,016	205,017	215,016
Miscellaneous	86,358	80,862	86,358
Total Operating Revenues	<u>1,445,978</u>	<u>1,429,303</u>	<u>1,445,978</u>
OPERATING EXPENSES:			
Personal Services	345,355	309,903	345,355
Supplies	10,498	7,189	10,498
Other Services and Charges	742,564	896,518	742,564
Depreciation	34,286	46,264	34,286
Total Operating Expenses	<u>1,132,703</u>	<u>1,259,874</u>	<u>1,132,703</u>
Operating Income (Loss)	<u>313,275</u>	<u>169,429</u>	<u>313,275</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest and Fiscal Charges	(223,610)	0	(223,610)
Interest Income	13,044	3,412	13,044
Total Non-Operating Revenues (Expenses)	<u>(210,566)</u>	<u>3,412</u>	<u>(210,566)</u>
Income Before Transfers	102,709	172,841	102,709
Transfers In (Out) - Net	<u>(89,333)</u>	<u>(87,880)</u>	<u>(89,333)</u>
Change in Net Position	13,376	84,961	13,376
Total Net Position - Beginning	696,890	611,929	696,890
Total Net Position - Ending	<u>\$710,266</u>	<u>\$696,890</u>	<u>\$710,266</u>

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

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

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$1,418,598	\$1,424,316	\$1,418,598
Payments to Suppliers	(825,794)	(747,482)	(825,794)
Payments to Employees	(345,614)	(305,758)	(345,614)
Net Cash Provided (Used) by Operating Activities	247,190	371,076	247,190
Cash Flows from Non-Capital and Related Financing Activities			
Transfers In (Out)	(89,333)	(87,880)	(89,333)
Federal Grants and Contributions	0	0	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(89,333)	(87,880)	(89,333)
Cash Flows from Capital and Related Financing Activities			
Interest and Fiscal Charges	(223,610)	0	(223,610)
Revenue Bond Proceeds	547,851	894,880	547,851
Purchases of Capital Assets	(558,076)	(578,375)	(558,076)
Principal Payment on Revenue Bonds, Notes and Capital Leases	(6,011)	(9,016)	(6,011)
Net Cash Provided (Used) by Capital and Related Financing Activities	(239,846)	307,489	(239,846)
Cash Flows from Investing Activities			
Interest Received	13,044	3,412	13,044
Net Cash Provided (Used) by Investment Activities	13,044	3,412	13,044
Net Increase (Decrease) in Cash Equivalents	(68,945)	594,097	(68,945)
Cash and Cash Equivalents at Beginning of Year	970,490	376,393	970,490
Cash and Cash Equivalents at End of Year	\$901,545	\$970,490	\$901,545
	0	0	0
Unrestricted Assets:			
Cash and Cash Equivalents	\$672,280	\$661,490	\$826,378
Restricted Assets:			
Cash and Cash Equivalents	229,265	435,950	229,265
Total	\$901,545	\$1,097,440	\$1,055,643

(continued)

(continued)

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$313,275	\$169,429	\$313,275
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	34,286	46,264	34,286
Changes in Current Items			
(Increase) Decrease in Accounts Receivable	(27,380)	(4,987)	(27,380)
(Increase) Decrease in Net Pension Receivable	232	(232)	232
GASB 68			
Decrease (Increase) Deferred Outflow of Resources-Contributions	(1,856)	1,372	(1,856)
Difference in expected and actual experience	(751)	401	(751)
Difference in projected and actual earnings on pension plan investments	(9,738)	3,682	(9,738)
GASB 75			
Change in assumptions	977	(536)	977
Difference in expected and actual experience	47		47
Increase (Decrease) in Accounts Payable	(74,403)	120,300	(74,403)
Increase (Decrease) in Accrued Wages	1,600	257	1,600
Increase (Decrease) in Accrued Interest Payable	1,671	35,925	1,671
Increase (Decrease) in Compensated Absences	996	1,400	996
Increase (Decrease) in Net pension Liability	8,844	(3,287)	8,844
Increase (Decrease) in Net OPEB Liability	(610)	1,088	(610)
Increase (Decrease) in Consumer Meter Deposits	0	0	0
Net Cash Provided (Used) by Operating Activities	<u>\$247,190</u>	<u>\$371,076</u>	<u>\$247,190</u>
Noncash Investing, Capital, and Financing Activities:			
Revenue Certificates of Obligation	<u>\$547,851</u>	<u>\$894,880</u>	<u>\$547,851</u>

Note: The above funds are all Enterprise Funds.

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

CITY OF ELMENDORF, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. Summary of significant accounting policies

A. Reporting entity/ Basis of Accounting/Measurement Focus

The City of Elmendorf, Texas, was incorporated by an election. The City operates under a General Law type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Elmendorf, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the City are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-wide and fund financial statements

The City's Government-Wide Financial Statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. (The City’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes and franchise taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

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

The Butterfield PID fund is a Public Improvement District in Butterfield and is used to pay back to the developer for infrastructure expenses from tax assessments on the property; collected by Bexar County Tax Assessor.

The economic development fund is used to collect sales taxes to be used for economic development of the City of Elmdorf.

D. Proprietary fund financial statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Utility Fund (Water, Sewer System, and Garbage) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds:

The *utility fund* accounts for the activities of the water, sewer, and garbage services.

E. Assets, liabilities, and net position or equity

1. Deposits and investments

The government's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as fair value of the pool shares. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The current trade accounts receivable allowance is equal to 1 percent, the trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2019, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2019, and the trade accounts receivable allowance in excess of 90 days and later is equal to 75 percent of outstanding trade accounts receivable at September 30, 2019. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2019, and 10 percent of delinquent outstanding property taxes at September 30, 2019.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

Inventories are considered immaterial and, therefore, there were no inventory items at September 30, 2019.

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. There were no prepaid items at September 30, 2019.

4. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by applicable contract covenants.

	Governmental Activities	Business-type Activities
Butterfield Ranch PID	\$100	\$915
Debt Service	108,829	160
Economic Development	511,048	
Infrastructure	145,796	228,190
PEG Fund	11,725	
	<u>\$777,498</u>	<u>\$229,265</u>

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The government had a Water Supply Project during the 2018-2019 year. The project is ongoing into the 2019-2020 year.

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

<i>Assets</i>	<i>Years</i>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds.

7. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balances – Governmental Funds

As of September 30, 2019, fund balances of the governmental funds are classified as follows:

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned — all other spendable amounts.

As of September 30, 2019, fund balances are composed of the following:

Fund Balances:	
Restricted	
Butterfield Ranch PID	\$100
Debt Service	108,829
Economic Development	511,048
Infrastructure	145,796
PEG Fund	11,725
Unassigned	<u>837,981</u>
Total Fund Balance	<u>\$1,615,479</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council or the finance committee has provided otherwise in its commitment or assignment actions. In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year-end to be at least equal to 25 to 33 percent of the subsequent year's budgeted General Fund expenditures.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has two items that qualify for reporting in this category. They are amounts deferred under GASB 68 and GASB 75.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. They are amounts deferred under GASB 68 and GASB 75.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

11. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,321,076 difference are as follows:

Bonds Payable	\$1,162,000
Notes Payable	98,992
Accrued Interest	6,590
GASB 68 Liability	13,590
Net OPEB Liability	11,940
Compensated Absences	<u>27,964</u>
	<u>\$1,321,076</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.") The details of this \$49,493 difference are as follows:

Property Taxes Receivable	\$52,915
Allowance for Doubtful Accounts	<u>(3,422)</u>
Net	<u>\$49,493</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$1,953,032 difference are as follows:

Capital Assets Not Being Depreciated	\$152,763
Capital Assets Being Depreciated	2,435,425
Depreciation Expense	(635,156)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$1,953,032</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.") Another element is GASB 68 and GASB 75 deferral/accruals. The details of this \$576,746 difference are as follows:

Fines and Fees Receivable	\$1,233,693
Allowance for Doubtful Accounts	(696,836)
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/18)	27,630
Difference in expected and actual experience	2,110
Difference in projected and actual earnings on pension plan investments	11,038
GASB 75	
Difference in expected and actual experience	(86)
Change in assumptions	(803)
Net	<u>\$576,746</u>

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that 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. The details of this \$11,100 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$18,773
Capital Outlay - Additions - Being Depreciated	82,793
Capital Outlay - Deletions	0
Depreciation Expense	(90,466)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$11,100</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Mayor has been authorized by the council to prepare the budget. He is assisted by the City Administrator. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the City Administrator. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the City Administrator responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations if they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (IE. the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2019.

B. Excess of expenditures over appropriations

For the year ended September 30, 2019, excess of expenditures over appropriations did not occur in the general fund.

C. Deficit fund equity

The City had no deficit fund balances as of September 30, 2019.

IV. Detailed notes on all funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City 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 for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

Deposits:

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is exposed to custodial credit risk because during the year the City was not fully covered by either depository insurance and/or was fully collateralized by pledged securities in the City's depository in the City's name. The total amount of cash in the bank at September 30, 2019 is \$1,539,056 while the total pledged securities are \$828,675 and the FDIC insurance coverage is \$500,000. Thus, the City was not fully covered by depository insurance and pledged securities at September 30, 2019 in the amount of \$210,381. The book amount of cash is \$1,424,361.

Investments:

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds.

TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool has a credit rating of AAAM from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high-quality portfolio of debt securities investments that are legally permissible for local governments in the state.

All funds participate in a pooling of cash and investment income in order to maximize investment opportunities. Each fund may liquidate its equity in the pool on demand.

The City's investments are authorized by City resolutions, bond ordinances, and State statutes. The City is authorized to invest in obligations of the U.S. Government and its agencies or instrumentalities; direct obligations of Texas and its agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; insured or collateralized certificates of deposit; fully collateralized repurchase agreements; and government pools.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City's investments by fair value level are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs). As of September 30, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$ 1,164,054	Less than 1 year	Less than 1 year

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit Risk. The City's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The City's investments were rated as follows: TexPool Funds AAAM.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. The City's portfolio is 100 invested in an external investment pool.

B. Receivables

Amounts are aggregated into a single account receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general and utility funds in the aggregate, including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>Utility</u>	<u>Total</u>
<u>Receivables</u>			
Taxes	\$52,915		\$52,915
Accounts	3,375	216,905	220,280
Fines	1,233,693		1,233,693
Other	3,585		3,585
Gross Receivables	1,293,568	216,905	1,510,473
Less: Allowance for Uncollectible	700,258	62,807	763,065
Net Total Receivables	<u>\$593,310</u>	<u>\$154,098</u>	<u>\$747,408</u>

C. Capital assets

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

Primary Government

Governmental Activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$133,990			\$133,990
Construction in Progress	0	18,773		18,773
Total capital assets not being depreciated:	<u>133,990</u>	<u>18,773</u>	<u>0</u>	<u>152,763</u>
Capital assets being depreciated:				
Building and Improvements	1,703,869	13,046		1,716,915
Machinery, Equipment and Vehicles	393,971	69,747	17,535	446,183
Intangible	25,338			25,338
Infrastructure	246,989			246,989
Total capital assets being depreciated:	<u>2,370,167</u>	<u>82,793</u>	<u>17,535</u>	<u>2,435,425</u>
Less: Accumulated Depreciation for:				
Building and Improvements	172,303	34,338		206,641
Machinery, Equipment and Vehicles	293,073	51,447	17,535	326,985
Intangible	25,338			25,338
Infrastructure	71,511	4,681		76,192
Total Accumulated Depreciation	<u>562,225</u>	<u>90,466</u>	<u>17,535</u>	<u>635,156</u>
Total Capital Assets Depreciated, Net	<u>1,807,942</u>	<u>(7,673)</u>	<u>0</u>	<u>1,800,269</u>
Governmental Activities capital assets, Net	<u>\$1,941,932</u>	<u>\$11,100</u>	<u>\$0</u>	<u>\$1,953,032</u>
Proprietary Fund:				
Capital assets not being depreciated:				
Land	\$30			\$30
Construction in Progress	521,644	558,076		1,079,720
Total capital assets not being depreciated:	<u>521,674</u>	<u>558,076</u>	<u>0</u>	<u>1,079,750</u>
Capital assets being depreciated:				
Building and Improvements	87,062			87,062
Machinery, Equipment and Vehicles	388,932		5,000	383,932
Total capital assets being depreciated:	<u>475,994</u>	<u>0</u>	<u>5,000</u>	<u>470,994</u>
Less: Accumulated Depreciation for:				
Building and Improvements	27,265	1,741		29,006
Machinery, Equipment and Vehicles	258,343	32,545	5,000	285,888
Total Accumulated Depreciation	<u>285,608</u>	<u>34,286</u>	<u>5,000</u>	<u>314,894</u>
Total Capital Assets Depreciated, Net	<u>190,386</u>	<u>(34,286)</u>	<u>0</u>	<u>156,100</u>
Proprietary Fund Capital Assets, Net	<u>\$712,060</u>	<u>\$523,790</u>	<u>\$0</u>	<u>\$1,235,850</u>

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

Governmental Activities	
General Administration	\$3,232
Public Safety	36,607
Public Facilities	30,303
Public Transportation	10,208
Culture and Recreation	<u>10,116</u>
Total Depreciation Expense - Governmental Activities	<u>\$90,466</u>
Business-Type Activities	
Utility	<u>\$34,286</u>
Total Depreciation Expense - Business-Type Activities	<u>\$34,286</u>

Construction commitments

The government had a Water Supply Project during the 2018-2019 year. The project is ongoing into the 2019-2020 year.

D. Interfund receivables, payables, and transfers

There are no due to or from at September 30, 2019.

The intrafund and interfund fund transfers for the year ended September 30, 2019 are as follows:

<u>Primary Government</u>		
<i>Account</i>	<i>Amount</i>	<i>Reason</i>
<u>General Fund</u>		
Transfer from Utility Fund	\$89,333	General Operations - Recurring
	<u>\$89,333</u>	

E. Leases

Operating Leases

The government leases equipment under noncancellable operating leases. Total costs for such leases were \$0 for the year ended September 30, 2019. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$0
2021	0
2022	0
2023	<u>0</u>
Total	<u>\$0</u>

Rent expenditures were \$0 for the year ended September 30, 2019. Rental income was \$0 for the year ended September 30, 2019. The City has a 25-year lease for the museum but pays no rent.

F. Long-term debt

The City sold \$1,272,000 Combination Tax and Limited Pledge Revenue Certificates of Obligations Revenue Bonds in 2012 to USDA Rural Development. The proceeds were used for the Elmendorf Municipal Building Project. The projected payout of these bonds will be through the year 2051 at an interest rate of 3.375%.

The City sold \$10,770,000 Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2018. The proceeds are to be used for the Elmendorf Utility Water Project. The projected payout of these bonds will be through the year 2048 at an interest rate range is between 1.05 to 2.38%. The amount disbursed as of September 30, 2019 was \$1,442,731.

Purpose	Original Amount	Series	Rate	Current Amount
Governmental activities	\$1,272,000	2012	3.375%	\$1,162,000
Business-type activities	\$10,770,000	2018	1.5 to 2.38%	\$1,442,731

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$18,000	\$42,154	\$0	\$225,574
2021	19,000	41,529	295,000	225,574
2022	20,000	40,871	300,000	222,477
2023	21,000	40,179	305,000	218,876
2024	21,000	39,471	0	0
2025-2029	120,000	185,794	1,580,000	1,023,108
2030-2034	147,000	163,367	1,745,000	866,642
2035-2039	181,000	135,759	1,935,000	671,375
2040-2044	221,000	101,942	2,175,000	440,890
2045-2049	270,000	60,581	2,435,000	175,634
2050-2051	124,000	9,079		
TOTALS	\$1,162,000	\$860,726	\$10,770,000	\$4,070,150

The above obligation is secured by both ad valorem taxes and utility revenues.

Notes Payable

Tax Notes Payable

Tax Notes, Series 2017, Issued 2017, Interest Rate: .036%, Maturity Year: 2025, Amount Issued: \$128,000, Amount Outstanding: \$98,992. The security for the Tax Notes is Ad Valorem Taxes.

The annual requirements for the above general long-term debt outstanding at September 30, 2019 are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2020	\$17,126	\$3,667
2021	18,147	2,646
2022	18,815	1,978
2023	19,507	1,285
2024	20,225	567
2025	5,172	27
TOTALS	<u>\$98,992</u>	<u>\$10,170</u>

Changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$1,180,000	\$0	\$18,000	\$1,162,000	\$19,000	\$1,143,000
Notes Payable	115,771		16,779	98,992	17,403	81,589
Net Pension Liability	0	13,590		13,590	0	13,590
Net OPEB Liability	11,239	11,940	11,239	11,940	0	11,940
Compensated Absences	18,259	27,964	18,259	27,964	27,964	0
	<u>1,325,269</u>	<u>53,494</u>	<u>64,277</u>	<u>1,314,486</u>	<u>64,367</u>	<u>1,250,119</u>
<u>Business-Type activities:</u>						
Bonds Payable	894,880	547,851		1,442,731		1,442,731
Capital Lease	6,011		6,011	0		0
Net Pension Liability	0	8,844		8,844	0	8,844
Net OPEB Liability	7,156	6,546	7,156	6,546	0	6,546
Compensated Absences	6,335	7,331	6,335	7,331	7,331	0
	<u>914,382</u>	<u>570,572</u>	<u>19,502</u>	<u>1,465,452</u>	<u>7,331</u>	<u>1,458,121</u>
Grand Total	<u>\$2,239,651</u>	<u>\$624,066</u>	<u>\$83,779</u>	<u>\$2,779,938</u>	<u>\$71,698</u>	<u>\$2,708,240</u>

Interest expense of \$43,487 on long-term debt has been shown separately on the government-wide statement of activities. The government-wide statement of activities includes \$71,698 as "noncurrent liabilities, due within one year".

The current amount of compensated absences at September 30, 2019 is \$35,295.

V. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).

General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses. TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas. The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler and machinery insurance is provided by TML.

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Related party transaction

There were no related party transactions during the year.

C. Contingent liabilities

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

The City is not a defendant in any lawsuit at September 30, 2019.

D. Subsequent events

On December 17, 2019, in a special City Council meeting, Council closed session and authorized the purchase of the wastewater treatment plant on Hwy 181 from San Antonio River Authority; payment of \$150,000.00 to be funded from the city's water operating account.

E. Chapter 380 Agreements

Alamo Junction Rail Park, LLC

In 2014, Alamo Junction Rail Park, LLC agreed to construct a railyard and commercial and industrial buildings, as well as improvements that will provide public services and infrastructure to the Tract and the City. In exchange, the City agrees to provide City Grant Payments to the Alamo Junction Rail Park, LLC in an amount not to exceed \$10,000,000.00; City Grant Payments of annual payments in an amount equal to one-half (1/2) of the Project's Tax Increment.

The agreement shall be in force for twenty-seven (27) years, unless terminated earlier pursuant to default, payment of the City Grant Payments shall be for twenty-five (25) years.

Halliburton Energy Services, Inc.

Halliburton agrees to construct of a facility serving as the Halliburton's proppant storage epicenter within the region. The facility will have unit train unloading and significant inventory storage capabilities. In exchange, the City agrees pay to Halliburton \$25,000.00 or fifty percent (50%) of the first \$50,000.00 Sales and Use Tax Revenues received by City from Halliburton each year during the Term of this Agreement, \$30,000.00 or sixty percent (60%) of the next \$50,000.00 Sales and Use Tax Revenues received by City from Halliburton each year during the Term of this Agreement and seventy-five percent (75%) of any Sales and Use Tax Revenues received by City from Halliburton over \$100,000.00 each year during the Term of this Agreement.

The rate of sales tax is 1 ½ percent. The City is responsible to pay to Halliburton two-thirds of the amount owed, representing its 1.0% sales tax and the EEDC will be responsible to pay to Halliburton one-third of the amount owed, representing its 0.5% sales tax.

The term of the agreement is for a period of ten (10) years with the option for perpetual renewals.

F. Defined Benefit Pension Plans**EXECUTIVE SUMMARY**

Actuarial Valuation and Measurement Date, December 31,	2018	2017
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	1	1
- Inactive employees entitled to but not yet receiving benefits	16	14
- Active employees	<u>16</u>	<u>13</u>
- Total	33	28
Covered Payroll	\$733,820	\$574,058
Net Pension Liability		
Total Pension Liability	\$277,297	\$215,841
Plan Fiduciary Net Position	<u>254,863</u>	<u>219,039</u>
Net Pension Liability/(Asset)	\$22,434	-\$3,198
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.91%	101.48%
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	3.06%	-0.56%
Development of the Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate	3.71%	3.31%
Last year ending December 31 in the 100-year projection period for which projected benefit payments are fully funded	N/A	N/A

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$46,818
2. Interest on the Total Pension Liability	15,968
3. Changes in Current Period Benefits Including Substantively Automatic Status	0
4. Employee Contributions (Reduction of Expense)	(36,691)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(14,785)
6. Administrative Expense	127
7. Other Changes in Fiduciary Net Position	7
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	787
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets	4,272
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	1,134
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets	(488)
12. Total Pension Expense (Income)	<u>\$17,149</u>

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization year)	Total (Inflow) or Outflow of Resources	2018 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	5.1500	\$4,054	\$787	\$3,267
Change in assumptions [actuarial (gains) or losses]	5.1500	\$0	\$0	\$0
			<u>\$787</u>	<u>\$3,267</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$21,362	\$4,272	\$17,090
			<u>\$4,272</u>	<u>\$17,090</u>
Total:				<u><u>\$20,357</u></u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2019	\$5,043
2020	3,250
2021	3,021
2022	5,208
2023	119
Thereafter	<u>0</u>
Total	\$16,641

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS - CURRENT PERIOD

A.	Total pension liability	
1.	Service Cost	\$46,818
2.	Interest (on the Total Pension Liability)	15,968
3.	Change in benefit terms including substantively automatic status	0
4.	Difference between expected and actual experience	4,054
5.	Change in assumptions	0
6.	Benefit payments, including refunds of employee contributions	(5,384)
7.	Net change in total pension liability	\$61,456
8.	Total pension liability - beginning	215,841
9.	Total pension liability - ending	\$277,297
B.	Plan fiduciary net position	
1.	Contributions - employer	\$11,227
2.	Contributions - employee	36,691
3.	Net investment income	(6,576)
4.	Benefit payments, including refunds of employee contributions	(5,384)
5.	Administrative Expense	(127)
6.	Other	(7)
7.	Net change in plan fiduciary net position	\$35,824
8.	Plan fiduciary net position - beginning	\$219,039
9.	Plan fiduciary net position - ending	\$254,863
C.	Net pension liability/(asset) [A.9 - B.9]	\$22,434
D.	Plan fiduciary net position as a percentage of the total pension liability [B.9/A.9]	91.91%
E.	Covered payroll	\$733,820
F.	Net pension liability/(asset) as a percentage of covered payroll [C/E]	3.06%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 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 generated basis with scale BB

Other Information:

Notes

There were no benefit changes during the year.

Note to City:

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the City will build this report over the next 10-year period. The data in this schedule is based on the City's fiscal year-end, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the City's Full Retirement Rate (excludes portion of rate for Supplemental Death Benefits Fund) by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 "Summary of Monthly Payroll Report"). The applicable months for the City's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB 68 Employer Reporting Guide."

1% Decrease	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
\$72,149	\$22,434	(\$17,603)

Amortization Schedule

Deferred (Inflows)/Outflows of Resources

Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year						
		2018	2019	2020	2021	2022	2023	Thereafter

Due to Liabilities:

difference in experiences (inflows)/outflows

2018	5.1500	\$4,054	\$787	\$787	\$787	\$787	\$787	\$119	\$0
2017	4.6500	\$1,043	\$224	\$224	\$224	\$224	\$147	\$0	\$0
2016	3.3100	1,117	337	337	337	106	0	0	0
2015	1.2900	(838)	(648)	(190)	0	0	0	0	0
2014	1.0000	(41)	(41)	0	0	0	0	0	0
Total			\$659	\$1,158	\$1,348	\$1,117	\$934	\$119	\$0

change in assumptions (inflows)/outflows

2015	1.2900	\$1,629	\$1,262	\$367	\$0	\$0	\$0	\$0	\$0
Total			\$1,262	\$367	\$0	\$0	\$0	\$0	\$0

Due to Assets:

excess investment returns (inflows)/outflows

2018	5.0000	\$21,362	\$4,272	\$4,272	\$4,272	\$4,272	\$4,274	\$0	\$0
2017	4.0000	(\$9,475)	(\$2,369)	(\$2,369)	(\$2,369)	(\$2,368)	\$0	\$0	\$0
2016	3.0000	(5)	(2)	(2)	(1)	0	0	0	0
2015	2.0000	3,235	1,618	1,617	0	0	0	0	0
2014	1.0000	265	265	0	0	0	0	0	0
Total			\$3,784	\$3,518	\$1,902	\$1,904	\$4,274	\$0	\$0

SUMMARY OF ACTUARIAL ASSUMPTIONS

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

I. Economic Assumptions

- A. General Inflation - General Inflation is assumed to be 2.50% per year.

- B. Discount/Crediting Rates
 - 1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.

 - 2. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

- C. Overall Payroll Growth - 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2005 to 2014, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases -

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

<u>Years of Service</u>	<u>Rate (%)</u>
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25 +	3.50%

- E. Annuity Increase - The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Elmendorf annual annuity increases of 0.00% are assumed when calculating the TPL.

II. Demographic Assumptions

A. Termination Rates

- For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For the City of Elmendorf, the base table is then multiplied by a factor of 85.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 63%, 2) Police - 88%, or 3) Other - 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For the City of Elmendorf, the base table is then multiplied by a factor of 85.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 52%, 2) Police - 79%, or 3) Other - 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities.

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

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 93.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate will be 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.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 3.0% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

G. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Males Entry Age Groups			Females Entry Age Groups		
	Ages 32 & Under	Ages 33-47	Ages 48 & Over	Ages 32 & Under	Ages 33-47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1-1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

III. Methods and Assumptions

- A. Valuation of Assets - The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 15% corridor around the market value of assets, if necessary.

- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.

- C. Amortization Policy: For "underfunded" cities with twenty or more employees, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. Beginning January 1, 2016, all new experience losses are amortized over individual periods of not more than 25 years. Previously, some cities amortized their losses over a 30-year period. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City which in turn decreases contribution rate volatility.

Once a City reaches an "overfunded" status, all prior non-ad hoc bases are erased and the surplus for overfunded cities is amortized over a 25-year open period.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 15 years or the current life expectancy of the covered group.

For the December 31, 2013 actuarial valuation, there was a one-time change in the amortization policy for underfunded cities implemented in conjunction with the changes to the assumptions and cost method to minimize rate volatility associated with these changes. An initial ARC was developed using the methodology described above. For cities with a decrease in the rate compared to the rate calculated prior to changes, the amortization period for all non-ad hoc bases was shortened enough to keep the rates stable (if possible). Cities with an increase of more than 0.50% were allowed to extend the amortization periods for non-ad hoc bases up to 30 years to keep the full contribution rate from increasing, for cities with an increase of 0.50% or less, the amortization periods for all non-ad hoc bases could be extended to 25 years to keep the rate from increasing. The amortization period calculated in the prior steps was then rounded up to the nearest integer to calculate the final full contribution rate.

- D. Small City Methodology - For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1 % for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20-member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25 - (20 - 8)) = 13$ -year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25 - (20 - 1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

IV. Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): An exponential average of the actual salaries paid during the prior fiscal years, with 33% weight given to the most recent year and 67% weight given to the expected payroll for the previous fiscal year, moved forward with one year's payroll growth rate and adjusted for changes in population.
2. Individual salaries used to project benefits: For members with more than three years of service, actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This value is then projected with normal salary scales.
3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although TMRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month. A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing.
4. Percent married: 100% of the employees are assumed to be married.
5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
6. Optional Forms: Healthy members are assumed to choose a life only benefit when they retire. Disabled members are assumed to select a 50% Joint and Survivor option when they retire.
7. Percent electing annuity on death (when eligible): For vested members not eligible for retirement, 75% of the spouses of male members and 70% of the spouses of female members are assumed to commence an immediate benefit in lieu of a deferred annuity or a refund. Those not electing an immediate benefit are assumed to take a refund. All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity that commences immediately.
8. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.
9. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(H).
10. There will be no recoveries once disabled.
11. No surviving spouse will remarry and there will be no children's benefit.
12. Decrement timing: Decrements of all types are assumed to occur mid-year.

13. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
14. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
15. Incidence of Contributions; Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
16. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
17. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or "catch-up" when a city changes its COLA provisions. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

G. GASB 75 Information

Actuarial and Financial Schedules

Actuarial Valuation and Measurement Date, December 31,	2018
Membership	
Number of	
-Inactive employees currently receiving benefits	1
-Inactive employees entitled to but not yet receiving benefits	3
-Active employees	16
-Total	20
Covered Payroll	\$733,820
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	\$18,395
Changes for the year	
Service cost	1,174
Interest on Total OPEB Liability	626
Changes of benefit term	0
Differences between expected and actual experience	(151)
Changes in assumptions or other inputs	(1,411)
Benefit payments	(147)
Net changes	91
Total OPEB Liability - end of year	\$18,486
Total OPEB Liability as a Percentage of Covered Payroll	2.52%

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

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

	1% Decrease	Current Discount Rate	1% Increase
	2.71%	3.71%	4.71%
Total OPEB liability	\$22,433	\$18,486	\$15,504

OPEB Expense:

Service cost	\$1,174
Interest on total OPEB Liability	626
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(18)
Changes in assumptions or other inputs	17
Total OPEB expense	\$1,799

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	(\$133)	\$0
Changes in assumptions and other inputs	(50)	0
Contributions made subsequent to measurement date	N/A	NONE
Total (excluding contributions made subsequent to measurement date)	(\$183)	\$0

Schedule of Outflows and Inflows - Current and future expense

	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2018 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	8.4700	(\$151)	(\$18)	(\$133)
Change in assumptions [actuarial (gains) or losses]	8.4700	(\$1,411)	(\$167)	(\$1,244)
Contributions made subsequent to measurement date		None	None	None
Total (excluding city provided contributions made subsequent to measurement date):				<u><u>(\$1,377)</u></u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

	Net deferred outflows (inflows) of resources
2019	(\$1)
2020	-1
2021	-1
2022	-1
2023	-1
Thereafter	<u>-178</u>
	(\$183)

Amortization Schedule - Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	2018	2019	2020	2021	2022	2023	Thereafter
difference in experience (inflows)/outflows									
2018	8.4700	(\$151)	(\$18)	(\$18)	(\$18)	(\$18)	(\$18)	(\$18)	(\$43)
		Total	(\$18)	(\$18)	(\$18)	(\$18)	(\$18)	(\$18)	(\$43)
change in assumptions (inflows)/outflows									
2018	8.4700	(\$1,411)	(\$167)	(\$167)	(\$167)	(\$167)	(\$167)	(\$167)	(\$409)
2017	7.4700	\$1,378	\$184	\$184	\$184	\$184	\$184	\$184	\$274
		Total	\$17	\$17	\$17	\$17	\$17	\$17	(\$135)

Schedule of Contributions - (Retiree - only portion of the rate, for OPEB):

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2019	0.10%	0.02%
2018	0.10%	0.02%
2018	0.12%	0.03%

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

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

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

REQUIRED SUPPLEMENTARY INFORMATION

A. Total pension liability

	2018	2017	2016	2015
1. Service Cost	46,818	37,256	34,581	24,664
2. Interest (on the Total Pension Liability)	15,968	12,627	9,754	7,883
3. Changes of benefit terms	0	0	0	0
4. Difference between expected and actual experience	4,054	1,267	1,791	(2,782)
5. Changes of assumptions	0	0	0	5,415
6. Benefit payments, including refunds of employee contributions	(5,384)	(7,484)	(2,317)	(14,181)
7. Net change in total pension liability	61,456	43,666	43,809	20,999
8. Total pension liability -- beginning	215,841	172,175	128,366	107,367
9. Total pension liability - ending	277,297	215,841	172,175	128,366

B. Plan fiduciary net position

1. Contributions - employer	11,227	8,548	4,600	4,545
2. Contributions - employee	36,691	28,703	26,438	20,520
3. Net investment income	(6,576)	23,071	8,716	174
4. Benefit payments, including refunds of employee contributions	(5,384)	(7,484)	(2,317)	(14,181)
5. Administrative Expense	(127)	(119)	(98)	(106)
6. Other	(7)	(6)	(5)	(5)
7. Net change in plan fiduciary net position	35,824	52,713	37,334	10,947
8. Plan fiduciary net position - beginning	219,039	166,327	128,993	118,046
9. Plan fiduciary net position - ending*	254,863	219,040	166,327	128,993

C. Net pension liability (A.9 - B.9)

22,434	(3,199)	5,848	(627)
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D. Plan fiduciary net position as a percentage
of the total pension liability (B.9 / A.9)

91.91%	101.48%	96.60%	100.49%
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E. Covered-employee payroll (B.9 / A.9)

733,820	574,058	528,758	410,391
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F. Net pension liability as a percentage
of covered employee payroll (C/E)

3.06%	-0.56%	1.11%	-0.15%
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SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>	\$ <u>xxx,xxx</u>
Contribution deficiency (excess)	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Covered payroll	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Contributions as a percentage of covered payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases Investment	3.50% to 10.5% including inflation
Rate of Return Retirement Age	6.75%
Mortality	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
	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.

OPEB Plans

Changes in the Total OPEB Liability

Changes for the year	2018	2017
1. Service Cost	\$1,174	\$804
2. Interest on Total OPEB Liability	626	602
3. Changes of benefit terms	0	0
4. Difference between expected and actual experience	-151	0
5. Changes in assumptions or other inputs	-1,411	1,562
6. Benefit payments	-147	-172
7. Net changes	91	2,796
Total OPEB Liability - beginning of year	18,395	15,599
Total OPEB Liability - end of year	\$18,486	\$18,395
E. Covered-employee payroll (B.9 / A.9)	\$733,820	\$574,058
F. Total OPEB Liability as a Percentage of Covered Payroll	2.52%	3.20%

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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Financial Advisory Services
Provided By:

