HTS Continuing Disclosure Services
A Division of Hilltop Securities

(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

NEW ISSUE - Book-Entry-Only

OFFICIAL STATEMENT

Dated January 26, 2021

Rating:
Moody's: "Aa2"
(See "OTHER INFORMATION - Ratings" herein)

In the opinion of Holland & Knight LLP, Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein, under existing law, interest on the Obligations is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax imposed on individuals. Holders of Obligations could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended, as further described herein. See "TAX MATTERS" herein.

THE OBLIGATIONS **ARE NOT** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

CITY OF MISSOURI CITY, TEXAS
(Fort Bend and Harris Counties)

$8,620,000
GENERAL OBLIGATION AND REFUNDING BONDS, SERIES 2021

$11,180,000
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021

Dated Date: February 15, 2021
Delivery Date: February 25, 2021

Due: June 15 as shown on inside cover

PAYMENT TERMS . . . Interest on the $8,620,000 City of Missouri City, Texas, General Obligation and Refunding Bonds, Series 2021 (the "Bonds"), and the $11,180,000 City of Missouri City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates") (collectively, the "Obligations") will accrue from February 25, 2021 (the "Delivery Date"). The Obligations will be payable June 15 and December 15 of each year commencing June 15, 2021 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE OBLIGATIONS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE OF THE BONDS . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Chapters 1207, 1331 and 1371, as amended, various elections held in the City, and an ordinance of the City authorizing the issuance of the Bonds approved by the City Council on January 19, 2021 (the "Bond Ordinance") (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE BONDS"). The Bonds constitute direct obligations of the City, payable from the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City (see "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT FOR THE BONDS"). In the Bond Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Bonds pursuant to the terms set forth in a "Pricing Certificate".

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas including particularly, Subchapter C of Chapter 271, Texas Local Government Code Chapter 1371, Texas Government Code, as amended, and an ordinance of the City authorizing the issuance of the Certificates approved by the City Council on January 19, 2021 (the "Certificate Ordinance"). The Certificates constitute direct obligations of the City and are payable from a combination of (i) the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $10,000) of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system as provided in the Certificates Ordinance (see "THE OBLIGATIONS - AUTHORITY FOR ISSUANCE OF THE CERTIFICATES"). In the Certificate Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Certificates pursuant to the terms set forth in a "Pricing Certificate".

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding obligations described on Schedule I attached hereto (the "Refunded Bonds") to achieve debt service savings, (ii) fund drainage projects, public facilities projects and a fire station, and (iii) pay the costs of issuance associated with the sale of the Bonds. Proceeds from the sale of the Certificates will be used for (i) the construction of public works, more specifically, the construction of utility infrastructure, mobility projects, build-out of a fire station and purchase of a fire truck, and any items related thereto, (ii) the purchase of a fire truck, and any items related thereto, and (iii) paying for professional services incurred in connection with items (i) and (ii).

REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after June 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - OPTIONAL REDEMPTION"). In addition, the Bonds maturing on June 15, 2040 (the "Term Bonds") are subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date. In addition, the Certificates maturing on June 15, 2040 (the "Term Certificates") are subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "THE OBLIGATIONS – MANDATORY SINKING FUND REDEMPTION".)

LEGALITY . . . The Obligations are offered for delivery when, as and if issued and received by the Underwriters (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the opinion of Holland & Knight LLP, Houston, Texas, Bond Counsel (see APPENDIX C, "FORMS OF BOND COUNSEL'S OPINIONS"). Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton, L.L.P., Houston, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Obligations will be available for delivery through the facilities of DTC on or about February 25, 2021.

SAMCO CAPITAL

LOOP CAPITAL MARKETS

BLAYLOCK VAN, LLC

MATURITY SCHEDULE

THE BONDS

Principal Amount	Maturity 15-Jun	Interest Rate	Price or Yield [1]	CUSIP Numbers [2]
$ 110,000	2021	4.000%	0.160%	6060206Q3
695,000	2022	4.000%	0.190%	6060206R1
720,000	2023	4.000%	0.240%	6060206S9
740,000	2024	4.000%	0.290%	6060206T7
770,000	2025	4.000%	0.340%	6060206U4
790,000	2026	4.000%	0.440%	6060206V2
815,000	2027	4.000%	0.560%	6060206W0

Principal Amount	Maturity 15-Jun	Interest Rate	Price or Yield [1]	CUSIP Numbers [2]
$840,000	2028	4.000%	0.710%	6060206X8
875,000	2029	4.000%	0.860%	6060206Y6
255,000	2030 [3] [4]	3.000%	0.990%	6060206Z3
255,000	2031 [3] [4]	3.000%	1.050%	6060207A7
255,000	2032 [3] [4]	3.000%	1.120%	6060207B5
190,000	2033 [3] [4]	3.000%	1.230%	6060207C3
190,000	2034 [3] [4]	3.000%	1.310%	6060207D1
190,000	2035 [3] [4]	3.000%	1.360%	6060207E9

$930,000 2.125% TERM BONDS DUE JUNE 15, 2040 [3] PRICED TO YIELD 2.000% [1][4] - CUSIP 6060207K5 [2]

(Interest accrues from delivery date)

THE CERTIFICATES

Principal Amount	Maturity 15-Jun	Interest Rate	Price or Yield [1]	CUSIP Numbers [2]
$ 355,000	2021	4.000%	0.160%	6060207L3
470,000	2022	4.000%	0.190%	6060207M1
490,000	2023	4.000%	0.240%	6060207N9
510,000	2024	4.000%	0.290%	6060207P4
525,000	2025	4.000%	0.340%	6060207Q2
545,000	2026	4.000%	0.440%	6060207R0
565,000	2027	4.000%	0.560%	6060207S8
580,000	2028	4.000%	0.710%	6060207T6

Principal Amount	Maturity 15-Jun	Interest Rate	Price or Yield [1]	CUSIP Numbers [2]
$ 600,000	2029	4.000%	0.860%	6060207U3
620,000	2030 [3] [4]	3.000%	0.990%	6060207V1
535,000	2031 [3] [4]	3.000%	1.050%	6060207W9
550,000	2032 [3] [4]	3.000%	1.120%	6060207X7
560,000	2033 [3] [4]	3.000%	1.230%	6060207Y5
565,000	2034 [3] [4]	3.000%	1.310%	6060207Z2
580,000	2035 [3] [4]	3.000%	1.360%	6060208A6
600,000	2036 [3] [4]	3.000%	1.380%	6060208B4

$2,530,000 2.125% TERM CERTIFICATES DUE JUNE 15, 2040 [3] PRICED TO YIELD 2.000% [1][4] - CUSIP – 6060208F5 [2]

(Interest accrues from delivery date)

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(1) The initial reoffering prices or yields on the Obligations are furnished by the Underwriters and represent the initial offering prices or yields to the public, which may be changed by the Underwriters at any time.

(2) CUSIP numbers have been assigned to the Obligations by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association, and are included solely for the convenience of the beneficial owners of the Obligations. Neither the City nor the Underwriters of the Obligations is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(3) The Obligations maturing on or after June 15, 2030 are subject to redemption, at the option of the City, on June 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE OBLIGATIONS – OPTIONAL REDEMPTION." In addition, the Bonds maturing on June 15, 2040 (the "Term Bonds") are subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date. In addition, the Certificates maturing on June 15, 2040 (the "Term Certificates") (collectively, the "Term Obligations"), are subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "THE OBLIGATIONS – MANDATORY SINKING FUND REDEMPTION".)

(4) Yield shown to first optional redemption date of June 15, 2029.

This Official Statement, which includes the cover page, Schedule I, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give 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.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Service, managed by Standard and Poor's Financial Services LLC 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 shall be responsible for the selection or correctness of the CUSIP numbers shown on the inside cover page.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize the market price of the issue at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Obligations are exempt from registration with the SEC and consequently have not been registered therewith. The registration, qualification, or exemption of the Obligations in accordance with applicable securities law provisions of the jurisdiction in which these securities have been registered or exempted should not be regarded as a recommendation thereof.

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

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TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Missouri City (the "City") is a political subdivision and municipal corporation of the State of Texas, located in Fort Bend and Harris Counties. The City covers approximately 30.4 square miles (see "INTRODUCTION - DESCRIPTION OF THE CITY").

THE BONDS .... The Bonds are issued as $8,620,000 General Obligation and Refunding Bonds, Series 2021 (the "Bonds"). The Bonds are issued as serial bonds, maturing June 15, 2021 through June 15, 2035, and as term bonds maturing June 15, 2040 (the "Term Bonds") (see "THE OBLIGATIONS - DESCRIPTION OF THE OBLIGATIONS").

THE CERTIFICATES .... The Certificates are issued as $11,180,000 Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates"). The Certificates are issued as serial certificates, maturing June 15, 2021 through June 15, 2036, and as term certificates maturing June 15, 2040 (the "Term Certificates") (see "THE OBLIGATIONS -DESCRIPTION OF THE CERTIFICATES").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from Delivery Date, and is payable June 15, 2021, and each June 15 and December 15 thereafter until maturity or prior redemption. Interest on the Certificates accrues from the Delivery Date and is payable June 15, 2021, and each June 15 and December 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - DESCRIPTION OF THE OBLIGATIONS" and "OPTIONAL REDEMPTION").

AUTHORITY FOR ISSUANCE OF THE BONDS .... The Bonds are issued pursuant to the general laws of the State of Texas, including particularly, Texas Government Code Chapters 1207, 1331 and 1371, as amended, various elections held in the City, and an ordinance adopted by the City Council of the City on January 19, 2021 authorizing the issuance of the Bonds (see "THE OBLIGATIONS – AUTHORITY FOR ISSUANCE OF THE BONDS"). In the Bond Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Bonds pursuant to the terms set forth in a pricing certificate.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES.............. The Certificates are issued pursuant to the general laws of the State of Texas, including particularly Subchapter C of Chapter 271, Texas Local Government Code Chapter 1371, Texas Government Code, as amended, and an ordinance (the "Certificate Ordinance") approved by the City Council of the City on January 19, 2021 authorizing the issuance of the Certificates (see "THE OBLIGATIONS - AUTHORITY FOR ISSUANCE OF THE CERTIFICATES"). In the Certificate Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Certificates pursuant to the terms set forth in a pricing certificate.

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City (see "THE BONDS – SECURITY OF SOURCE OF PAYMENT FOR THE BONDS").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $10,000) of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system (see "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES").

REDEMPTION .... The City reserves the right, at its option, to redeem Obligations having stated maturities on and after June 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - OPTIONAL REDEMPTION"). In addition, the Bonds maturing on June 15, 2040 (the "Term Bonds") are subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date. In addition, the Certificates maturing on June 15, 2040 (the "Term Certificates") (collectively, the "Term Obligations") are subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "THE OBLIGATIONS - MANDATORY SINKING FUND REDEMPTION").

TAX EXEMPTION .... In the opinion of Bond Counsel, under existing law, interest on the Obligations is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax imposed individuals. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding obligations described on Schedule I attached hereto (the "Refunded Bonds") to achieve debt service savings, (ii) fund drainage projects, public facilities projects and a fire station, and (iii) pay the costs of issuance associated with the sale of the Bonds.

Proceeds from the sale of the Certificates will be used for (i) the construction of public works, more specifically, the construction of utility infrastructure, mobility projects, build-out of a fire station and purchase of a fire truck, and any items related thereto, (ii) the purchase of a fire truck, and any items related thereto, and (iii) paying for professional services incurred in connection with items (i) and (ii).

RATINGS .... The Bonds and presently outstanding tax supported debt of the City are rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"), without regard to credit enhancement (see "OTHER INFORMATION - RATINGS").

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

PAYMENT RECORD .... The City has never defaulted in payment of its general obligation tax debt or any of its other debt.

PAYING AGENT/REGISTRAR........ The initial Paying Agent/Registrar for the Obligations is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "The BONDS – PAYING AGENT/REGISTRAR").

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended	Estimated City Population[(1)]	Taxable Assessed Valuation[(2)]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt[(3)]	Per Capita G. O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
6/30/2017	74,561	$6,267,414,255	$ 84,058	$ 146,620,000	$ 1,966	2.34%	99.55%
9/30/2018 (4)	74,497	6,670,648,840	89,543	168,920,000	2,267	2.53%	99.42%
9/30/2019	77,242	7,082,216,056	91,689	159,355,000	2,063	2.25%	99.22%
9/30/2020	78,787	7,022,608,862	89,134	155,195,000	1,970	2.21%	99.71%
9/30/2021	78,787 (5)	7,593,335,703	96,378	158,635,000 (6)	2,013 (6)	2.09% (6)	N/A

(1) Estimate provided by the City.
(2) As reported by the Fort Bend Central and Harris County Appraisal Districts, subject to change throughout the year. Includes value attributable to three separate tax increment reinvestment zones (the "Zones"). Pursuant to the various agreements between the City and the Zones, 100% of the tax revenues generated from incremental assessed valuation attributable to the Zones are used for Zone projects and are not available to make debt service payments on the Bonds. See "TAX INFORMATION – TAX INCREMENT FINANCING ZONES."
(3) Includes self-supporting debt. See "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT."
(4) The City's fiscal year end changed from June 30 to September 30 beginning on July 1, 2017.
(5) Estimated 2021 population was not available at time of posting.
(6) Projected, includes the Obligations. Excludes the Refunded Bonds.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY [(1)]

	Fiscal Year Ended				
	9/30/2019	9/30/2018	6/30/2017	6/30/2016	6/30/2015
Beginning Balance	$ 11,014,044	$ 13,581,779	$ 12,484,675 (2)	$ 9,441,665	$ 8,952,169
Total Revenue	50,531,539	53,596,480	42,514,183	39,349,655	35,534,257
Total Expenditures	46,018,651	58,017,369	41,978,160	39,040,324	36,379,340
Other Financing Sources (Uses)	1,395,536	1,853,154	561,081	2,553,475	1,334,579
Ending Balance	$ 16,922,468	$ 11,014,044	$ 13,581,779	$ 12,304,471	$ 9,441,665

(1) Information for the fiscal year ending September 30, 2020 was not available at of publication.
(2) Restated.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Position	Term Expires (November)
Robin Elackatt	Mayor	2022
Vashaundra Edwards	Council, At Large Position 1	2022
Lynn Clouser	Council, At Large Position 2	2022
Dr. Cheryl Sterling	Council, District A	2021
Jeffrey L. Boney	Council, District B	2021
Anthony Maroulis	Council, District C	2021
Floyd Emery	Council, District D	2021

APPOINTED OFFICIALS

Name	Position	Year Employed
Odis Jones	City Manager (1)	2020
Allena Portis	Financial Services Director (2)	2019
Maria Jackson	City Secretary	2006
E. Joyce Iyamu	City Attorney	2009

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(1) Mr. Jones has over 20 years of experience in municipal finance.
(2) Ms. Portis has 19 years of experience in municipal finance.

CONSULTANTS AND ADVISORS

Auditors .... Weaver and Tidwell, LLP
Conroe, Texas

Bond Counsel .... Holland & Knight LLP
Houston, Texas

Financial Advisor .... Hilltop Securities, Inc.
Houston, Texas

For additional information regarding the City, please contact:

Allena Portis Financial Services Director City of Missouri City 1522Texas Parkway Missouri City, Texas 77489 Phone: (281) 403-8614	or	Joe Morrow Managing Director Hilltop Securities, Inc. 700 Milam Street, Suite 500 Houston, Texas 77002 Phone: (713) 654-8690 Fax: (713) 651-9850

OFFICIAL STATEMENT

RELATING TO

\$8,620,000	**\$11,180,000**
GENERAL OBLIGATION AND REFUNDING BONDS, SERIES 2021	**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021**

INTRODUCTION

This Official Statement, which includes Schedule I and the Appendices hereto, provides certain information regarding the issuance of \$8,620,000 City of Missouri City, Texas, General Obligation and Refunding Bonds, Series 2021 (the "Bonds"), and the \$11,180,000 City of Missouri City, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates") (collectively the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinances of the City Council of the City of Missouri City, Texas (the "City"), authorizing the issuance of the Bonds and the Certificates (the "Bond Ordinance" and the "Certificate Ordinance", respectively, and collectively the "Ordinances"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Houston, Texas.

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State and the City's Home Rule Charter. The City was incorporated in 1956, and first adopted its Home Rule Charter in 1974. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members (the "City Council"). The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years while four council members from single-member districts are elected every two years in odd number years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are public safety (police and fire protection), streets, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 67,358, while the City estimates the 2020 population to be approximately 78,787. The City covers approximately 30.4 square miles.

RECENT EXTREME WEATHER EVENTS

The greater Houston area, including the City, is subject to occasional severe weather events, including tropical storms and hurricanes. If the City were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the City as a result of such a weather event, the investment security of the Obligations could be adversely affected.

The greater Houston area, including the City, has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015 including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. According to the City, there was no interruption of water and sewer service as a result of Hurricane Harvey. The City experienced some structural flooding and other damage in certain areas of the City as a result of Hurricane Harvey. The City assessed such damage and has undertaken the necessary remedial measures. The City does not expect any long-term material financial challenges resulting from damage related to Hurricane Harvey.

The City did not experience flooding of any facilities from Tropical Strom Imelda on September 19, 2019.

If a future weather event significantly damaged all or part of the improvements within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the City's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

INFECTIOUS DISEASE OUTBREAK - COVID-19

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

The Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Among other things, such orders imposed limitations on social gatherings of more than 10 people. In addition to the actions by the state and federal officials, certain local officials, including Fort Bend and Harris Counties (which the City is within) declared a local state of disaster and 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 negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues, ad valorem tax revenues and other revenues within the City. See "TAX INFORMATION". The Certificates are secured by an ad valorem tax (within the limits prescribed by law), and a limited pledged of water and wastewater system revenues and a reduction in the receipt of such revenues or in the property values within the City may require an increase in the ad valorem tax rate required to pay the Certificates as well as the City's operations and maintenance expenses. See "TAX INFORMATION". Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition.

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 spread of COVID-19 could have an adverse effect on the City's operations and financial condition.

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THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS

The Obligations are dated February 15, 2021, (interest accrues from Delivery Date) and mature, or are subject to redemption prior to maturity, on June 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on June 15 and December 15, commencing June 15, 2021. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - BOOK-ENTRY-ONLY SYSTEM" herein.

REFUNDED BONDS

The Refunded Bonds, and interest due thereon, are to be paid on their scheduled redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent") pursuant to an Escrow Agreement (the "Escrow Agreement"), between the City and the Escrow Agent.

The Bond Ordinance (defined herein) provides that from a portion of the proceeds of the sale of the Bonds received from the Underwriters, along with a City contribution (if any), the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds to their date of redemption. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund"), a portion of which will be held uninvested in cash and the remainder used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, as amended, which authorization includes direct noncallable obligations of the United States and noncallable obligations of an agency or instrumentality of the United States rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and guaranteed by the full faith and credit of the United States of America (the "Federal Securities") maturing in time to make such payment. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Federal Securities and uninvested cash will not be available to pay debt service on the Bonds.

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

By the deposit of a portion of the Obligation proceeds and cash from the City (if any) with the Escrow Agent pursuant to the Escrow Agreement, and the investment of a portion thereof in the Federal Securities, the City will have effectuated the defeasance of the Refunded Bonds pursuant to the terms of the City ordinance authorizing their issuance. It is the opinion of Bond Counsel that, as a result of such defeasance, and in reliance upon the report of the Accountants, the Refunded Bonds will no longer be payable from ad valorem taxes, but will be payable solely from the amounts on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Bonds will be defeased and are not to be included in or considered to be indebtedness of the City for the purpose of a limitation of indebtedness or for any other purpose.

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

AUTHORITY FOR ISSUANCE OF THE BONDS

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including particularly, Texas Government Code Chapters 1207, 1331 and 1371, as amended, various elections held in the City, and by an ordinance adopted by the City Council of the City on January 19, 2021 (the "Bond Ordinance") authorizing the Bonds. In the Bond Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Bonds pursuant to the terms set forth in a "Pricing Certificate". Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding obligations described on Schedule I attached hereto (the "Refunded Bonds") to achieve debt service savings, (ii) fund drainage projects, public facilities projects and a fire station, and (iii) pay the costs of issuance associated with the sale of the Bonds.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code Chapter 1371, Texas Government Code, as amended, the ordinance of the City adopted on January 19, 2021 (the "Certificate Ordinance") authorizing the issuance of the Certificates (the "Certificate Ordinance"). In the Certificate Ordinance, the City Council delegated to a designated officer of the City authority to complete the sale of the Certificates pursuant to the terms set forth in a "Pricing Certificate". Proceeds from the sale of the Certificates will be used for (i) the construction of public works, more specifically, the construction of utility infrastructure, mobility projects, build-out of a fire station and purchase of a fire truck, and any items related thereto, (ii) the purchase of a fire truck, and any items related thereto, and (iii) paying for professional services incurred in connection with items (i) and (ii).

SECURITY AND SOURCE OF PAYMENT

All taxable property within the City is subject to a continuing direct annual ad valorem tax levied, within the limits prescribed by law, by the City sufficient to provide for the payment of principal of and interest on the Bonds.

All taxable property within the City is subject to a continuing direct annual ad valorem tax levied, within the limits prescribed by law, by the City sufficient to provide for the payment of principal of and interest on the Certificates.

The Certificates are also payable from and secured by a limited pledge (not to exceed $10,000) of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system, as provided in the Ordinances.

TAX RATE LIMITATION

Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection factor.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Obligations having stated maturities on and after June 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on June 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of the Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) will determine by lot or other random method the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall 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.

MANDATORY SINKING FUND REDEMPTION

The Bonds maturing June 15, 2040 (the "Term Bonds"), are subject to mandatory sinking fund redemption in part prior to maturity, and will be redeemed by the City at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

Term Bond Due June 15, 2040	
Redemtion Date	Principal Amount
June 15, 2036	$ 190,000
June 15, 2037	185,000
June 15, 2038	185,000
June 15, 2039	185,000
June 15, 2040*	185,000
	$ 930,000

* Stated maturity.

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The Certificates maturing on June 15, 2040 (the "Term Certificates" and collectible with the "Term Bonds", the "Term Obligations"), are subject to mandatory sinking fund redemption in part prior to maturity, and will be redeemed by the City at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

Term Certificate Due June 15, 2040	
Redemtion Date	Principal Amount
June 15, 2037	$ 615,000
June 15, 2038	625,000
June 15, 2039	635,000
June 15, 2040*	655,000
	$ 2,530,000

____
* Stated maturity.

The Term Obligations to be redeemed shall be selected by lot or other customary random method of the Paying Agent/Registrar (or by DTC in accordance with its procedures while the Term Obligations are in book-entry-only form). Any Term Obligations not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of Term Obligations of a stated maturity required to be redeemed on any mandatory sinking fund redemption date pursuant to the operation of such mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Obligations of the same maturity which, at least 45 days prior to a mandatory sinking fund redemption date (1) shall have been defeased or acquired by the City at a price not exceeding the principal amount of such Term Obligations plus accrued interest to the date of purchase, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at the request of the City with money in the Interest and Sinking Fund.

NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. (While the Obligations are in book-entry form, the only registered owner will be the nominee of DTC). ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE

The Ordinances provide that the City may discharge its obligations to the registered owners of any or all of the Obligations in any manner now or hereafter permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Obligations to maturity or redemption and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption of such Obligations; provided that such deposits may be invested and reinvested only in (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, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) noncallable obligations of a state or an agency or a district, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Obligations, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Obligations, as the case may be. If any of the Obligations are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Obligations at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinances.

Upon such deposit as described above, such Obligations shall no longer be considered to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Obligations have been made as described above, all rights of the City to initiate proceedings to call such Obligations for redemption or take any other action amending the terms of such Obligations are extinguished; provided, however, that the right to call such Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of such Obligations 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.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by "DTC," while the Obligations 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 and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the register and request that copies of the notices be provided directly to them.

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

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT

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

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

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 Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "THE OBLIGATIONS - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

The initial paying agent/registrar for the Obligations is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). In the Ordinances, the City retains the right to replace the paying agent/registrar. The City covenants to maintain and provide a paying agent/registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent/registrar for the Obligations. Upon any change in the paying agent/registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the affected Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new paying agent/registrar.

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS - BOOK-ENTRY-ONLY SYSTEM" above for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month.

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

OWNERS' REMEDIES

The Ordinances do not provide for the appointment of a trustee to represent the interests of the Obligation holders upon any failure of the City to perform in accordance with the terms of the Ordinances or upon any other condition and, in the event of any such failure to perform, the registered owners of the Obligations, respectively, would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinances. Under State law, there is no right to the acceleration of maturity of the Obligations upon the failure of the City to observe any covenant under the Ordinances. A registered owner of Obligations could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Obligations; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Obligations as they become due or perform other material terms and covenants contained in the Ordinances. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Obligations are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If governmental immunity is determined by a court to exist, then the Texas Supreme Court ruled in Tooke v. City of Mexia (197 S.W.3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in a clear and unambiguous language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the covenants in the Obligations or in the Ordinances.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9.

Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligation holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce a creditor's rights 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. In a Chapter 9 proceeding, the City could propose, and the court could order, a plan that changes payment terms on the Obligations without the consent of the owners of the affected Obligations. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

SOURCES AND USES OF PROCEEDS

	The Bonds	The Certificates
Sources:		
Par Amount	$ 8,620,000.00	$ 11,180,000.00
Reoffering Premium	1,248,531.00	1,313,349.15
Transfer from the Refunded Bonds Debt Service Fund	628,590.63	-
Total Sources of Funds	$ 10,497,121.63	$ 12,493,349.15
Uses:		
Deposit to Project Fund	$ 4,021,000.00	$ 12,292,000.00
Deposit to Escrow Fund	6,301,594.98	-
Costs of Issuance (1)	124,955.68	130,803.92
Underwriters' Discount	49,570.97	70,545.23
Total Uses of Funds	$ 10,497,121.63	$ 12,493,349.15

(1) Includes legal fees, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar and Escrow Agent, and other costs of issuance, including contingency.

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TAX INFORMATION

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

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Collin Central Appraisal District and Denton Central Appraisal District (collectively, 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 "TAX INFORMATION - CITY AND TAXPAYER REMEDIES").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each city 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 be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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

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

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

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

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

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

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "TAX INFORMATION - TAX ABATEMENT POLICY" for descriptions of the City's tax abatement program.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION - CITY APPLICATION OF PROPERTY TAX CODE" herein.

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

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX INFORMATION - 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.

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

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

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

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

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

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

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

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

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

THE 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.

MUNICIPAL SALES TAX

The City has adopted the provisions of Property Tax Code § 321.001 et seq., which grants the City the power to impose and levy a one percent (1%) Local Sales and Use Tax within the City. The proceeds of such tax are credited to the General Fund and are not pledged to payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas (the "Comptroller"), who monthly remits the proceeds of the tax, after deduction of a two percent (2%) service fee, to the City.

The Property Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales and use tax for the purpose of reducing its ad valorem property taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales and use tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, State law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues. See "TABLE 13 – MUNICIPAL SALES TAX HISTORY" herein.

The City has also approved the imposition of an additional sales and use tax of one percent (1%) for the Metropolitan Transit Authority of Harris County, Texas ("METRO"). The sales tax for METRO is collected solely for the benefit of mass transit in the area. See "TABLE 13 – MUNICIPAL SALES TAX HISTORY" herein.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the state sales and use tax rate of 6¼%).

CITY APPLICATION OF TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $15,000; disabled persons are granted an exemption of $10,000 and disabled veterans are also granted an exemption between $5,000 and $12,000.

See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for a listing of the amounts of the exemptions described above.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does tax nonbusiness personal property; and Fort Bend County collect taxes for the City.

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

The City does not tax freeport property.

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

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY

The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The City currently has 14 abatement agreements in effect. The value of property subject to abatement is shown in Table 1.

TAX INCREMENT FINANCING ZONES

In June 2000, the City Council approved the creation of a Development Authority for the City that is responsible for management of all Public Improvement Districts and Tax Increment Reinvestment Zones created by the City. One zone was formed to develop an area that had long been noted for substandard housing and a lack of public infrastructure. Another zone was formed so that drainage problems could be handled on a regional basis. The third zone was created so the defined area would develop in a reasonable period of time. Approximately $821,518,664 of the tax year 2020 assessed valuation of the City is subject to agreements between the tax increment reinvestment zones and the City, and tax revenues generated on such assessed valuation are not available to make debt service payments on the Obligations. Historical collections below are provided by the City.

		Tax Year				
		2020	2019	2018	2017	2016
TIRZ #1	Captured	$ 198,707,108	$ 131,686,452	$ 111,942,977	$ 104,694,535	$ 101,375,328
	Taxable	268,554,899	201,534,243	181,790,768	174,542,326	171,223,119
TIRZ #2	Captured	377,598,515	319,025,606	301,343,784	288,219,963	264,098,167
	Taxable	379,712,525	321,139,616	303,457,794	290,333,973	266,212,177
TIRZ #3	Captured	245,213,041	162,867,099	148,202,189	140,302,851	131,409,750
	Taxable	273,917,541	191,571,599	176,906,689	169,007,351	160,114,250
	Total Captured	$ 821,518,664	$ 613,579,157	$ 561,488,950	$ 533,217,349	$ 496,883,245
	Total Taxable	922,184,965	714,245,458	662,155,251	633,883,650	597,549,546

NOTE: Base year valuations are subject to change as contested values and accounts are resolved, properties are annexed or de-annexed into a specific zone, and/or the Appraisal Districts update records.

DEVELOPMENT AGREEMENTS

The City has entered into development agreements to provide for planned development both inside and outside the current City limits. In some instances, economic development agreements have been entered into that utilize the Texas Local Government Code, Chapter 380 to provide for reimbursement to developers. In other cases, Tax Increment Reinvestment Zones and Public Improvement Districts have been used to assist development or redevelopment of areas. See APPENDIX B, Audited Financial Statements of the City for Fiscal Year Ended September 30, 2019, Note 17 – Development Agreements.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2020/2021 Market Valuation Established by the Fort Bend Central Appraisal District and the Harris County Appraisal District (excluding totally exempt property)		$ 8,231,425,287
Less Exemptions/Reductions at 100% Market Value:		
Over 65	$ 85,732,010	
Disabled or Deceased Veterans / Disabled People	68,934,041	
Productivity Loss	51,029,783	
Auto Lease Vehicles	75,638,675	
Abatement	187,901,200	
Under 500 Exemption	193	
Prorated Exempt Property	305,150	
House Bill 366	6,800	
Charity	211,779	
Homestead Cap	56,720,609	
Pollution Control	8,306,790	
Solar	213,900	
Adjustment	23,505,355	
Freeport	79,583,299	638,089,584
2020/2021 Taxable Assessed Valuation		$ 7,593,335,703 (1)
General Obligation Debt Payable from Ad Valorem Taxes (as of September 30, 2020)		
Outstanding General Obligation Bonds	$ 115,620,000 (2)	
Outstanding Certificates of Obligation	33,620,000	
Plus: The Certificates	11,180,000	
Plus: The Bonds	8,620,000	
Total General Obligation Debt Payable from Ad Valorem Taxes		$ 169,040,000
Less: Self-Supporting Debt (as of 1/31/21) (3)		
Water and Wastewater Utilities General Obligation Debt	$ 12,737,219 (4)	
Surface Water Treatment Fund General Obligation Debt	59,310,000 (4)	
Public Improvement District #2 General Obligation Debt	6,435,000	
Public Improvement District #4 General Obligation Debt	4,355,000	
Tax Increment Reinvestment Zone #2 General Obligation Debt	2,290,000	85,127,219
Net Funded Debt Payable From Ad Valorem Taxes		$ 83,912,781
Interest and Sinking Fund as of October 31, 2020		$ 6,569,150
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		1.11%

2021 Estimated Population - 78,787(5)

Per Capita Taxable Assessed Valuation - $96,378

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $1,065

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(1) Includes $613,579,157 in assessed valuation increment attributable to three separate tax increment reinvestment zones (the "Zones"). Pursuant to various agreements between the City and the Zones, 100% of the tax increment revenues generated from assessed valuation attributable to the Zones are used for Zone projects and are not available to make debt service payments on the Obligations.

(2) Excludes the Refunded Bonds.

(3) See "DEBT INFORMATION – ENTERPRISE AND COMPONENT UNIT REVENUE USED TO PAY GENERAL OBLIGATION DEBT SERVICE" and "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT."

(4) Includes a portion of the Certificates.

(5) Estimated 2021 population was not available at time of posting.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Vaue for Fiscal Year Ended					
	2021		2020		2019	
Category[1]	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 5,715,879,186	69.44%	$ 5,384,328,407	70.52%	$ 5,214,844,283	72.54%
Real, Residential, Multi-Family	120,128,794	1.46%	82,911,197	1.09%	83,592,140	1.16%
Real, Vacant Lots/Tracts	115,938,459	1.41%	127,379,061	1.67%	191,359,697	2.66%
Real Acreage (Land Only)	55,133,699	0.67%	62,763,069	0.82%	25,913,006	0.36%
Real, Farm and Ranch Improvements	17,576,870	0.21%	19,315,510	0.25%	991,151,163	13.79%
Real, Commercial, Industrial & Personal	1,381,129,669	16.78%	1,218,855,920	15.96%	63,959,177	0.89%
Real, Oil, Gas & Mineral Reserves	478,720	0.01%	1,282,710	0.02%	65,746,810	0.91%
Real & Intangible Personal, Utilities	90,929,280	1.10%	77,923,564	1.02%	517,293,025	7.20%
Tangible Personal Business	670,666,569	8.15%	600,449,617	7.86%	6,312,869	0.09%
Tangible Personal, Other	176,100	0.00%	176,100	0.00%	28,130,007	0.39%
Real Inventory	62,165,620	0.76%	57,750,540	0.76%	881,964	0.01%
Special Inventory	1,222,321	0.01%	1,510,341	0.02%	-	0.00%
Total Appraised Value Before Exemptions	$ 8,231,425,287 [2]	100.00%	$ 7,634,646,036 [2]	100.00%	$ 7,189,184,141 [2]	100.00%
Less: Total Exemptions/Reductions	(638,089,584)		(612,037,174)		(547,018,659)	
Adjustments	-		-		440,050,574	
Taxable Assessed Value	$ 7,593,335,703		$ 7,022,608,862		$ 7,082,216,056	

	Taxable Appraised Value for Fiscal Year Ended			
	2018		2017	
Category[1]	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 4,800,896,372	71.96%	$ 4,746,854,715	72.62%
Real, Residential, Multi-Family	82,773,208	1.24%	81,751,206	1.25%
Real, Vacant Lots/Tracts	128,025,421	1.92%	114,116,991	1.75%
Real, Farm and Ranch Improvements	84,187,990	1.26%	1,428,050	0.02%
Real, Commercial, Industrial & Personal	1,919,080	0.03%	923,439,189	14.13%
Real Acreage (Land Only)	993,869,178	14.90%	84,317,571	1.29%
Real, Oil, Gas & Mineral Reserves	1,601,270	0.02%	316,430	0.00%
Real & Intangible Personal, Utilities	69,550,698	1.04%	66,425,260	1.02%
Tangible Personal Business	468,141,220	7.02%	480,089,792	7.34%
Tangible Personal, Other	171,510	0.00%	206,630	0.00%
Real Inventory	40,222,990	0.60%	37,880,264	0.58%
Special Inventory	88,630	0.00%	46,350	0.00%
Total Appraised Value Before Exemptions	$ 6,671,447,567 [2]	100.00%	$ 6,536,872,448 [2]	100.00%
Less: Total Exemptions/Reductions	(497,944,527)		(581,911,494)	
Adjustments	497,145,800		312,453,301	
Taxable Assessed Value	$ 6,670,648,840		$ 6,267,414,255	

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(1) Includes value attributable to three separate tax increment reinvestment zones (the "Zones"). Pursuant to the various agreements between the City and the Zones, 100% of the tax revenues generated from assessed valuation attributable to the Zones are used for Zone projects and are not available to make debt service payments on the Obligations. See "TAX INFORMATION – TAX INCREMENT FINANCING ZONES."

(2) Excludes totally exempt property.

NOTE: Valuations shown are certified taxable assessed values reported by the Fort Bend Central and Harris County Appraisal Districts to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts update records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended	Estimated Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [3]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
6/30/2017	74,561	$ 6,267,414,255	$ 84,058	$ 146,620,000	2.34%	$ 1,966
9/30/2018 [4]	74,497	6,670,648,840	89,543	168,920,000	2.53%	2,267
9/30/2019	77,242	7,082,216,056	91,689	159,355,000	2.25%	2,063
9/30/2020	78,787	7,022,608,862	89,134	155,195,000	2.21%	1,970
9/30/2021	78,787 [5]	7,593,335,703	96,378	158,635,000 [6]	2.09% [6]	2,013 [6]

(1) Estimate provided by the City.
(2) As reported by the Fort Bend Central and Harris County Appraisal Districts, subject to change throughout the year. Includes value attributable to three separate tax increment reinvestment zones (the "Zones"). Pursuant to the various agreements between the City and the Zones, 100% of the tax revenues generated from incremental assessed valuation attributable to the Zones are used for Zone projects and are not available to make debt service payments on the Obligations. See "TAX INFORMATION – TAX INCREMENT FINANCING ZONES."
(3) Includes self-supporting debt. See "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT."
(4) The City's fiscal year end changed from June 30 to September 30 beginning on July 1, 2017.
(5) Estimated 2021 population was not available at time of posting.
(6) Projected, includes the Obligations. Excludes the Refunded Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Tax Year	Fiscal Year Ended	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections [1]	% Total Collections [1]
2016	6/30/2017	$ 0.56010	$ 0.42166	$ 0.13844	$ 33,334,330	98.64%	99.55%
2017	9/30/2018 [2]	0.60000	0.44023	0.15977	37,682,494	98.97%	99.42%
2018	9/30/2019	0.63000	0.46000	0.17000	41,324,746	98.71%	99.22%
2019	9/30/2020	0.63000	0.46639	0.16361	44,361,234	98.75%	99.71%
2020	9/30/2021	0.59804	0.45353	0.14451	44,410,534	In Process of Collection	

(1) Collected within the Fiscal Year of the levy.
(2) The City's fiscal year end changed from June 30 to September 30 beginning on July 1, 2017.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2020/2021 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Ben E Keith Co	Food Distributor	$ 54,786,920	0.72%
Houston Formulation Evaluation	Pharmaceutical	39,159,531	0.52%
Watermark Retreat at Sienna Plantation LLC	Apartments	35,798,360	0.47%
Comcast of Houston LLC	Utility	30,045,740	0.40%
Centerpoint Energy Electric	Electric Utility	29,284,090	0.39%
Park 8Ninety Phase II LP	Commercial	28,546,468	0.38%
TPP SW Commerce LLC	Commercial	28,466,500	0.37%
MDC Coastal 2 LLC	Commercial	26,603,560	0.35%
Elysian at Sienna Plantation LP	Apartments	26,304,280	0.35%
Niagara Bottling LLC	Bottling	25,182,630	0.33%
		$ 324,178,079	4.27%

GENERAL OBLIGATION DEBT LIMITATION

A maximum ad valorem tax rate of $2.50 per $100 of taxable assessed valuation is imposed on the City under current State law and the City's Home Rule Charter (see "THE OBLIGATIONS - TAX RATE LIMITATION"). The Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

TABLE 6 - TAX ADEQUACY [(1)]

2021 Principal and Interest Requirements on Net Funded Debt	$ 9,448,147 [(1)]
$0.1270 Tax Rate at 98% Collection Produces	$ 9,450,666
Average Annual Principal and Interest Requirements on Net Funded Debt, 2021 - 2040	$ 4,006,987 [(1)]
$0.0539 Tax Rate at 98% Collection Produces	$ 4,010,952
Maximum Principal and Interest Requirements on Net Funded Debt, 2022	$ 10,234,293 [(1)]
$0.1376 Tax Rate at 98% Collection Produces	$ 10,239,461

(1) Projected, includes the Obligations and excludes the Refunded Bonds and self-supporting debt.

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Governmental Entity	Debt as of 12-Jan-21	Overlapping Percentage	Overlapping Amount	
Blue Ridge West MUD	$ 6,680,000	100.00%	$ 6,680,000	
First Colony MUD No. 9	10,045,000	100.00%	10,045,000	
Fort Bend County	651,849,310	7.98%	52,017,575	
Fort Bend County MUD No. 26	21,465,000	100.00%	21,465,000	
Fort Bend County MUD No. 42	5,135,000	97.72%	5,017,922	
Fort Bend County MUD No. 46	11,675,000	100.00%	11,675,000	
Fort Bend County MUD No. 47	13,750,000	100.00%	13,750,000	
Fort Bend County MUD No. 48	26,880,000	100.00%	26,880,000	
Fort Bend County MUD No. 49	400,000	100.00%	400,000	
Fort Bend County MUD No. 115	5,685,000	100.00%	5,685,000	
Fort Bend County WC&ID No. 2	93,080,000	23.06%	21,464,248	
Fort Bend Independent School District	1,297,633,767	15.60%	202,430,868	
Harris County	1,743,427,125	0.06%	1,046,056	
Harris County Department of Education	20,185,000	0.06%	12,111	
Harris County Flood Control District	334,270,000	0.06%	200,562	
Harris County Hospital District	86,050,000	0.06%	51,630	
Harris County MUD No. 122	1,140,000	100.00%	1,140,000	
Harris County WC&ID (Fondren Road)	1,860,000	100.00%	1,860,000	
Houston Community College System	528,150,000	2.84%	14,999,460	
Houston Independent School District	2,764,820,000	0.16%	4,423,712	
Palmer Plantation MUD #2	3,790,000	100.00%	3,790,000	
Port of Houston Authority	492,439,397	0.06%	295,464	
Sienna Plantation LID	158,435,000	6.38%	10,108,153	
Sienna Plantation Management District	32,520,000	100.00%	32,520,000	
Sienna Plantation MUD #10	59,940,000	0.10%	59,940	
Sienna Plantation MUD #12	59,225,000	3.52%	2,084,720	
Southwest Harris County MUD No. 1	1,300,000	100.00%	1,300,000	
Total Overlapping Debt			$ 451,402,421	
The City (1)			169,040,000	(2)
Total Direct and Overlapping Debt			$ 620,442,421	
Population			78,787	(3)
Per Capita Total Direct and Overlapping Debt			$ 7,875	
Ratio of Total Direct and Overlapping Debt to Taxable Assessed Valuation			8.17%	

Source: Texas Municipal Reports.
(1) Includes self-supporting debt.
(2) Projected, includes the Obligations. Excludes the Refunded Bonds.
(3) Estimated 2021 population was not available at time of posting.

DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ending 9/30	Outstanding Debt Service [(1)]		The Bonds [(2)]		The Certificates [(2)]		Total Outstanding Debt	Water and Wastewater Utilities Self-Supporting Requirements [(3)]	Surface Water Treatment Fund Self-Supporting Requirements [(3)]	PID #2 Self-Supporting Requirements	PID #4 Self-Supporting Requirements	TIRZ #2 Self-Supporting Requirements	Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Principal	Interest	Principal	Interest								
2021	$ 9,640,000	$ 6,616,043	$ 110,000	$ 95,948	$ 355,000	$ 109,897	$ 16,926,888	$ 976,309	$ 5,243,069	$ 486,875	$ 343,944	$ 428,545	$ 9,448,147	
2022	10,040,000	6,099,495	695,000	309,613	470,000	345,463	17,959,570	1,197,876	5,259,583	577,875	346,194	343,750	10,234,293	
2023	10,425,000	5,653,482	720,000	281,813	490,000	326,663	17,896,958	1,198,103	5,264,283	574,875	342,944	341,500	10,175,253	
2024	10,835,000	5,173,276	740,000	253,013	510,000	307,063	17,818,351	1,201,596	5,271,608	571,475	344,444	338,750	10,090,479	
2025	10,570,000	4,676,426	770,000	223,413	525,000	286,663	17,051,501	1,171,926	5,272,483	577,675	345,444	340,500	9,343,474	33.72%
2026	10,965,000	4,185,301	790,000	192,613	545,000	265,663	16,943,576	1,175,869	5,260,433	578,075	350,944	341,500	9,236,756	
2027	10,620,000	3,677,282	815,000	161,013	565,000	243,863	16,082,158	1,135,334	5,268,833	577,875	350,694	341,750	8,407,673	
2028	10,295,000	3,187,257	840,000	128,413	580,000	221,263	15,251,933	1,126,995	5,264,733	577,075	349,944	341,250	7,591,936	
2029	8,060,000	2,713,682	875,000	94,813	600,000	198,063	12,541,558	1,010,961	5,267,826	570,675	348,694	-	5,343,401	
2030	8,225,000	2,352,189	255,000	59,813	620,000	174,063	11,686,064	1,009,166	5,257,251	458,875	346,944	-	4,613,827	66.10%
2031	7,690,000	1,986,859	255,000	52,163	535,000	155,463	10,674,484	526,206	5,268,346	455,875	349,694	-	4,074,362	
2032	7,550,000	1,648,934	255,000	44,513	550,000	139,413	10,187,859	529,056	5,264,921	457,475	341,694	-	3,594,712	
2033	7,790,000	1,347,211	190,000	36,863	560,000	122,913	10,046,986	526,456	5,262,724	453,475	346,094	-	3,458,237	
2034	7,835,000	1,048,294	190,000	31,163	565,000	106,113	9,775,569	523,556	5,258,744	458,338	344,894	-	3,190,037	
2035	7,125,000	746,981	190,000	25,463	580,000	89,163	8,756,606	525,356	4,927,944	452,363	343,294	-	2,507,650	90.91%
2036	3,965,000	456,856	190,000	19,763	600,000	71,763	5,303,381	526,706	1,740,481	445,963	346,294	-	2,243,937	
2037	3,750,000	308,150	185,000	15,725	615,000	53,763	4,927,638	527,606	1,476,681	394,150	346,450	-	2,182,750	
2038	3,085,000	150,763	185,000	11,794	625,000	40,694	4,098,250	527,300	1,475,975	343,825	345,888	-	1,405,263	
2039	475,000	14,250	185,000	7,863	635,000	27,413	1,344,525	526,781	47,019	-	-	-	770,725	
2040	-	-	185,000	3,931	655,000	13,919	857,850	531,050	51,063	-	-	-	275,738	100.00%
	$ 148,940,000	$ 52,042,733	$ 8,620,000	$ 2,049,698	$ 11,180,000	$ 3,299,272	$ 226,131,703	$ 16,474,210	$ 83,403,997	$ 9,012,813	$ 6,234,488	$ 2,817,545	$ 108,188,652	

(1) Excludes the Refunded Bonds.
(2) Interest for the Obligations has been calculated at the rates stated on the page 2 hereof.
(3) Includes a portion of the Certificates.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Net Debt Service Requirements, Fiscal Year Ending September 30, 2021		$ 9,448,147 (1)
Transfer to Tax Increment Reinvestment Zones		1,151,521
Interest and Sinking Fund, September 30, 2020	$ 6,283,534 (2)	
Budgeted Interest and Sinking Fund Tax Levy (3)	10,910,822	
Budgeted Investment Income (3)	137,141	17,331,497
Estimated Balance, September 30, 2021		$ 6,731,829

(1) Projected, includes the Obligations and excludes the Refunded Bonds and self-supporting debt.
(2) Unaudited number from City.
(3) Data taken from fiscal year 2020 Adopted Budget.

ENTERPRISE AND COMPONENT UNIT REVENUE USED TO PAY GENERAL OBLIGATION DEBT SERVICE

The City has certain outstanding general obligation bonds of which some of the proceeds were used for projects that generate revenue for the subsequent repayment. The debt from these bonds is currently being paid in full or in part from such revenue and is listed below:

Issue	Percent Attributed to Self-Supporting Revenue	Revenue Source Fund	Due in 2021 Fiscal Year
Combination Tax and Revenue Certificates of Obligation, Series 2010A	100.00%	PID #2	$ 404,675
Combination Tax and Revenue Certificates of Obligation, Series 2010B	100.00%	TIRZ #2	88,295
General Obligation Refunding Bonds, Series 2013	5.00%	Water and Wastewater	68,991
General Obligation Refunding Bonds, Series 2014	2.00%	Water and Wastewater	3,548
Combination Tax and Revenue Certificates of Obligation, Series 2014A	100.00%	Surface Water	340,270
Combination Tax and Revenue Certificates of Obligation, Series 2016	100.00%	Surface Water	171,513
General Obligation Refunding Bonds, Series 2016	65.00%	Multiple	4,288,735
Combination Tax and Revenue Certificates of Obligation, Series 2016A	100.00%	Surface Water	261,219
Combination Tax and Revenue Certificates of Obligation, Series 2018A	100.00%	Surface Water	1,426,250
Combination Tax and Revenue Certificates of Obligation, Series 2018B	100.00%	PID #2	82,200
Combination Tax and Revenue Certificates of Obligation, Series 2021	77.00%	Multiple	343,046
			$ 7,509,651

The debt issues described in this table are general obligation debt for which repayment is provided from revenues of the water and sewer system, ground water reduction and surface water treatment system, payments from Public Improvement District No. 2 ("PID #2"), payments from Public Improvement District No. 4 ("PID #4") and payments from Tax Increment Reinvestment Zone No. 2 ("TIRZ #2"). It is the City's current policy to provide these payments from such sources. There is no assurance that the use of these sources to make these payments will continue in the future. If payments are not made from such sources in the future, the difference will be paid for with ad valorem taxes.

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TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT (1)

Net Revenues Available for Debt Service from Water and Wastewater Utilities (9/30/2019)	$ 863,366
Water and Sewer System General Obligation Bond Requirements (9/30/2020)	668,083
Balance	$ 195,283
Percentage of Water and Sewer System General Obligation Bonds Self-Supporting	100.00%
Net Revenues Available for Debt Service from Surface Water Utility Fund (9/30/2019)	$ 7,012,763
Surface Water General Obligation Bond Requirements (9/30/2020)	5,217,801
Balance	$ 1,794,962
Percentage of Surface Water General Obligation Bonds Self-Supporting	100.00%
Gross Revenues Available for Debt Service from TIRZ #2 Fund (9/30/2019)	$ 2,836,024
TIRZ #2 General Obligation Bond Requirements (9/30/2020)	530,981
Balance	$ 2,305,043
Percentage of TIRZ #2 General Obligation Bonds Self-Supporting	100.00%
Gross Revenues Available for Debt Service from PID #2 Fund (9/30/2019)	$ 718,649
PID #2 General Obligation Bond Requirements (9/30/2020)	391,025
Balance	$ 327,624
Percentage of PID #2 General Obligation Bonds Self-Supporting	100.00%
Gross Revenues Available for Debt Service from PID #4 Fund (9/30/2019)	$ 403,641
PID #4 General Obligation Bond Requirements (9/30/2020)	346,444
Balance	$ 57,197
Percentage of PID #4 General Obligation Bonds Self-Supporting	100.00%

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(1) Information for the fiscal year ending September 30, 2020 was not available at time of publication.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Drainage Improvements	9/13/2003	$ 20,000,000	$ 8,377,000	$ 2,163,000	$ 9,460,000
Drainage Improvements	5/10/2014	6,500,000	2,550,000	-	3,950,000
Fire Station 6	5/10/2014	5,000,000	4,072,000	928,000	-
Facilities Improvements	5/10/2014	5,700,000	1,881,000	930,000	2,889,000
		$ 37,200,000	$ 16,880,000	$ 4,021,000	$ 16,299,000

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City anticipates the issuance of approximately $9,300,000 of additional general obligation bond indebtedness in fiscal year 2022.

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OTHER OBLIGATIONS

Combined Capital Lease Agreements

FYE 9/30	Principal	Interest	Total
2021	$ 383,853	$ 109,047	$ 492,901
2022	359,603	98,155	457,758
2023	370,844	86,914	457,758
2024	336,716	75,314	412,030
2025	347,255	64,775	412,030
2026	358,133	53,898	412,031
2027	369,360	42,671	412,031
2028	380,947	31,084	412,031
2029	392,905	19,125	412,030
2030	136,154	6,781	142,935
2031	139,503	3,432	142,935
	$ 3,575,273	$ 591,196	$ 4,166,470

Combined Operating Lease Agreements (1)

FYE 9/30	Principal	Interest	Total
2021	$ 335,016	$ 26,027	$ 361,042
2022	337,336	23,706	361,042
2023	171,094	21,323	192,417
2024	173,541	18,876	192,417
2025	176,054	15,783	191,837
2026	98,552	3,433	101,985
2027	75,649	840	76,489
	$ 1,367,241	$ 109,988	$ 1,477,230

(1) Operating leases are included in accordance with GASB 87 requirements which the City will implement in the Comprehensive Annual Financial Report beginning with the fiscal year ending September 30, 2020.

PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" - Note # 9.)

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas Municipal Retirement System, the City has opted to provide eligible retired employees with the following post-employment benefits:

- Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees
- Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees for dependents if the dependents were covered at the point of retirement

The City recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. The appropriation for the fiscal year ending September 30, 2019 was $89,899. At September 30, 2019, there were approximately 40 participants eligible to receive such benefits. The appropriation for fiscal year ending September 30, 2030 was $79,637.

The City has implemented GASB 75 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions" for the year ended December 31, 2019. The actuarial study determined that the Annual Required Contribution for Fiscal Year Beginning 2009 would be $279,705 based on the city's Unfunded PAYGO choice. The present value of all benefits expected to be paid to current plan members as of December 31, 2019 is $8,676,844. The actuarial accrued liability, which is the portion of the $8,767,844 attributable to service accrued by members as of December 31, 2018, is $8,676,844.

For more information concerning the City's post-employment benefits, see the financial statements of the City, and the notes thereto.

FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET POSITION

	Fiscal Year Ended				
Revenues:	9/30/2019	9/30/2018	6/30/2017	6/30/2016	6/30/2015
Program Revenues					
Charges for Services	$ 10,494,532	$ 12,416,496	$ 6,640,207	$ 5,695,551	$ 6,971,088
Operating Grants and Contributions	3,337,887	5,306,914	3,424,595	2,624,540	1,258,291
Capital Grants and Contributions	-	64,550	1,063,192	3,835,598	9,602,877
General Revenues					
Ad Valorem Tax	45,306,222	41,915,313	37,284,254	32,072,287	28,657,996
Sales Tax	9,546,249	11,944,882	8,236,200	8,635,718	8,464,897
Franchise Tax	6,176,854	6,948,121	5,667,371	4,474,450	3,673,724
Hotel Occupancy Taxes	242,901	270,487	170,271	243,287	219,526
Unrestricted Investment Earnings	1,896,654	1,120,334	107,009	912,451	792,273
Other	400,364	1,200,103	169,806	525,388	569,085
Gain on Sale of Capital Asset	97,106	180,217	108,017	147,194	-
Total Revenues	$ 77,498,769	$ 81,367,417	$ 62,870,922	$ 59,166,464	$ 60,209,757
Expenses:					
General Government	$ 15,529,208	$ 14,685,034	$ 9,480,629	$ 7,841,833	$ 6,492,267
Finance	2,348,268	2,412,310	1,984,993	1,870,127	1,759,615
Police	16,255,830	19,181,580	15,754,861	15,330,234	13,039,962
Fire	10,838,755	11,895,168	9,837,771	9,308,340	7,843,356
Public Works	14,791,746	18,407,432	15,422,548	16,645,172	18,163,336
Parks and Recreation	4,907,496	5,734,819	4,367,231	4,107,637	4,026,878
Planning	4,177,093	4,605,253	2,029,829	1,788,303	1,744,218
Interest on Long-Term Debt	4,112,146	5,114,943	4,028,758	4,382,162	4,272,821
Total Expenses	$ 72,960,542	$ 82,036,539	$ 62,906,620	$ 61,273,808	$ 57,342,453
Increase (Decrease) in Net Position before Transfers	$ 4,538,227	$ (669,122)	$ (35,698)	$ (2,107,344)	$ 2,867,304
Transfers	508,000	640,811	394,000	402,627	368,331
Increase (Decrease) in Net Position	$ 5,046,227	$ (28,311)	$ 358,302	$ (1,704,717)	$ 3,235,635
Net Position - October 1	111,010,303	115,872,182	115,715,734	117,420,451	133,964,858
Prior Period Adjustments	-	(4,833,568)	(201,854)	-	(19,780,042)
Net Position - September 30	$ 116,056,530	$ 111,010,303	$ 115,872,182	$ 115,715,734	$ 117,420,451

Note: The City's fiscal year end changed from June 30 to September 30 beginning on July 1, 2017.

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TABLE 12-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY[1]

	Fiscal Year Ended				
	9/30/2019	9/30/2018	6/30/2017	6/30/2016	6/30/2015
Revenues:					
Taxes	$ 37,649,050	$ 37,860,193	$ 31,602,365	$ 27,726,221	$ 25,721,461
Licenses and Permits	3,207,411	3,533,623	2,284,359	2,117,010	2,157,000
Intergovernmental	2,502,587	3,162,582	2,651,951	1,640,066	177,026
Fine and Forfeitures	1,023,179	1,190,545	874,765	916,336	853,899
Franchise Fees	4,204,567	5,357,742	4,265,045	4,309,164	3,908,835
Other Revenue	1,502,478	1,999,074	448,613	588,684	492,496
Charges for Services	442,267	492,721	387,085	2,052,174	2,223,540
Total Revenues	$ 50,531,539	$ 53,596,480	$ 42,514,183	$ 39,349,655	$ 35,534,257
Expenditures:					
General Government	$ 8,834,843	$ 11,767,206	$ 8,333,132	$ 6,441,209	$ 5,817,636
Finance	2,056,126	2,209,722	1,723,315	1,631,602	1,575,440
Police	13,447,568	16,730,375	13,191,783	13,043,826	11,303,819
Fire	8,965,131	10,918,160	8,176,096	7,809,298	7,004,576
Public Works	7,527,188	9,952,634	5,677,834	5,932,471	6,166,096
Parks and Recreation	3,068,640	3,587,829	2,759,166	2,611,566	2,449,051
Planning	1,648,832	1,732,489	1,448,854	1,288,430	1,234,429
Capital Outlay	470,323	1,118,954	667,980	281,922	828,293
Total Expenditures	$ 46,018,651	$ 58,017,369	$ 41,978,160	$ 39,040,324	$ 36,379,340
Revenues Over (Under) Exp	$ 4,512,888	$ (4,420,889)	$ 536,023	$ 309,331	$ (845,083)
Other Financing Sources/Uses					
Transfer From Other Funds	$ 1,395,539	$ 2,111,958	$ 1,672,288	$ 2,553,475	$ 1,473,818
Transfers (to) Other Funds	(3)	(258,804)	(1,111,207)	-	(139,239)
Total Other Sources (Uses)	$ 1,395,536	$ 1,853,154	$ 561,081	$ 2,553,475	$ 1,334,579
Revenues and Other Financing Sources Over/(Under)	$ 5,908,424	$ (2,567,735)	$ 1,097,104	$ 2,862,806	$ 489,496
Fund Balances, Beginning of Year	$ 11,014,044	$ 13,581,779	$ 12,484,675 [2]	$ 9,441,665	$ 8,952,169
Ending Fund Balance	$ 16,922,468	$ 11,014,044	$ 13,581,779	$ 12,304,471	$ 9,441,665

(1) Information for the fiscal year ending September 30, 2020 was not available at of publication.
(2) Restated.
Note: The City's fiscal year end changed from June 30 to September 30 beginning on July 1, 2017.

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% local sales and use tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The City has approved the imposition of an additional sales and use tax of one percent (1%) for the Metropolitan Transit Authority of Harris County, Texas ("METRO"). The sales tax for METRO is collected solely for the benefit of mass transit in the area.

Fiscal Year Ended	Total Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita(2)
6/30/2016	$ 8,635,718	29.17%	$ 0.16	$ 116
6/30/2017	8,236,200	24.71%	0.14	110
9/30/2018 (3)	11,944,882	31.70%	0.19	160
9/30/2019	9,546,249	23.10%	0.15	124
9/30/2020	10,950,134	24.68%	0.16	141

(1) Represents only the sales taxes remitted to the City based on its 1% levy.
(2) Based on population estimates by the City.
(3) The City's fiscal year end changed from June 30 to September 30 beginning on July 1, 2017.

FINANCIAL POLICIES

Basis of Accounting . . The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The basic financial statements for the City include all activities, organizations and functions for which the City is financially accountable. The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34.

General Fund Balance . . The City has a policy of maintaining the General Fund Balance at a level between 20 and 30 percent of estimated revenues to assure adequate reserve for emergencies.

Debt Service Fund Balance . . . The Debt Service Fund is used to account for the payment of interest and principal on all general obligation debts of the City. The primary source of revenue for the debt service fund is property taxes.

Budgetary Procedures . . The City begins the budget process at the department level in January of each year. The departments submit budget workbooks back to the Director of Financial Services where they are compiled and submitted to the City Manager. After review and comment a proposed budget is submitted to City Council. The City Council holds public hearings and adopts a budget prior to September 30 of each year.

INVESTMENTS

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

LEGAL INVESTMENTS

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certain interest bearing bank deposits; (8) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of certain obligations (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

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

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

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City are required to submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

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

TABLE 14 - CURRENT INVESTMENTS

As of October 31, 2020, the City's investable funds were invested in the following categories:

Investment Description	Percent of Total	Book Value
Cash Deposits	0.12%	$ 141,981
Security Investments	5.00%	6,045,375
LOGIC	6.11%	7,391,863
Texas Class	13.32%	16,107,830
Tex Pool	5.81%	7,021,186
Certificates of Deposit	56.03%	67,728,043
Money Market	13.61%	16,448,493
Total Investments	100%	$ 120,884,771

(1) Government Investment Pool.

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TAX MATTERS

GENERAL . . . In the opinion of Bond Counsel, under existing law, interest on the Obligations is excludable from gross income for federal income tax purposes. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the Obligations.

The Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the City rebates certain excess earnings on proceeds and amounts treated as proceeds of the Obligations to the United States Treasury Department; restrictions on the investment of such proceeds and other amounts; and certain restrictions on the ownership and use of the facilities financed or refinanced with the proceeds of the Obligations. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the Obligations to maintain the exclusion of interest on the Obligations from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the Obligations in the gross income of the holders thereof for federal income tax purposes, retroactive to the date of issuance of the Obligations. The City has covenanted to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the Obligations in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the City complies with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the Obligations.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law or otherwise become effective, will not cause the interest on the Obligations to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the Obligation holders from realizing the full current benefit of the tax status of the interest on the Obligations. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the Obligations. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is possible that legislation could be introduced that, if enacted, could change the federal tax consequences of owning the Obligations and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the Obligations are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

As to certain questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City and certificates of appropriate officers and public officials (including certifications as to the use of proceeds of the Obligations and of the property financed or refinanced thereby).

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX C – FORM OF BOND COUNSEL'S OPINIONS" for the complete text thereof. See also "OTHER INFORMATION – LEGAL OPINIONS" herein.

ALTERNATIVE MINIMUM TAX . . . An alternative minimum tax is imposed by the Code on individuals. Interest on the Obligations will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the Obligations will therefore not be included in the alternative minimum taxable income of individuals.

ORIGINAL ISSUE PREMIUM . . . The Obligations maturing on June 15 in the years 2021 through and including 2040 (collectively, the "Premium Obligations") have been sold to the public at an original issue premium. Section 171(a) of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Obligations, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Obligation will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Obligation in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Obligation and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of Premium Obligations should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering Premium Obligations at their maturity.

OTHER TAX CONSEQUENCES . . . Prospective purchasers of the Obligations should be aware that ownership of the Obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations and foreign corporations, individuals entitled to receive the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Obligations. Prospective purchasers of the Obligations should also be aware that ownership of the Obligations may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Obligations. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the Obligations. Prospective purchasers of the Obligations should consult their tax advisors as to the collateral federal income tax and state tax consequences to them of owning the Obligations.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Obligations which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of Obligations, should consult their own tax advisors with respect to the consequences of owning Obligations, including the effect of such ownership under applicable state and local laws.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Interest paid on tax-exempt obligations, such as the Obligations, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Obligations from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Obligations, under certain circumstances, to "backup withholding" with respect to payments on the Obligations and proceeds from the sale of Obligations. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Obligations. This withholding generally applies if the owner of Obligations (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Obligations may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE OBLIGATIONS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE OBLIGATIONHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE OBLIGATIONHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Reference is made to the proposed form of the opinions of Bond Counsel attached hereto as "APPENDIX C – FORM OF BOND COUNSEL'S OPINIONS" for the complete text thereof. See also "OTHER INFORMATION – LEGAL OPINIONS" herein.

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CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. 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"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS

The City will provide certain updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement in Tables 1 through 6 and Tables 8 through 14, and in APPENDIX B. The City will update and provide this information within six months after the end of each fiscal year.

The City may provide updated information in full text or may incorporate by reference other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the City commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the City will provide such financial statements on an unaudited basis within the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

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

EVENT NOTICES

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 Obligations 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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, 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 trustee or the change of name of a trustee, if material (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Obligation holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City, any of which reflect financial difficulties. 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".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and Orders of a court or governmental authority, or the entry of an Order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. The term "material" as used above has the meaning ascribed to it under federal securities laws. The term "financial obligation" as used above means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The City intends to use the words used in items 15 and 16 and the definition of "financial obligation" in this Section to have the same meanings as when they are used in the Rule, as evidenced, for example, by SEC Release No. 24-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION

The City has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The City has agreed to update information and to provide notices of certain 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 Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

This continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Obligations in the primary offering of the Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Obligations consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Obligations. 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 such amendment or repeal would not have prevented an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations.

COMPLIANCE WITH PRIOR UNDERTAKINGS

In connection with prior transactions, the City has entered into undertakings pursuant to which it agreed to provide certain continuing disclosure information and notices of certain events.

For fiscal year 2015, the City failed to file certain annual financial information and operating data and the related notices of failure to file such information pursuant to its prior continuing disclosure undertakings. The City has since filed updated information and notice in accordance with its continuing disclosure undertakings.

The ratings on municipal bond insurers have been changed with frequency at various times in recent years, and information about the changes in ratings of municipal bond insurers has been publicly reported. During the past five years, the City has periodically posted notices detailing the ratings changes of insurers of the City's insured obligations, although in some instances such posting have not occurred in a timely manner after the ratings action.

The City has implemented certain administrative procedures to help ensure timely compliance with its obligations in the future.

OTHER INFORMATION

RATINGS

The Obligations and presently outstanding tax supported debt of the City are rated "Aa2" by Moody's, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any of such rating companies, if in the judgment of one of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price and marketability of the Obligations.

NO LITIGATION CERTIFICATE

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

The City will furnish to the Underwriters a certificate, dated as of the date of delivery of the Obligations, executed by an authorized officer of the City, to the effect that, except as disclosed in this Official Statement, no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Obligations; restraining or enjoining the issuance, execution or delivery of the Obligations; affecting the provisions made for the payment of or security for the Obligations; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Obligations; or affecting the validity of the Obligations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL OPINIONS

The delivery of the Obligations is subject to the approving opinions of the Attorney General of Texas to the effect that the Obligations are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and, the approving legal opinion of Holland and Knight LLP, Bond Counsel to the City ("Bond Counsel"), in substantially the form attached as Appendix C.

Bond Counsel has reviewed the information appearing in the Official Statement under "THE OBLIGATIONS" (except for "BOOK-ENTRY-ONLY SYSTEM," "OWNERS' REMEDIES," and "SOURCES AND USES OF PROCEEDS"), "TAX INFORMATION – GENERAL OBLIGATION DEBT LIMITATION," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except "COMPLIANCE WITH PRIOR UNDERTAKINGS"), "OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE," "OTHER INFORMATION – LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER INFORMATION – LEGAL OPINIONS" (except for the penultimate paragraph thereof), solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person or entity is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations are contingent on the sale and delivery of the Obligations.

The legal opinions to be delivered concurrently with the delivery of the Obligations 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 the rendering of an opinion guarantee outcome of any legal dispute that may arise out of the transaction.

Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst and Horton, L.L.P., Houston, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Obligations.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

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

UNDERWRITERS OF THE BONDS

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public, as shown on page 2 herein, less an underwriting discount of $49,570.97. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering 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 in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

UNDERWRITERS OF THE CERTIFICATES

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices to the public, as shown on page 2 herein, less an underwriting discount of $70,545.23. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates and such public offering 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 in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in this Official Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as or as part of a contract with the original purchasers or subsequent owners of the Obligations.

/S/ Robin Elackatt
Mayor
City of Missouri City, Texas

ATTEST:

/S/ Maria Jackson
City Secretary
City of Missouri City, Texas

Schedule I

SCHEDULE OF REFUNDED BONDS

General Obligation Bonds, Series 2010

Original Dated Date	Original Maturity	Interest Rate	Amount	Call Date
2/15/2010	6/15/2021	3.750%	$ 500,000	2/26/2021
	6/15/2022	4.000%	525,000	2/26/2021
	6/15/2023	4.000%	545,000	2/26/2021
	6/15/2024	4.000%	570,000	2/26/2021
	6/15/2025	4.000%	600,000	2/26/2021
	6/15/2026	4.000%	625,000	2/26/2021
	6/15/2027	4.000%	655,000	2/26/2021
	6/15/2028	4.125%	680,000	2/26/2021
	6/15/2029	4.125%	715,000	2/26/2021
			$ 5,415,000	

General Obligation Bonds, Series 2012

Original Dated Date	Original Maturity	Interest Rate	Amount	Call Date
11/1/2012	6/15/2021	2.250%	$ 70,000	2/26/2021
	6/15/2022	2.250%	70,000	2/26/2021
	6/15/2023	2.250%	70,000	2/26/2021
	6/15/2024	2.250%	70,000	2/26/2021
	6/15/2025	2.250%	70,000	2/26/2021
	6/15/2026	2.250%	70,000	2/26/2021
	6/15/2027	2.250%	70,000	2/26/2021
	6/15/2028	2.250%	70,000	2/26/2021
	6/15/2029	2.250%	70,000	2/26/2021
	6/15/2030	2.375%	70,000	2/26/2021
	6/15/2031	2.375%	70,000	2/26/2021
	6/15/2032	2.375%	70,000	2/26/2021
			$ 840,000	
		TOTAL	$ 6,255,000	

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City of Missouri City, Texas (the "City") is located in northeast Fort Bend County, with a small portion of the City extending into the southwestern section of Harris County, where its boundaries adjoin the City of Houston and is approximately twenty miles southwest of downtown Houston. Beltway 8 intersects with U.S. Highway 90A in the northernmost portion of the City. The intersection of Beltway 8 and U.S. Highway 59 (the "Southwest Freeway") is located just north of the City and provides area residents with ready access to Houston's central business district, as well as other business centers in the metropolitan area. The southern portion of the City is traversed by State Highway 6, one of the principal "outer loops" partially encircling the City of Houston. The City abuts the City of Stafford along its northwestern edge, the City of Houston on its northeastern and eastern edge, the City of Sugar Land on the west, and is surrounded by unincorporated acreage along much of its boundaries.

Except for the small portion of the City that enters Harris County, the City is located within the Fort Bend Independent School District which serves in excess of 78,000 students. The School District currently operates fifty-one elementary schools, nine of which are located within the City, fifteen middle schools, three of which are located within the City, and eleven senior high schools, three of which are located within the City. The University of Houston, a large state university, Texas Southern University, a state institution with a large international student body and Rice University, a private school with a national reputation for science and engineering, are about thirty minutes away from the City. Nine area junior colleges have joined to form the Gulf Coast Consortium Partnership. The Houston Community College has a center for computer training, continuing education and professional certification courses, and is planning a larger campus in the City to offer other accredited courses.

The City's economic base is expanding due to continued growth in commercial services and industrial development with a moderate growth in residential activity.

In the past ten years there has been a gradual increase in small businesses where existing sites are available. The majority of the commercial activity is in response to the growing residential development. The following is a summary of the building permits issued by the City over the past five fiscal years:

Fiscal Year Ended 9/30	Total Permits	Permit Valuation	Permit Revenues
2016	6,919	$ 256,523,065	$1,599,211
2017	6,322	191,912,642	1,710,565
2018	6,723	383,988,931	2,042,960
2019	4,695	422,919,955	2,152,742
2020	3,933	273,069,773	2,836,767

In recent years, the City of Houston's outward expansion and the resulting demand for outlying suburban subdivision development has generated an economic impact upon the City. The City adopted its Housing Code in 1987. This Housing Code established minimum standards for the interior and exterior of homes to insure continued compliance, through maintenance and upkeep and fire and health provisions. Enforcement of the Housing Code protects both residents and property values.

ECONOMIC AND GROWTH INDICATORS

POPULATION HISTORY

	1960 Census	1970 Census	1980 Census	1990 Census	2000 Census	2010 Census
Missouri City	N/A	4,136	24,423	36,176	52,913	66,531
Ft. Bend County	40,527	52,314	130,846	225,421	354,452	584,690

Source: U.S. Census Bureau.

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LABOR FORCE AND UNEMPLOYMENT RATE FOR FORT BEND COUNTY & MISSOURI CITY

Fort Bend County

Year	Civilian Labor Force	Total Employment	Unemployment	Rate
2016	367,057	348,745	18,312	5.0%
2017	376,029	358,547	17,482	4.6%
2018	382,102	366,922	15,180	4.0%
2019	392,275	378,653	13,622	3.5%
2020 (1)	395,194	361,915	33,279	8.4%

Missouri City

Year	Civilian Labor Force	Total Employment	Unemployment	Rate
2016	39,042	36,994	2,048	5.2%
2017	38,887	36,826	2,061	5.3%
2018	39,509	37,686	1,823	4.6%
2019	39,449	37,857	1,592	4.0%
2020 (1)	39,726	36,183	3,543	8.9%

Source: Texas Workforce Commission.
(1) As of November 2020.

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APPENDIX B

EXCERPTS FROM THE

CITY OF MISSOURI CITY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

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

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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Weaver and Tidwell, L.L.P.
1406 Wilson Road, Suite 100 | Conroe, Texas 77304
Main: 936.756.8127

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Fund Statements and Schedules and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 28, 2020

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Management's Discussion and Analysis

As management of the City of Missouri City, we offer readers of the City of Missouri City's financial statements this narrative overview and analysis of the financial activities of the City of Missouri City for the year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2-10 of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Missouri City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by $176.9 million (net position). Of this amount, $35.3 million is restricted for special purposes and ($13.9) million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $8.3 million as a result of operations.

- The City of Missouri City's total expenses were $92.0 million. Program revenues of $35.7 million reduced the net cost of the City's functions to be financed from the City's general revenues to $56.3 million.

- The City of Missouri City's total debt increased by $23.7 million, or 14%, during the current year.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report consists of three sections: introductory, financial and statistical. As the following chart shows, the financial section of this report has three components - *management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Missouri City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to 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 statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position and the Statement of Activities, which are the government-wide financial statements, report information about the City as a whole and about its activities in a way that helps answer the question of whether the City is better off this year as compared to last year. These statements include all assets and liabilities and are presented on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

The Statement of Net Position presents information on all of the City of Missouri City's assets, deferred outflows, liabilities and deferred inflows with the difference between the four reported as net position. Over time, deferred outflows, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Missouri City 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 and sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, financial services, police, fire, public works, parks and recreation and planning. The business-type activities of the City include regional wastewater treatment services for local municipal utility districts.

The government-wide financial statements include not only the City of Missouri City itself (known as the primary government), but also legally separate component units for which the City of Missouri City is financially accountable. These component units are the Missouri City Development Authority, Tax Increment Reinvestment Zones 1, 2 and 3, Public Improvement Districts 2 and 4 and the Missouri City Recreation and Leisure Local Government Corporation (LGC). All of these component units function for all practical purposes as departments of the City, almost entirely benefiting the City, and, therefore, have been included as an integral part ("blended") of the primary government.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more information about the City's most significant funds - not the City as a whole. The City has two types of funds:

Governmental Funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship/differences between governmental funds and governmental activities.

The City maintains 20 individual governmental funds for financial reporting purposes. 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 debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other funds is provided in the column labeled "nonmajor governmental funds."

Proprietary Funds - Proprietary Funds include the City's four enterprise funds that are used to report the functions presented as business-type activities in the government-wide financial statements. These are the Water and Wastewater Utility Fund, the Surface Water Utility Fund, the Golf Course which operates under the Missouri City Recreation and Leisure Local Government Corporation (LGC) which is a public, non-profit corporation, and the Solid Waste Collections Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council approved an original General Fund operating budget of $48.6 million. During FY 2019, budget amendments were approved by City Council resulting in a final operating budget of $50.1 million. This budget amendments were primarily due to expenditures related to a MUD consolidation study; intergovernmental contracts with related revenue for traffic control in Sienna Plantation and renovation of Fire Station 1; expenditures of donations received; payment of sales tax rebates; and rollover of FY 2018 encumbrances.

The final General Fund operating budget of $50.1 million, was a 15% decrease from the previous year due to the change in fiscal year which resulted in a 15 month fiscal year in FY 2018. The adopted property tax rate allocated 46 cents for maintenance and operations (M&O) and 17 cents for capital projects (Interest & Sinking). Given the recent economic conditions and their effect on the City's budget, it is of great importance to the City to continue the organizational strategies that have been in place for the last several years. The four main priorities are:

(1) Retain existing property values
(2) Increase commercial development
(3) Create value added services
(4) Develop an organization for optimum performance

The last three fiscal year budgets have shown improvements in the City's financial conditions, as Missouri City has been fortunate to have avoided many budget impacts that other governmental entities have experienced such as layoffs, furloughs or salary reductions, or the actual elimination of certain services or programs.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 92-100 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's General Fund budget compliance, its progress in funding its obligation to provide pension benefits to its employees, and condition and maintenance data regarding certain portions of the City's infrastructure. Required supplementary information (RSI) and notes to RSI can be found on pages 81 - 87 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's overall financial position and operations for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $169 million at year end. The following table reflects the condensed Statement of Net Position.

A majority of the City's net position reflects its investment in capital assets (e.g., land, intangible assets - right of way, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another major portion of the City's net position represents various restricted resources (20%) that are subject to specific external uses (capital projects, debt service, parkland dedication, community development and other).

City of Missouri City, Texas's Combined Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 77,030,189	$ 60,860,174	$ 47,588,859	$ 31,129,788	$ 124,619,048	$ 91,989,962
Capital assets	197,666,479	200,985,531	90,731,305	85,713,128	288,397,784	286,698,659
Total assets	274,696,668	261,845,705	138,320,164	116,842,916	413,016,832	378,688,621
Total deferred outflows of resources	11,381,715	6,422,937	1,032,636	1,086,986	12,414,351	7,509,923
Other liabilities	6,243,807	9,765,558	4,210,267	2,808,125	10,454,074	12,573,683
Long-term liabilities outstanding	162,234,178	144,678,192	74,315,645	57,595,846	236,549,823	202,274,038
Total liabilities	168,477,985	154,443,750	78,525,912	60,403,971	247,003,897	214,847,721
Total deferred inflows of resources	1,543,868	2,814,589	-	-	1,543,868	2,814,589
Net position:						
Net investment in capital assets	121,328,474	118,436,911	34,192,723	35,154,398	155,521,197	153,591,309
Restricted	34,693,978	7,626,379	604,724	-	35,298,702	7,626,379
Unrestricted	(39,965,922)	(15,052,987)	26,029,441	22,371,533	(13,936,481)	7,318,546
Total net position	$ 116,056,530	$ 111,010,303	$ 60,826,888	$ 57,525,931	$ 176,883,418	$ 168,536,234

Statement of Activities

The following table provides a summary of the City's changes in net position:

City of Missouri City, Texas's Change in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 10,494,532	$ 12,416,496	$ 21,403,972	$ 27,239,250	$ 31,898,504	$ 39,655,746
Operating grants and contributions	3,337,887	5,306,914	-	-	3,337,887	5,306,914
Capital grants and contributions	-	64,550	497,261	-	497,261	64,550
General revenues:						
Property taxes	45,306,222	41,915,313	-	-	45,306,222	41,915,313
Sales taxes	9,546,249	11,944,882	-	-	9,546,249	11,944,882
Franchise taxes	6,176,854	6,948,121	-	-	6,176,854	6,948,121
Hotel occupancy taxes	242,901	270,487	-	-	242,901	270,487
Investment earnings	1,896,654	1,120,334	1,167,078	503,153	3,063,732	1,623,487
Other revenues	400,364	1,200,103	(173,361)	129,107	227,003	1,329,210
Gain on sale of capital assets	97,106	180,217	-	-	97,106	180,217
Total revenues	77,498,769	81,367,417	22,894,950	27,871,510	100,393,719	109,238,927
Expenses:						
General government	15,529,208	14,685,034	-	-	15,529,208	14,685,034
Financial services	2,348,268	2,412,310	-	-	2,348,268	2,412,310
Police	16,255,830	19,181,580	-	-	16,255,830	19,181,580
Fire	10,838,755	11,895,168	-	-	10,838,755	11,895,168
Public works	14,791,746	18,407,432	-	-	14,791,746	18,407,432
Parks and recreation	4,907,496	5,734,819	-	-	4,907,496	5,734,819
Planning	4,177,093	4,605,253	-	-	4,177,093	4,605,253
Interest on long-term debt	4,112,146	5,114,943	-	-	4,112,146	5,114,943
Water and wastewater utilities	-	-	4,391,640	5,656,670	4,391,640	5,656,670
Surface water treatment	-	-	7,208,175	8,707,936	7,208,175	8,707,936
Solid waste collections	-	-	3,598,926	4,541,814	3,598,926	4,541,814
Golf course	-	-	3,887,252	5,004,014	3,887,252	5,004,014
Total expenses	72,960,542	82,036,539	19,085,993	23,910,434	92,046,535	105,946,973
Increase (decrease) in net position before transfers	4,538,227	(669,122)	3,808,957	3,961,076	8,347,184	3,291,954
Transfers	508,000	640,811	(508,000)	(640,811)	-	-
Change in net position	5,046,227	(28,311)	3,300,957	3,320,265	8,347,184	3,291,954
Net position - beginning	111,010,303	115,872,182	57,525,931	54,205,666	168,536,234	170,077,848
Prior period adjustments	-	(4,833,568)	-	-	-	(4,833,568)
Net position - beginning, as restated	111,010,303	111,038,614	57,525,931	54,205,666	168,536,234	165,244,280
Net position - ending	$ 116,056,530	$ 111,010,303	$ 60,826,888	$ 57,525,931	$ 176,883,418	$ 168,536,234

The government's total net position increased by $8.3 million as a result of operations during the current fiscal year. Property taxes were 45% of total revenue, Charges for services were 32%, sales taxes were 10% and franchise taxes were 6%. The remaining revenue totaled 7% of total revenue. On the expense side, general government was 17%, public works was 16% of the total, while police and fire were 18% and 12%, respectively. Water and wastewater, surface water, solid waste collection and golf expenses were 21% of total expenses. The remaining expenses totaled 17% of total expenses.

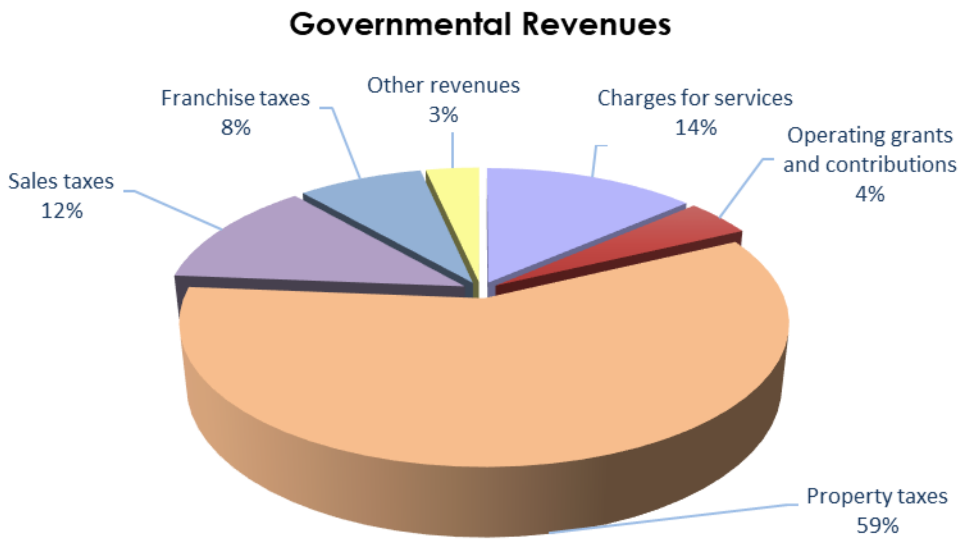
GOVERNMENTAL ACTIVITIES

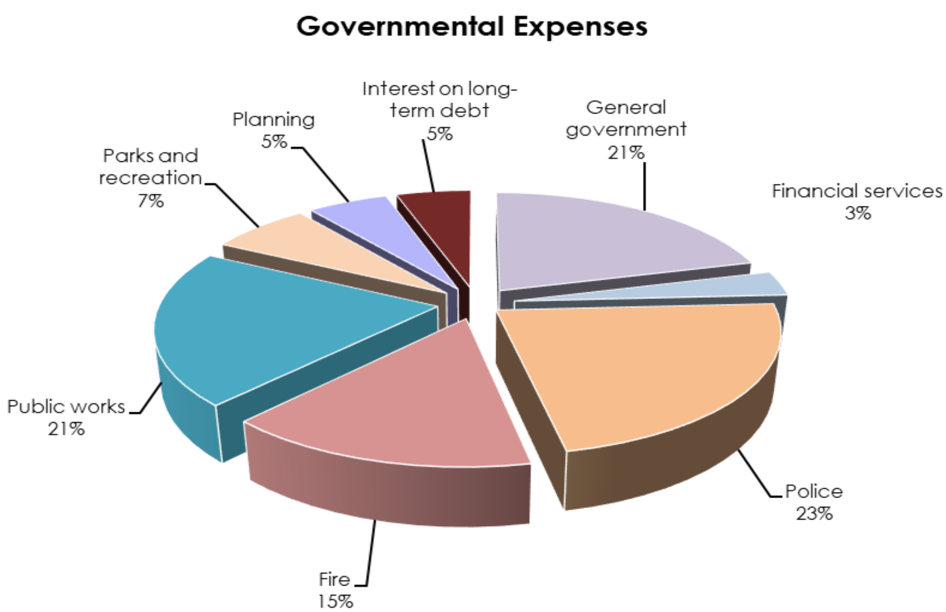
- Total governmental activities revenues exceeded total expenditures by $4.5 million. Transfers in of $508 thousand from enterprise funds made the net increase in governmental activities net position of 5.0 million.

- Revenues in the governmental activities decreased in total by $3.9 million. In FY 2018, the City made a fiscal year-end change from June 30 to September 30. Because of this, three additional months of revenues and expenses were included in the last fiscal year.

- Total governmental activities expenses decreased by $9.1 million. The decrease, as mentioned above, is related to the additional months included in the previous fiscal year-end.

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.





BUSINESS-TYPE ACTIVITIES

Business-type activities represent: (1) Water and Wastewater Utilities for the operations of the Northeast Oyster Creek (NEOC) service area and the Mustang Bayou service area, (2) Surface Water Utilities as part of the Groundwater Reduction Plan (GRP), (3) Solid Waste Collection Fund, and the (4) the Missouri City Recreation and Leisure Local Government Corporation (Golf Course).

- The Business-type Net Position increased by $3.3 million during the current fiscal year primarily due to the decrease in Contractual Service expenditures and increase in investment earnings and capital contributions.

- Business-type revenues and expenses decreased by $5 million and $4.8 million respectively primarily due to the additional months related to the prior fiscal year-end change. The change in net position due to operations was $3.3 million consistent to the $3.3 million in the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of $69.7 million at the end of the twelve month period. Of this amount, $52.8 million is restricted for specific purposes, $3 million is committed for specific purposes and $13.7 million is unassigned and available for day-to-day operations of the City.

The general fund is the main operating fund of the City. At the end of the current fiscal year, the total general fund balance was $16.9 million. As a measure of the general fund's liquidity, the City compares total fund balance to total fund expenditures and reoccurring transfers out. Total fund balance of the general fund represents 36.7% of total general fund expenditures at the end of the twelve months ended September 30, 2018. The fund balance of the City's General Fund increased $5.9 during the current twelve months ended September 30, 2019. Total general fund revenues and expenditures decreased by $3.1 million and $12 million respectively. The primary factor in the decrease is related to the additional months reported in FY 2018.

The Debt Service Fund has a total fund balance of $6.1 million, all of which is restricted for the payment of debt service. Total revenues exceeded total expenditures (excluding other financing sources and transfers) by $1.3 million.

The Capital Projects Fund has a total fund balance of $27.6 million, which is a increase of $10.2 million from the prior year. This increase can be attributed primarily to the issuance of debt for capital projects.

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

Total net positions of the Water and Wastewater Utility Fund and the Surface Water Utility Fund amounted to $34.6 million and $26.4 million, respectively. The Solid Waste Collections Fund had a net position of approximately $199 thousand. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CAPITAL ASSETS

The City of Missouri City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to $288 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment and infrastructure.

City of Missouri City, Texas's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land and right of way	$ 14,508,228	$ 14,508,228	$ 4,760,826	$ 4,760,826	$ 19,269,054	$ 19,269,054
Constructions in progress	268,403	6,830,027	6,791,108	1,658,966	7,059,511	8,488,993
Buildings and improvements	33,341,286	34,271,308	2,362,943	2,441,889	35,704,229	36,713,197
Improvement other than buildings	18,338,789	19,005,029	59,487	76,765	18,398,276	19,081,794
Infrastructure	123,687,314	117,917,868	76,335,008	76,224,253	200,022,322	194,142,121
Machinery and equipment	7,522,459	8,453,071	421,933	550,519	7,944,392	9,003,590
Totals	$ 197,666,479	$ 200,985,531	$ 90,731,305	$ 85,713,218	$ 288,397,784	$ 286,698,749

Construction in progress for the governmental funds ($268 thousand) at year-end represents three ongoing projects. These projects are Lower Oyster Creek, Road and Drainage projects and Fire Station No. 6.

The construction in progress balance for the enterprise funds ($6.8 million) consists primarily of projects for Mustang Bayou Bayou Wastewater & Surface Water Treatment Plant.

Additional information on the City's capital assets can be found in Note 5, of this report.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt outstanding of $193 million. Of this amount, $124 million is general obligation debt, Certificates of Obligation is $35 million, Increment Revenue bonds is $3.2 million, Contractual Obligations of $11.9 million and Capital Leases of $307 thousand. Business-type activities debt is comprised of $38.9 million in general obligation debt and $27.4 million in Certificates of Obligation.

City of Missouri City, Texas's Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General obligation bonds	$ 85,410,194	$ 79,373,116	$ 38,889,806	$ 40,316,884	$ 124,300,000	$ 119,690,000
Certificates of obligation	7,610,000	7,091,924	27,445,000	10,573,076	35,055,000	17,665,000
Increment revenue bonds	3,210,000	3,575,000	-	-	3,210,000	3,575,000
Issuance premiums	8,473,725	7,780,811	7,980,839	6,705,886	16,454,564	14,486,697
Capital leases	307,021	451,648	-	-	307,021	451,648
Contractual obligations	11,865,000	12,285,000	-	-	11,865,000	12,285,000
Compensated absences	1,768,443	1,148,289	-	-	1,768,443	1,148,289
Total	$ 118,644,383	$ 111,705,788	$ 74,315,645	$ 57,595,846	$ 192,960,028	$ 169,301,634

The City's total debt increased by $23.7million (14%) from the prior fiscal year. Key factor in this increase was the issuance of debt primarily for the expansion of the surface water treatment plant in the current fiscal year.

All general obligation debt and certificates of obligation are scheduled to be retired by 2038.

The City has earned an "AA" rating from Standard and Poor's, an "Aa2" rating from Moody's Investor Service, and an "AA" rating from Fitch Ratings.

More detailed information about the City's long-term liabilities is presented in Note 6 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for Missouri City as of September 30, 2019 was 3.6%. The U.S. and Texas unemployment rates for September 30, 2019 were 3.5% and 3.4% respectively.

The City is expected to increase its population base over the next 6 years from 78,587 in 2019 to 80,625 in 2025 which is a 2.6% increase. Fort Bend County's population was 787,858 in 2019, and it is expected to grow to 821,169 by 2025, which is a 4.2% increase.

In the upcoming fiscal year of 2020, the City is expecting to maintain a fund balance of 32.5%, of expected expenditures, which is above the City's fund balance policy parameters of 20%-30% of annual expenditures. The total General Fund budget for FY20 is $54.6 million, with the majority of the spending being for police and fire services totaling $23.8 million, or 43.6% of the total budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Missouri City's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Allena Portis, Director of Financial Services, City Hall, 1522 Texas Parkway, Missouri City, TX 77489, telephone (281) 403-8500; or, for general City information, visit the City's website at www.missouricitytx.gov.

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Basic Financial Statements

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City of Missouri City, Texas
Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 25,403,008	$ 12,978,553	$ 38,381,561
Restricted cash - customer deposits	-	203,423	203,423
Investments	43,060,474	29,127,406	72,187,880
Receivables, net of allowances	8,108,294	5,424,082	13,532,376
Internal balances	265,893	(265,893)	-
Inventory	187,875	121,288	309,163
Prepaids	4,645	-	4,645
Capital assets:			
Nondepreciable capital assets	14,776,631	11,551,934	26,328,565
Depreciable capital assets, net	182,889,848	79,179,371	262,069,219
Total assets	274,696,668	138,320,164	413,016,832
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	2,586,684	1,032,636	3,619,320
Deferred outflows - pension	8,184,054	-	8,184,054
Deferred outflows - other postemployment benefits	610,977	-	610,977
Total deferred outflows of resources	11,381,715	1,032,636	12,414,351
LIABILITIES			
Accounts payable and current liabilities	4,914,180	3,102,466	8,016,646
Accrued interest payable	1,328,438	861,379	2,189,817
Unearned revenue	1,189	246,422	247,611
Noncurrent liabilities:			
Due within one year	9,429,564	3,416,066	12,845,630
Due in more than one year	109,214,819	70,899,579	180,114,398
Net pension liability	36,032,721	-	36,032,721
Other postemployment benefits liability	7,557,074	-	7,557,074
Total liabilities	168,477,985	78,525,912	247,003,897
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	1,164,464	-	1,164,464
Deferred inflows - other postemployment benefits	379,404	-	379,404
Total deferred inflows of resources	1,543,868	-	1,543,868
NET POSITION			
Net investment in capital assets	121,328,474	34,192,723	155,521,197
Restricted for			
Grants	22,819	-	22,819
Law enforcement	1,596,608	-	1,596,608
Impact fees	39,983	604,724	644,707
Facilities construction	603,968	-	603,968
Debt service	5,145,297	-	5,145,297
Parkland dedication	2,146,162	-	2,146,162
Community development	14,730,364	-	14,730,364
Metro projects	10,408,777	-	10,408,777
Unrestricted	(39,965,922)	26,029,441	(13,936,481)
TOTAL NET POSITION	$ 116,056,530	$ 60,826,888	$ 176,883,418

The Notes to Financial Statements are an integral part of this statement.

City of Missouri City, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2019

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental activities:				
General government	$ 15,529,208	$ 21,765	$ 44,364	$ -
Financial services	2,348,268	-	-	-
Police	16,255,830	1,540,658	1,210,907	-
Fire	10,838,755	2,305,863	239,145	-
Public works	14,791,746	366,282	1,553,167	-
Parks and recreation	4,907,496	442,759	-	-
Planning	4,177,093	5,817,205	290,304	-
Interest on long-term debt	4,112,146	-	-	-
Total governmental activities	72,960,542	10,494,532	3,337,887	-
Business-type activities:				
Water and wastewater utilities	4,391,640	4,388,704	-	497,261
Surface water treatment	7,208,175	9,749,634	-	-
Solid waste collections	3,598,926	3,455,573	-	-
Golf course	3,887,252	3,810,061	-	-
Total business-type activities	19,085,993	21,403,972	-	497,261
TOTAL PRIMARY GOVERNMENT	$ 92,046,535	$ 31,898,504	$ 3,337,887	$ 497,261

General revenues:
Property taxes
Sales taxes
Franchise taxes
Hotel occupancy taxes
Investment earnings
Other revenues
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

NET POSITION - ENDING

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	**Business-type Activities**	**Total**
$ (15,463,079)	$ -	$ (15,463,079)
(2,348,268)	-	(2,348,268)
(13,504,265)	-	(13,504,265)
(8,293,747)	-	(8,293,747)
(12,872,297)	-	(12,872,297)
(4,464,737)	-	(4,464,737)
1,930,416	-	1,930,416
(4,112,146)	-	(4,112,146)
(59,128,123)	-	(59,128,123)
-	494,325	494,325
-	2,541,459	2,541,459
-	(143,353)	(143,353)
-	(77,191)	(77,191)
-	2,815,240	2,815,240
(59,128,123)	2,815,240	(56,312,883)
45,306,222	-	45,306,222
9,546,249	-	9,546,249
6,176,854	-	6,176,854
242,901	-	242,901
1,896,654	1,167,078	3,063,732
400,364	(173,361)	227,003
97,106	-	97,106
508,000	(508,000)	-
64,174,350	485,717	64,660,067
5,046,227	3,300,957	8,347,184
111,010,303	57,525,931	168,536,234
$ 116,056,530	$ 60,826,888	$ 176,883,418

City of Missouri City, Texas

Balance Sheet - Governmental Funds
September 30, 2019

	General Fund	Debt Service Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 3,702,577	$ 2,023,234	$ 14,675,511	$ 5,001,686	$ 25,403,008
Investments	12,644,613	4,099,395	12,228,403	14,088,063	43,060,474
Receivables, net of allowances	5,440,132	351,106	1,849,322	467,734	8,108,294
Due from other funds	43,318	-	-	-	43,318
Inventories	187,875	-	-	-	187,875
Prepaids	4,645	-	-	-	4,645
Advances to other funds	222,575	-	-	-	222,575
TOTAL ASSETS	$ 22,245,735	$ 6,473,735	$ 28,753,236	$ 19,557,483	$ 77,030,189
LIABILITIES					
Accounts payable	$ 1,186,232	$ -	$ 1,183,853	$ 167,888	$ 2,537,973
Salaries payable	1,458,600	-	-	8,647	1,467,247
Due to others	908,895	-	-	65	908,960
Total liabilities	3,553,727	-	1,183,853	176,600	4,914,180
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	1,768,351	326,884	-	303,781	2,399,016
Unearned revenue	1,189	-	-	-	1,189
Total deferred inflows of resources	1,769,540	326,884	-	303,781	2,400,205
FUND BALANCES					
Nonspendable:					
Inventories	187,875	-	-	-	187,875
Prepaids	4,645	-	-	-	4,645
Restricted for:					
Grants	22,819	-	-	-	22,819
Law enforcement	-	-	-	1,596,608	1,596,608
Street improvement	-	-	17,120,623	-	17,120,623
Metro projects	-	-	10,408,777	-	10,408,777
Impact fees	-	-	39,983	-	39,983
Facilities construction	-	-	-	603,968	603,968
Debt service	-	6,146,851	-	-	6,146,851
Parkland dedication	-	-	-	2,146,162	2,146,162
Community development	-	-	-	14,730,364	14,730,364
Committed for:					
Emergency reserve	1,500,000	-	-	-	1,500,000
Operating contingency reserve	1,500,000	-	-	-	1,500,000
Unassigned	13,707,129	-	-	-	13,707,129
Total fund balances	16,922,468	6,146,851	27,569,383	19,077,102	69,715,804
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 22,245,735	$ 6,473,735	$ 28,753,236	$ 19,557,483	$ 77,030,189

The Notes to Financial Statements are an integral part of this statement.

City of Missouri City, Texas

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 69,715,804
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
Capital assets, nondepreciable	14,776,631	
Capital assets, net depreciable	182,889,848	197,666,479
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		2,399,016
Long-term liabilities and related deferred outflows and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported as liabilities or deferrals in the governmental funds.		
General obligation bonds	$ (85,410,194)	
Certificates of obligation	(7,610,000)	
Increment revenue bonds	(3,210,000)	
Issuance premiums	(8,473,725)	
Capital leases	(307,021)	
Accrued interest	(1,328,438)	
Compensated absences	(1,768,443)	
Deferred amount on refunding	2,586,684	
Contractual obligation	(11,865,000)	
Net pension liability	(36,032,721)	
Deferred outflows - pension	8,184,054	
Deferred inflows - pension	(1,164,464)	
Other postemployment benefits liability	(7,557,074)	
Deferred outflows - other postemployment benefits	610,977	
Deferred inflows - other postemployment benefits	(379,404)	(153,724,769)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 116,056,530

The Notes to Financial Statements are an integral part of this statement.

City of Missouri City, Texas

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Fiscal Year Ended September 30, 2019

	General Fund	Debt Service Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes and penalties	$ 28,102,801	$ 10,401,782	$ -	$ 6,876,223	$ 45,380,806
Other taxes	9,546,249	-	4,126,909	242,901	13,916,059
Licenses and permits	3,207,411	-	-	-	3,207,411
Fines and forfeitures	1,023,179	-	-	73,441	1,096,620
Franchise taxes	4,204,567	-	-	184,830	4,389,397
Intergovernmental revenues	2,502,587	-	1,553,167	552,615	4,608,369
Other revenue	1,055,005	-	59,605	709,197	1,823,807
Charges for services	442,267	-	-	178,881	621,148
Investment earnings	447,473	191,461	779,579	478,141	1,896,654
Total revenues	50,531,539	10,593,243	6,519,260	9,296,229	76,940,271
EXPENDITURES					
Current:					
General government	8,729,413	-	-	3,703,087	12,432,500
Financial services	2,056,126	-	-	-	2,056,126
Police	13,447,568	-	-	407,946	13,855,514
Fire	8,965,131	-	-	9,191	8,974,322
Public works	7,527,188	-	-	-	7,527,188
Parks and recreation	3,068,640	-	-	120,836	3,189,476
Planning	1,648,832	-	2,034,897	504,594	4,188,323
Capital outlay	470,323	-	6,663,716	-	7,134,039
Debt service:					
Principal	105,430	5,954,043	-	1,885,000	7,944,473
Interest and fiscal charges	-	3,273,969	-	1,815,198	5,089,167
Bond issuance cost	-	-	163,375	-	163,375
Total expenditures	46,018,651	9,228,012	8,861,988	8,445,852	72,554,503
Excess (deficiency) of revenues over (under) expenditures	4,512,888	1,365,231	(2,342,728)	850,377	4,385,768
OTHER FINANCING SOURCES (USES)					
Transfers in	1,395,539	-	1,123,434	1,379,117	3,898,090
Proceeds from long-term debt	-	-	13,152,496	1,182,560	14,335,056
Transfers out	(3)	-	(1,768,641)	(1,621,446)	(3,390,090)
Total other financing sources (uses)	1,395,536	-	12,507,289	940,231	14,843,056
Net change in fund balances	5,908,424	1,365,231	10,164,561	1,790,608	19,228,824
Fund balances, beginning of year	11,014,044	4,781,620	17,404,822	17,286,494	50,486,980
FUND BALANCES, END OF YEAR	$ 16,922,468	$ 6,146,851	$ 27,569,383	$ 19,077,102	$ 69,715,804

The Notes to Financial Statements are an integral part of this statement.

City of Missouri City, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended September 30, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 19,228,824
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 7,894,872	
Depreciation expense	(11,014,334)	(3,119,462)
The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.		(199,590)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		758,088
Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Par value	$ (13,130,000)	
(Premium) discount	(1,205,056)	(14,335,056)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This adjustment reflects the change in:		
Principal repayments	$ 6,939,846	
Amortization of bond premiums	512,142	
Capital lease repayments	144,627	
Accrued interest payable	(295,146)	
Compensated absences	(620,154)	
Amortization of deferred amount on refunding	(137,957)	
Net effect of contractual obligations	420,000	
Net pension liability	(10,637,357)	
Deferred outflows - pension	5,135,409	
Deferred inflows - pension	1,650,125	
Other postemployment benefits liability	19,786	
Deferred outflows - other postemployment benefits	(38,494)	
Deferred inflows - other postemployment benefits	(379,404)	2,713,423
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 5,046,227

The Notes to Financial Statements are an integral part of this statement.

City of Missouri City, Texas
Statement of Net Position
Proprietary Funds
September 30, 2019

	Business-Type Activities - Enterprise Funds				
	Water and Wastewater Utilities	Surface Water Treatment	Solid Waste Collections	Golf Course	Totals Enterprise Funds
ASSETS					
Current assets					
Cash and cash equivalents	$ 1,639,345	$ 11,245,027	$ 19,028	$ 75,153	$ 12,978,553
Restricted cash - customer deposits	203,423	-	-	-	203,423
Investments	5,138,678	23,873,253	115,475	-	29,127,406
Receivables, net of allowances	2,513,644	1,771,112	1,010,089	129,237	5,424,082
Due from other funds	-	-	-	-	-
Inventories	-	-	-	121,288	121,288
Total current assets	9,495,090	36,889,392	1,144,592	325,678	47,854,752
Noncurrent assets					
Capital assets					
Land and right of way	532,013	4,228,813	-	-	4,760,826
Constructions in progress	-	6,791,108	-	-	6,791,108
Buildings and improvements	3,946,598	-	-	-	3,946,598
Improvements other than buildings	126,247	-	-	72,993	199,240
Infrastructure	25,436,671	62,480,521	-	-	87,917,192
Equipment	2,553,864	11,997	-	-	2,565,861
Less accumulated depreciation	(7,390,137)	(8,033,836)	-	(25,547)	(15,449,520)
Total capital assets (net of accumulated depreciation)	25,205,256	65,478,603	-	47,446	90,731,305
Advances to other funds	6,157,696	-	-	-	6,157,696
Total noncurrent assets	31,362,952	65,478,603	-	47,446	96,889,001
Total assets	40,858,042	102,367,995	1,144,592	373,124	144,743,753
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refunding	390,653	641,983	-	-	1,032,636
Total deferred outflows of resources	390,653	641,983	-	-	1,032,636
LIABILITIES					
Current liabilities					
Accounts payable and other current liabilites	578,657	1,339,461	922,100	231,800	3,072,018
Accrued salaries payable	-	-	-	30,448	30,448
Accrued interest payable	73,062	788,317	-	-	861,379
Due to other funds	-	-	-	43,318	43,318
Unearned revenue	-	-	23,291	223,131	246,422
Bonds payble - current	465,579	2,950,487	-	-	3,416,066
Total current liabilities	1,117,298	5,078,265	945,391	528,697	7,669,651
Noncurrent liabilities					
Bonds payable - noncurrent	5,532,277	65,367,302	-	-	70,899,579
Advances from other funds	-	6,157,696	-	222,575	6,380,271
Total noncurrent liabilities	5,532,277	71,524,998	-	222,575	77,279,850
Total liabilities	6,649,575	76,603,263	945,391	751,272	84,949,501
NET POSITION					
Net investment in capital assets	19,598,053	14,547,224	-	47,446	34,192,723
Restricted for impact fees	604,724	-	-	-	604,724
Unrestricted	14,396,343	11,859,491	199,201	(425,594)	26,029,441
TOTAL NET POSITION	$ 34,599,120	$ 26,406,715	$ 199,201	$ (378,148)	$ 60,826,888

The Notes to Financial Statements are an integral part of this statement.

City of Missouri City, Texas
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
For the Fiscal Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				
	Water and Wastewater Utilities	Surface Water Treatment	Solid Waste Collections	Golf Course	Totals Enterprise Funds
OPERATING REVENUES					
Charges for services	$ 4,388,704	$ 9,749,634	$ 3,455,573	$ 3,810,061	$ 21,403,972
Total operating revenues	4,388,704	9,749,634	3,455,573	3,810,061	21,403,972
OPERATING EXPENSES					
Personnel	-	-	-	1,083,024	1,083,024
Commodities	38,416	1,845,619	852	774,553	2,659,440
Repairs and maintenance	842,878	521,962	-	91,738	1,456,578
Contractual services	2,837,560	1,342,852	3,598,074	98,339	7,876,825
Other services	-	-	-	1,825,000	1,825,000
Depreciation	575,179	979,227	-	14,598	1,569,004
Total operating expenses	4,294,033	4,689,660	3,598,926	3,887,252	16,469,871
Operating income (loss)	94,671	5,059,974	(143,353)	(77,191)	4,934,101
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	193,516	973,562	-	-	1,167,078
Interest expense	(97,607)	(2,518,515)	-	-	(2,616,122)
Miscellaneous	(346,416)	178,193	(5,138)	-	(173,361)
Total nonoperating revenues (expenses)	(250,507)	(1,366,760)	(5,138)	-	(1,622,405)
Income (loss) before contributions and transfers	(155,836)	3,693,214	(148,491)	(77,191)	3,311,696
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	497,261	-	-	-	497,261
Transfers out	(85,000)	(407,000)	(16,000)	-	(508,000)
Total contributions and transfers	412,261	(407,000)	(16,000)	-	(10,739)
Change in net position	256,425	3,286,214	(164,491)	(77,191)	3,300,957
Net position - beginning, as originally reported	34,342,695	23,120,501	363,692	(300,957)	57,525,931
NET POSITION, END OF YEAR	$ 34,599,120	$ 26,406,715	$ 199,201	$ (378,148)	$ 60,826,888

The Notes to Financial Statements are an integral part of this statement.

City of Missouri City, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				
	Water and Wastewater Utilities	Surface Water Treatment	Solid Waste Collections	Golf Course	Totals Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	$ 2,473,352	$ 9,360,195	$ 3,393,162	$ 3,894,701	$ 19,121,410
Cash payments to suppliers	(3,991,527)	(2,838,964)	(3,242,659)	(2,754,440)	(12,827,590)
Cash payments to employees	-	-	-	(1,087,547)	(1,087,547)
Net cash provided (used) by operating activities	(1,518,175)	6,521,231	150,503	52,714	5,206,273
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(85,000)	(407,000)	(16,000)	-	(508,000)
Net cash (used) by noncapital financing activities	(85,000)	(407,000)	(16,000)	-	(508,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Insurance reimbursements	48,863	178,193	-	-	227,056
Acquisition and construction of capital assets	-	(6,089,920)	-	-	(6,089,920)
Principal (paid) received on capital debt	(467,586)	17,241,735	-	-	16,774,149
Interest paid on capital debt	(232,111)	(2,162,973)	-	-	(2,395,084)
Net cash provided (used) by capital and related financing activities	(650,834)	9,167,035	-	-	8,516,201
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales (purchases) of investments, net	1,731,084	(9,541,434)	(115,475)	-	(7,925,825)
Earnings on investments	193,516	973,562	-	-	1,167,078
Net cash provided (used) by investing activities	1,924,600	(8,567,872)	(115,475)	-	(6,758,747)
Net increase (decrease) in cash and cash equivalents	(329,409)	6,713,394	19,028	52,714	6,455,727
Cash and cash equivalents, beginning balance	2,172,177	4,531,633	-	22,439	6,726,249
CASH AND CASH EQUIVALENTS, ENDING BALANCE	$ 1,842,768	$ 11,245,027	$ 19,028	$ 75,153	$ 13,181,976

The Notes to Financial Statements are an integral part of this statement.

City of Missouri City, Texas

Statement of Cash Flows - Continued

Proprietary Funds

For the Fiscal Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				
	Water and Wastewater Utilities	Surface Water Treatment	Solid Waste Collections	Golf Course	Totals Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 94,671	$ 5,059,974	$ (143,353)	$ (77,191)	$ 4,934,101
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation and amortization	575,179	979,227	-	14,598	1,569,004
Bad debt provision	(395,279)	-	(5,138)	-	(400,417)
Changes in assets and liabilities:					
(Increase) decrease in assets:					
Receivables, net of allowances	(1,520,073)	(389,439)	261,433	(107,827)	(1,755,906)
Inventories	-	-	-	(22,934)	(22,934)
Increase (decrease) in liabilities:					
Accounts payable and other current liabilities	(272,673)	871,469	356,267	58,124	1,013,187
Accrued salaries payable	-	-	-	(4,523)	(4,523)
Due to other funds	-	-	(341,997)	(37,585)	(379,582)
Unearned revenue	-	-	23,291	149,149	172,440
Advances from other funds	-	-	-	80,903	80,903
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (1,518,175)	$ 6,521,231	$ 150,503	$ 52,714	$ 5,206,273
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Contributions of capital assets	$ 497,261	$ -	$ -	$ -	$ 497,261

The Notes to Financial Statements are an integral part of this statement.

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Note 1 - Summary of Significant Accounting Policies

The City of Missouri City, Texas, was incorporated March 12, 1956, and adopted the Home Rule Charter November 23, 1974, pursuant to the laws of the State of Texas. The City operates under a "Council-Manager" form of government and provides services authorized by its charter. Presently, these services include police and fire protection, drainage, building and code inspection, planning, zoning, engineering, street repair and maintenance, park maintenance, recreational activities for citizens, and general administrative services.

The financial statements of the City of Missouri City have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

The City is an independent political subdivision of the State of Texas, governed by an elected mayor and six-member council, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity.

The basic financial statements for the City of Missouri City include all activities, organizations and functions for which the City is financially accountable. The criteria considered includes (1) whether the organization is part of the City’s legal entity or (2) whether the City appoints the voting majority of the organization’s governing body and either (a) the City is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. In addition, an organization may be financially dependent on the City and also included in its reporting entity. Those criteria are based upon and are consistent with those set forth in the Codification of Governmental Accounting Standards, Section 2100, Defining the Financial Reporting Entity.

The Missouri City Development Authority and Tax Incremental Reinvestment Zones 1, 2 and 3, and Public Improvement Districts 2 and 4 have been included in the City’s financial reporting. These legally separate entities are blended component units and are included as Special Revenue Funds of the City. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. The City maintains all accounting records for the blended component units.

The Missouri City Recreation and Leisure Local Government Corporation (LGC) is a proprietary fund that is also a blended component unit that operates from user fees. Specifically, all the members of Missouri City’s governing body (City Council) serve as board members of the Development Authority Board, both Public Improvement Districts and the Missouri City Recreation and Leisure LGC.

The City Council appoints the majority of the directors of the Tax Incremental Reinvestment Zones. The City Council appoints six of the nine board members for TIRZ 1, five of the seven board members for TIRZ 2 and seven of the eleven board members for TIRZ 3. All TIRZ boards are substantively the same as the City. Contributions to the TIRZs, in the form of incremental tax revenues, come from the City and participating agencies including Fort Bend County, Fort Bend Drainage District, Sienna Levee Improvement District, Houston Community College, and WCID #2, whom can each appoint one board member to the TIRZ in which they participate. The sole purpose of TIRZ 1, 2 and 3 is to finance capital assets that will be owned by the City.

Fort Bend Independent School District elected not to join the TIRZs. The boards of the zones/districts make recommendations to City Council regarding the administration of the zones/districts. The boards are not authorized to issue bonds, impose taxes or assess fees. The City approves the tax rate, and assumes obligation to finance deficits in the zones on a short-term basis until incremental improvements are made and the City Manager is authorized to hire consultants for the zones. The above-mentioned component units' services (providing infrastructure that will be owned by the City) almost exclusively benefit the City in that the development of these areas (economically depressed areas) increases the tax base, resulting in additional revenue to the City. Separate financial statements are not issued for the above-mentioned blended component units.

The City developed a regional wastewater treatment master plan to achieve economies of scale by requiring utility districts and new developments to share wastewater treatment plants. The plant is contractually operated by the Quail Valley Municipal Utility.

Presently, the City has twenty-one (21) active municipal utility districts providing water and sewer services within the City. These districts are not considered a part of the City's legal entity since they are not fiscally dependent on the City, have taxing powers and set their own budgets.

B. Measurement Focus and Basis of Accounting

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

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

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows, fund equity, revenues, and expenditure/expenses. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

The government reports the following major Governmental Funds:

General Fund
The General Fund is the government's primary operating fund. The General Fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues of the general fund are property taxes, sales and use taxes, franchise fees, permit fees, and fines and forfeitures. Expenditures are for general government, financial services, public safety, public works, park maintenance and recreation, planning and zoning, and engineering.

Debt Service Fund
The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds, including certificates of obligation. The primary source of revenue for debt service is property taxes.

Capital Projects Fund
The Capital Projects Fund is used to account for the proceeds from the sale of general obligation bonds and certificates of obligation and expenditures of these proceeds for the acquisition of capital assets as designated in each bond issue. It also includes the proceeds of the one-half (1/2) of the one cent sales tax collected by the Harris County Metropolitan Transit Authority (METRO) within the City. The funds are to be used for transportation projects as defined by the agreement.

The government reports the following major Proprietary Funds:

Water and Wastewater Utilities Fund
The Water and Wastewater Utility Fund accounts for the provision of water and wastewater services to the citizens of the City of Missouri City who are not serviced by any municipal utility district (MUD). The two main areas included at this time in the Water and Wastewater Utilities Fund are Northeast Oyster Creek (NEOC) Service area and the Mustang Bayou (MB) Service area for both water and wastewater treatment, and wastewater treatment for Hightower High School. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing, debt service, billing and collection.

Surface Water Utility Fund
The Surface Water Utility Fund is used to account for the construction and operation of a surface water treatment plant to service the City (including fourteen municipal utility districts and other special water districts). The surface water treatment plant is an integral part of the area's Groundwater Reduction Plan. A plan entered into by these districts legally obligates each participant for the repayment of the construction debt.

Solid Waste Collections Fund
The Solid Waste Collections Fund is used to account for user fees and expenses related to the City's garbage collection activities.

Golf Course (Missouri City Recreation and Leisure Local Government Corporation)
This fund assists the City in providing a first class system of parks and recreational facilities to promote a healthful environment within the City of Missouri City. It is used to account for the operations of the golf course.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in a demand account, money market mutual fund, petty cash funds, Texas Local Government Investment Pool (TexPool), the Local Government Investment Cooperative (LOGIC), Texas CLASS and short-term investments with maturities of three months or less. Both TexPool and LOGIC are external investment pools established by interlocal contracts under state law. Cash and cash equivalents are recorded at fair value, except for certain investment pools. The investment pools operate within appropriate state laws and regulations and are reported at amortized cost or net asset value (i.e. fair value).

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various bearing securities and disclosed as part of the City's investments. The City pools excess cash of the various individual funds to purchase investments. These pooled investments are reported in the combined balance sheet as investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund monthly based on its respective share of pooled investments.

D. Investments

Investments consist of certificates of deposit, U.S. Government Agency Securities and Municipal Bonds. Investments, with the exception of certificates of deposit, are stated at fair value based on the hierarchy established by generally accepted accounting principles. The net increase or decrease in the fair value of investments is netted with investment earnings in local sources of revenue. Investments are generally held to maturity.

E. Receivables

The City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Adjustments to revenue were made for uncollectible accounts as needed.

F. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the government-wide statement of net position and are classified as "due from other funds" or "due to other funds" in the fund financial statements. Advances to other funds or advances from other funds are also eliminated from the government-wide statement of net position; however, they represent a receivable and payable that will not be paid back within the next year.

G. Inventory

Inventory, which consists of gasoline and parts for use in the City's vehicles, is stated at cost (weighted average method). Expenditures are recognized as the fuel and parts are used.

H. 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, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Infrastructure is not held to the $5,000 limit; all infrastructure is capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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. No interest expense in the City's enterprise fund was capitalized in the fiscal year.

Land is not depreciated. Property, plant, equipment and infrastructure assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Buildings & building improvements	10 to 50 years
Land improvements	5 to 20 years
Infrastructure	10 to 65 years
Machinery and equipment	4 to 25 years

I. Compensated Absences

Compensated absences, which include unpaid vacation and other employee benefit amounts, are accumulated during employment. Amounts accumulated are paid to employees upon separation from City service. Employees earn vacation leave at the rate of fourteen days per year from one to five years and up to twenty days per year for service of fifteen years or more. Police and Fire employees, as defined under Section 142.010 of the Texas Local Government Code, receive fourteen days of vacation for less than one year of service and up to twenty days of vacation for fifteen years or more. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

The maximum vacation accrual an employee may maintain is two times the annual rate. City employees receive eleven paid holidays per year. Regular full time nonexempt employees required to work on a holidays may be paid or may elect to receive compensatory time off for the holiday. The maximum accrual an employee may maintain for holiday compensatory time is 132 hours. Overtime is earned at one and one-half times the regular rate of pay. Employees may be paid or receive compensatory time for overtime worked. The maximum compensatory time accrual a nonexempt employee may maintain for overtime worked is 80 hours.

J. Long-Term Obligations

The government-wide financial statements and proprietary fund type fund financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premiums or discounts.

The fund financial statements report 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 at par. Premiums (discounts) associated with the debt are reported as other financing uses.

K. Net Position Flow Assumptions

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 considered to be applied. It is the government's policy to consider restricted — net position to have been depleted before unrestricted — net position is applied.

L. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

M. Fund Balance Policies

As of these financial statements, the City has adopted GASB Statement No.54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

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

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, State or Federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by ordinances passed by City Council, the City's highest level of decision making authority; this includes the budget reserve account. Commitments may be modified or rescinded only through ordinances approved by City Council.

Assigned – Amounts that are intended to be used for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's policy, amounts can be assigned by the City Manager.

Unassigned – All amounts not included in other classifications. The general fund is the only fund that reports a positive unassigned fund balance. However, in other governmental funds, if expenditures for specific purposes exceed restricted, committed or assigned fund balances, a negative assigned fund balance may be reported in that fund.

N. Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for reporting in this category:

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences and differences between projected and actual investment earnings. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. Differences in projected and actual earnings are amortized on a closed basis over a five year period. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

- Deferred outflows of resources for other post-employment benefits (OPEB) – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual actuarial experiences and changes in actuarial assumptions and other inputs. The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. Differences in projected and actual earnings are amortized on a closed basis over a five year period. The deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

A *deferred inflow of resources* is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes, municipal court, grants, false alarms and lease payments arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Deferred inflows of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from of differences between expected and actual experience and changes in actuarial assumptions. These amounts will be amortized over a closed five year period.

- Deferred inflows of resources for other post-employment benefits (OPEB) – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

O. Pensions

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

Information regarding the City's net pension liability is obtained from TMRS through reports prepared for the City by the TMRS consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.*

P. Other Post-Employment Benefits.

The City offers two OPEB plans, a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF") administered by the Texas Municipal Retirement System (TMRS) and a single-employer defined benefit other post-employment benefits ("OPEB") plan, known as the Retiree Health Care Plan (the "Plan") administered by the City. Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to total OPEB liability, and total OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms.

Information regarding the City's total OPEB liability for Retiree Health is obtained through reports prepared for the City by a consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Information regarding the City's total OPEB liability for Supplemental Death Benefit Fund (SDBF) is obtained from TMRS through reports prepared for the City by the TMRS consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Q. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

R. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's Principal ongoing operations. The principal operating revenues of the water and wastewater utilities fund, surface water utility fund, solid collections fund and the golf course fund 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.

S. Use of Estimates

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

T. Restricted Assets

The Enterprise Funds have restricted certain cash for customer deposits. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. The proceeds from debt are restricted for use on capital projects.

U. Deficit Fund Balance

The Community Development Block Grant Funds had a deficit fund balance of $59,350 due to unavailable revenue at year end.

V. Deficit in Unrestricted Net Position

The statement of net position reported a deficit in net position of $13,936,481 mainly due to unfunded pension and other post-employment benefit liabilities. The unrestricted net position of the Golf Course was a deficit of $378,148. The Golf Course suffered significant losses in the past couple of years due to Hurricane Harvey and necessary renovations. The Golf Course started FY 2020 with a balance budget; however, as discussed in Note 21 the effects of COVID-19 are uncertain.

W. Implementation of New Standards

In June of 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89). GASB 89 removes the previous requirement that interest cost incurred before the end of a construction period be capitalized and included in the historical cost of a capital asset in financial statements prepared using the economic resources measurement focus. Under GASB 89, such interest cost is expensed in the period in which the cost is incurred. The City adopted GASB 89 during fiscal year 2019 and the implementation of this new standard did not have a material effect on the financial statements.

Note 2 - Deposits and Investments

The City's cash and investments are classified as cash and cash equivalents and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, short-term investments in external public funds investment pool accounts (LOGIC), Texas CLASS and (TexPool), and other investments. The investments, which have maturities at purchase date of greater than three months, consist mainly of U.S. government securities, municipal bonds, certificates of deposit. For better management of cash, the City pools the cash, based on the City's needs, into deposits in the bank, in short-term investments with LOGIC and TexPool, or in longer term investments in U.S. Government securities. However, each fund's balance of cash and investments is maintained in the books of the City.

The City's deposits are maintained under the provisions of a depository contract as a cash concentration account for use by all City funds. All receipts of City funds are deposited into a money market mutual fund account, and the depository bank transfers funds to a separate demand deposit checking account as checks are posted. The City bids out excess funds as necessary and awards the bid to the institution or agency offering the highest interest rate. In compliance with section 2256.025 of the Public Funds Investment Act, brokers/dealers must complete a questionnaire, submit financial statements, and be approved by the Investment Committee before being accepted to bid on investments of excess City funds.

Investment Policy

The Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act (Chapter 2256 Texas Government Code). The investments of the City are in compliance with the Council's investment policies. It is the City's policy to restrict its investments to direct obligations of the U.S. Government, Money Market Mutual Funds registered with and regulated by the Securities Exchange Commission, fully collateralized certificates of deposit and other interest-bearing time and demand deposits, and other instruments and investments in public funds investment pools such as the Local Government Investment Cooperative (LOGIC), Texas CLASS and Texas Local Government Investment Pool (TexPool).

Under provisions of state and local statutes, the City's investment policies, and provisions of the City's depository contracts with the area financial institutions, the City is authorized to place available deposits and investments in the following:

1. Obligations, including letters of credit, of the United States or its Agencies and Instruments, including the Federal Home Loan Banks;

2. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

3. Obligations of the State of Texas or its agencies and instrumentalities, and obligations of counties, cities, and other political subdivisions of this State rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

4. Fully insured or collateralized deposits at eligible depositories placed in compliance with this Policy and the Act;

5. Repurchase agreements structured in compliance with the Act. The term includes direct security repurchase agreements entered into by City and reverse repurchase agreements only obtained in connection with investment by City in an Eligible Investment Pool or Money Market Mutual Fund. All City repurchase agreement transactions shall be governed in accordance with a written repurchase agreement;

6. Money Market Mutual Funds registered with and regulated by the Securities & Exchange Commission; that fully invest dollar-for-dollar all City funds without sales commissions or loads; that are categorized as a "Treasury" or "Government" money market fund; and, whose investment objectives include seeking to maintain a stable net asset value of $1.0000 per share. City may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market fund,

7. Eligible Investment Pools as defined by and in compliance with the Act, that have been authorized by the City Council, maintain a rating of a least AAA or AAAm, and whose investment philosophy and strategy seek to maintain a stable net asset value of $1.0000.

All significant legal and contractual provisions for investments were complied with during the year.

As of September 30, 2019, the City had the following deposits and investments.

	Value	Weighted Average Maturity (Days)
Deposits		
Cash deposits	$ 73,469	0
Cash equivalents:		
Governmental Mutual Fund	13,401,311	0
TexPool external investment pool	3,951,215	34
TexasClass	10,404,099	50
LOGIC	10,754,890	49
Total	38,584,984	
Investments		
U.S. government agency bonds/notes:		
Federal National Mortage Association (FNMA)	2,572,923	6,185
Federal Home Loan Mortgage Corp. (FHLMC)	1,013,429	2,689
Government National Mortgage Association (GNMA)	213,765	1,005
Municipal Bonds	3,240,726	271
Certificates of Deposit	65,147,037	282
Total Portfolio	$ 72,187,880	404

The U.S. government securities were purchased through a broker/dealer and held for safekeeping by the City's depository bank (independent agent), registered for the account of Missouri City. The City generally holds all investments to maturity date.

Custodial Credit Risk - Deposits

The risk that, in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities, to the extent the deposits exceed FDIC coverage. Uninsured financial institution deposits and repurchase agreement investments marketable security collateral must be maintained at a minimum 102% of deposit or investment value, plus any accrued interest.

The City's total cash deposits, including certificates of deposit at September 30, 2019 were entirely covered by collateralized securities held in the City's name or by federal deposit insurance.

The City has invested in a governmental money market mutual fund (Wells Fargo Government Money Market Fund) as part of its investment strategy. This investment is accomplished through daily sweeps of excess cash by the City's custodial bank into a bank sponsored program, short-term investment fund. This fund is a custodial bank-sponsored commingled fund that is invested in short-term U.S. government agency and treasury debt and repurchase agreements.

Texas CLASS

Texas CLASS Government is an external investment pool measured at fair value, i.e. net asset value. The investment pool's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short term marketable securities. There are no unfunded commitments related to the investment pool. Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. The Texas CLASS Government portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds.

TexPool

TexPool is a local government investment pool, duly chartered and overseen by the State Comptroller's Office, and administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. TexPool's investment portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA-rated money market mutual funds. The pool's investments are highly rated by nationally recognized statistical rating organizations, have no more than five percent concentrated in one issuer (excluding U.S. government securities), and are sufficiently liquid to meet reasonably foreseeable redemptions.

TexPool transacts at a net asset value of $1.00 per share, and maintains a weighted average maturity of 60 days or less and a weighted average life of 120 days or less. TexPool has a redemption notice period of one day and investors may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

Local Government Investment Cooperative (LOGIC)

LOGIC is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. (JPMIM), and managed by JPMIM, who provides custody and investment management.

LOGIC's investment objectives are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The portfolio will maintain a dollar-weighted average maturity that does not exceed 60 days and seeks to maintain a net asset value of $1.00 per share. LOGIC may invest in securities including: obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; other obligations which are unconditionally guaranteed or insured by the U.S.; fully collateralized repurchase agreements with a defined termination date and unconditionally guaranteed or insured by the U.S. or its agencies and instrumentalities; SEC-registered money-market fund rated in the highest rating category by at least one nationally recognized statistical rating organization (NRSRO); and commercial paper as authorized under the Public Funds Investment Act. The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Investment's Fair Value

The City's investments are carried at fair value based on quoted market prices at year-end, in accordance with U.S. generally accepted accounting principles. The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, Fair Value Measurement and Application, which provides a framework for measuring fair value and establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Certain of the City's investments are not required to be measured at fair value; this includes its investment in TexPool which is measured at amortized cost, LOGIC, TexasCLASS, and Government Mutual Fund are measured at fair value (net asset value) and is included in cash equivalents. Its investments in certificates of deposit are measured at cost. These instruments are exempt from categorization within the fair value hierarchy.

Investments' fair value measurements are as follows at September 30, 2019:

Investments	Fair Value	Fair Value Measurements Using Other Observable Inputs (Level 2)
U.S. Government Agency Notes:		
Federal National Mortage Associations (FNMA)	$ 2,572,923	$ 2,572,923
Federal Home Loan Mortgage Corp. (FHLMC)	1,013,429	1,013,429
Government National Mortgage Associations (GNMA)	213,765	213,765
Municipal Bonds	3,240,726	3,240,726
Total	$ 7,040,843	$ 7,040,843

The U.S. government agency bonds and notes included in Level 2 of the fair value hierarchy are valued using a market approach based on a matrix pricing technique, whereby valuation is determined in reference to benchmark prices and interest rates.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The City structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations, and monitors interest rate risk using weighted average maturity analysis.

Credit Risk
The City's policy requires that investments are limited to only certain instruments that are authorized by the Public Funds Investment Act. Further specifications are that external investment pools must be rated no lower than "AAA" or an equivalent rating by at least one nationally recognized rating service, United States Treasury and agency investments are guaranteed (either express or implied) and backed by the full faith and credit of the United States or its respective agencies, and certificates of deposit are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized under an approved pledge agreement.

As of September 30, 2019, the City's investment in TexPool, Texas CLASS and LOGIC were rated "AAAm" by Standard & Poor's. The City's investments in U.S. agency bonds and notes were rated "A+" and above by Standard & Poor's and its investment in Municipal Bonds was rated "A+" and above by Standard & Poor's. The certificates of deposit are unrated.

Concentration of Credit Risk
The risk is the risk of loss attributed to the magnitude of a City's investment in a single issuer. The City's investment policy limits investments by security type and institution. With the exception of U.S. Treasury securities, government-sponsored enterprises (GSE's), interest-bearing checking accounts that are fully collateralized, and authorized local government pools, the City will diversify the entire portfolio to comply with the investment strategy. The investments in obligations of states, agencies, counties, cities, districts, and other political subdivisions as well as repurchase agreements (excluding bond fund) are limited to 50% of the portfolio balance each.

Custodial Credit Risk – Investments
For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that custody of securities is maintained at financial institutions, avoiding physical possession.

Note 3 - Property Taxes

Property taxes for each year are levied on approximately October 1 and are due upon receipt of the City's tax bill and become delinquent on February 1 of the following year. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties, and interest. The lien exists in the favor of the State and each taxing unit. Appraised values are established by the Fort Bend Central Appraisal District (FBCAD) and Harris County Appraisal District (HCAD) through procedures established by the Texas Legislature. The County bills and collects property taxes on behalf of the City, and remits payment to the City on a frequent basis. The City bills its tax levies as soon as possible after certification of taxable values by the CAD, which is approximately October 1 as noted above. Additional tax bills are sent in February, May, and July (which includes a surcharge for legal costs associated with collection). In August, delinquent taxes are turned over to the City's delinquent tax attorneys for final collection or other disposition.

The City is permitted, by Article VIII, Section 9, of the State of Texas Constitution and the City Charter, to levy property taxes up to $2.50 per $100 of assessed valuation for general governmental services. Within the $2.50 maximum levy, there is no legal limit upon the amount of property taxes, which can be levied for debt service. The property tax rates to finance general governmental services and debt service for the 2018 - 2019 fiscal year were $0.46 and $0.17 respectively, per $100 of assessed valuation. The 2018 tax year assessed value and total tax levy as adjusted through September 30, 2019, were $7,082,216,056 and $41,373,493, respectively.

Note 4 - Receivables

Receivables as of year-end for the government's individual major and non-major funds, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Governmental Activities
Receivables					
Property taxes	$ 909,231	$ 365,842	$ -	$ -	$ 1,275,073
Sales tax	3,009,645	-	-	-	3,009,645
Municipal court	1,398,242	-	-	34,489	1,432,731
Other	683,179	-	57,307	158,200	898,686
Due from other governments	1,137,056	-	1,792,015	304,360	3,233,431
Gross receivable	7,137,353	365,842	1,849,322	497,049	9,849,566
Less: Allowance for uncollectible	(1,697,221)	(14,736)	-	(29,315)	(1,741,272)
Net Receivables	$ 5,440,132	$ 351,106	$ 1,849,322	$ 467,734	$ 8,108,294

	Water and Wastewater Utilities	Surface Water Treatment	Solid Waste Collections	Golf Course	Business-Type Activities
Receivables					
Other	$ -	$ -	$ 1,010,089	$ 129,237	$ 1,139,326
Due from other governments (MUD)	2,513,644	1,771,112	-	-	4,284,756
Gross receivable	2,513,644	1,771,112	1,010,089	129,237	5,424,082
Net Receivables	$ 2,513,644	$ 1,771,112	$ 1,010,089	$ 129,237	$ 5,424,082

Note 5 - Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2019:

	Balance September 30, 2018	Additions	Retirements and Transfers	Balance September 30, 2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 11,794,707	$ -	$ -	$ 11,794,707
Intangibles - Right of Way	2,713,521	-	-	2,713,521
Construction in progress	6,830,027	54,125	(6,615,749)	268,403
Total capital assets, not being depreciated	21,338,255	54,125	(6,615,749)	14,776,631
Capital assets, being depreciated:				
Buildings and building improvements	45,716,545	64,847	-	45,781,392
Improvements other than buildings	34,005,216	1,548,266	-	35,553,482
Infrastructure	220,627,260	5,018,321	6,615,749	232,261,330
Machinery and equipment	22,754,055	1,209,313	(3,170,430)	20,792,938
Total capital assets, being depreciated	323,103,076	7,840,747	3,445,319	334,389,142
Less accumulated depreciation for:				
Buildings and building improvements	(11,445,237)	(994,869)	-	(12,440,106)
Improvements other than buildings	(15,000,187)	(2,214,506)	-	(17,214,693)
Infrastructure	(102,709,392)	(5,864,624)	-	(108,574,016)
Machinery and equipment	(14,300,984)	(1,940,335)	2,970,840	(13,270,479)
Total accumulated depreciation	(143,455,800)	(11,014,334)	2,970,840	(151,499,294)
Total capital assets, being depreciated, net	179,647,276	(3,173,587)	6,416,159	182,889,848
Governmental activities capital assets, net	$ 200,985,531	$ (3,119,462)	$ (199,590)	$ 197,666,479
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 4,741,426	$ -	$ -	$ 4,741,426
Intangibles - Right of Way	19,400	-	-	19,400
Construction in progress	1,658,966	6,086,955	(954,813)	6,791,108
Total capital assets, not being depreciated	6,419,792	6,086,955	(954,813)	11,551,934
Business-type assets, being depreciated				
Buildings and improvements	3,946,598	-	-	3,946,598
Improvements other than buildings	199,240	-	-	199,240
Infrastructure	86,462,153	500,226	954,813	87,917,192
Equipment	2,571,759	-	(5,898)	2,565,861
Total capital assets being depreciated	93,179,750	500,226	948,915	94,628,891
Less accumulated depreciation for:				
Buildings and building improvements	(1,504,709)	(78,946)	-	(1,583,655)
Improvements other than buildings	(122,475)	(17,278)	-	(139,753)
Infrastructure	(10,237,990)	(1,344,194)	-	(11,582,184)
Machinery and equipment	(2,021,240)	(128,586)	5,898	(2,143,928)
Total accumulated depreciation	(13,886,414)	(1,569,004)	5,898	(15,449,520)
Total capital assets being depreciated, net	79,293,336	(1,068,778)	954,813	79,179,371
Business-type activities capital assets, net	$ 85,713,128	$ 5,018,177	$ -	$ 90,731,305

Depreciation expense for the year ended September 30, 2019 was distributed as follows:

Governmental activities:		
General government	$	362,532
Financial services		113,791
Police		528,728
Fire		581,300
Public works		7,789,463
Parks and recreation		1,607,335
Planning		31,185
Total governmental activities	$	11,014,334
Business-type activities:		
Water and wasterwater	$	575,179
Surface water		979,226
Golf course		14,599
Total business-type activities	$	1,569,004

Constructions in progress for the various projects and remaining commitments under these construction contracts as of September 30, 2019, are:

	Approved Contract	Total in Progress	Remaining Commitment
Governmental activities			
Reconstruction of Glenn Lake Bridge over Oyster Creek	$ 1,612,278	$ 416,294	$ 1,195,984
Fire Station 6 Building	541,250	54,125	487,125
Indpendence Blvd & Staffordshire Rd Paving and Drainage Improvement	7,269,050	6,578,794	690,256
Knight Road extensions	574,965	422,130	152,835
Total government activities	$ 9,997,543	$ 7,471,343	$ 2,526,200
Business-type activities			
Mustang Bayou Service Area Water Treatment Expansion	$ 3,205,703	$ 1,286,654	$ 1,919,049
Regional Water Treatment Plant Phase II	14,054,505	4,411,715	9,642,790
Total business-type activities	$ 17,260,208	$ 5,698,369	$ 11,561,839

Note 6 - Long-Term Debt and Other Long-Term Obligations

The City issues general obligation bonds and certificates of obligation for the purpose of fulfilling its capital improvements programs. General obligation bonds and certificates of obligation are for both governmental and business-type activities. The bonds are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues. Generally these programs are classified in several broad areas: public safety, drainage, transportation, parks, facilities and utility construction.

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2019, is as follows:

	Balance September 30, 2018	Additions	Reductions	Balance September 30, 2019	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 79,373,116	$ 11,990,000	$ 5,952,922	$ 85,410,194	$ 6,522,414
Certificates of obligation	7,091,924	1,140,000	621,924	7,610,000	350,000
Increment revenue bonds	3,575,000	-	365,000	3,210,000	370,000
Plus:					
Issuance premiums	7,780,811	1,205,056	512,142	8,473,725	508,641
Total bonds payables	97,820,851	14,335,056	7,451,988	104,703,919	7,751,055
Capital leases	451,648	-	144,627	307,021	145,854
Contractual obligations	12,285,000	-	420,000	11,865,000	440,000
Compensated absences	1,148,289	1,712,809	1,092,655	1,768,443	1,092,655
Total governmental activities	$ 111,705,788	$ 16,047,865	$ 9,109,270	$ 118,644,383	$ 9,429,564
Business-type activities:					
General obligation bonds	$ 40,316,884	$ -	$ 1,427,078	$ 38,889,806	$ 1,847,586
Certificates of obligation	10,573,076	18,435,000	1,563,076	27,445,000	1,085,000
Plus:					
Issuance premiums	6,705,886	1,758,433	483,480	7,980,839	483,480
Total business-type activities	$ 57,595,846	$ 20,193,433	$ 3,473,634	$ 74,315,645	$ 3,416,066

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds.

Compensated absences generally are paid by the General Fund for the governmental activities. Net pension liability and other postemployment benefits liability are liquidated by the General Fund.

The following is a summary of general obligation bonds, certificates of obligation, increment revenue bonds, and capital leases outstanding as of September 30, 2019:

Series	Oringinal Issue	Matures	Interest Rate (%)	Debt Outstanding
Governmental activities:				
General obligation bonds				
Series 2010 permanent improvement bonds	$ 9,500,000	2029	3.00 - 4.125%	$ 5,895,000
Series 2010A permanent improvement bonds	9,405,000	2038	2.00 - 4.00%	5,640,000
Series 2012 permanent improvement bonds	1,400,000	2032	2.25 - 3.75%	910,000
Series 2013 refunding bonds	8,293,500	2026	2.00 - 4.00%	6,806,750
Series 2014 permanent improvement bonds	1,740,000	2033	3.125 - 3.75%	1,380,000
Series 2014 permanent improvement refunding bonds	3,381,584	2024	2.00 - 3.00%	660,908
Series 2015 permanent improvement bonds	8,600,000	2034	3.00 - 3.25%	7,185,000
Series 2016 permanent improvement bonds	3,080,000	2035	3.00 - 3.25%	2,655,000
Series 2016 refunding bonds	32,787,537	2038	2.00 - 5.00%	29,812,536
Series 2017 permanent improvement bonds	14,445,000	2037	3.00 - 5.00%	12,995,000
Series 2018 permanent improvement bonds	11,990,000	2038	2.00 - 5.00%	11,470,000
Total general obligation bonds				85,410,194
Certificates of obligation				
Series 2010A certificates of obligation	6,235,000	2038	2.00 - 4.00 %	5,465,000
Series 2010B certificates of obligation	1,660,000	2021	0.964 - 3.876%	265,000
Series 2014 certificates of obligation	990,000	2033	1.00 - 3.75%	785,000
Series 2018 certificates of obligation	1,140,000	2038	4.00%	1,095,000
Total certificates of obligation				7,610,000
Increment revenue bonds				
Series 2015 increment revenue refunding bonds	4,600,000	2027	2.22%	3,210,000
Total increment contract revenue bonds				3,210,000
Capital leases				
Fire truck	387,490	2023	3.13%	166,447
IT equipment	351,434	2021	0.00%	140,574
Total capital leases				307,021
Total governmental activities				$ 96,537,215
Business-type actitivites				
General obligation bonds				
Series 2013 refunding bonds	436,500	2026	2.00 - 4.00 %	$ 358,250
Series 2014 permanent improvement refunding bonds	148,416	2024	2.00 - 3.00%	29,093
Series 2016 refunding bonds	39,877,463	2038	2.00 - 5.00 %	38,502,463
Total general obligation bonds				38,889,806
Certificates of obligation				
Series 2014A certificates of obligation	4,995,000	2024	2.00 - 3.125%	4,020,000
Series 2016A certificates of obligation	4,025,000	2036	2.00 - 3.00%	3,540,000
Series 2016 certificates of obligation	2,475,000	2035	3.00%	2,135,000
Series 2018 certificates of obligation	18,435,000	2038	4.00 - 5.00 %	17,750,000
Total certificates of obligation				27,445,000
Total business-type activities				$ 66,334,806

The annual requirements to amortize all general obligation bonds outstanding as of September 30, 2019, are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2020	$ 6,522,414	$ 3,610,865	$ 1,847,586	$ 1,838,747
2021	6,665,574	3,333,633	1,929,426	1,747,655
2022	6,912,360	3,073,008	2,032,640	1,657,930
2023	7,144,114	2,776,802	2,135,886	1,557,561
2024	7,395,773	2,455,343	2,239,227	1,451,763
2025 - 2029	31,078,159	7,501,383	12,576,841	5,491,112
2030 - 2034	13,651,800	2,593,448	13,243,200	2,326,260
2035 - 2038	6,040,000	535,988	2,885,000	130,400
Totals	$ 85,410,194	$ 25,880,470	$ 38,889,806	$ 16,201,428

The annual requirements to amortize all certificates of obligation outstanding as of September 30, 2019, are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2020	$ 350,000	$ 299,919	$ 1,085,000	$ 1,114,551
2021	355,000	288,432	1,125,000	1,074,251
2022	370,000	275,238	1,165,000	1,030,501
2023	385,000	261,225	1,210,000	984,951
2024	395,000	246,575	1,270,000	936,226
2025 - 2029	2,250,000	989,788	7,130,000	3,868,499
2030 - 2034	2,020,000	559,726	8,690,000	2,288,381
2035 - 2038	1,485,000	151,301	5,770,000	642,013
Totals	$ 7,610,000	$ 3,072,204	$ 27,445,000	$ 11,939,373

The annual requirements to amortize all increment revenue bonds outstanding as of September 30, 2019, are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest
2020	$ 370,000	$ 71,262
2021	380,000	63,048
2022	385,000	54,612
2023	400,000	46,065
2024	405,000	37,185
2025 - 2029	1,270,000	56,721
Totals	$ 3,210,000	$ 328,893

Included in the appropriate capital asset captions on the Statement of Net Position are the following amounts under capital lease as of September 30, 2019: approximately $1,061,000 in machinery and equipment and $392,000 of accumulated depreciation. The annual requirements to amortize all capital leases outstanding as of September 30, 2019, are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest
2020	$ 145,854	$ 5,304
2021	76,833	4,038
2022	42,994	2,734
2023	41,340	1,388
Totals	$ 307,021	$ 13,464

The principal and interest on the general obligation bonds, certificates of obligation, increment revenue bonds, and capital leases are payable solely from property taxes levied on taxable property within the City of Missouri City, Texas. The City is in compliance with all significant limitations and restrictions contained in the various bond ordinances.

The annual requirements to amortize certain contractual obligations of the City to Sienna Plantation Management District (see Note 17) are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest
2020	$ 440,000	$ 556,528
2021	470,000	540,275
2022	490,000	522,120
2023	515,000	502,380
2024	545,000	480,561
2025 - 2029	3,195,000	1,998,861
2030 - 2034	4,190,000	1,127,250
2035	2,020,000	144,833
Totals	$ 11,865,000	$ 5,872,808

Federal Tax Compliance (Arbitrage) for Long-term Debt

In accordance with provisions of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), the City's long-term debt obligations must meet certain minimum criteria to be considered and continue to be considered "tax exempt." This "tax exempt" status means that interest income earned by purchasers of the City's long-term debt instruments is not subject to federal income taxes. Related Treasury Regulations promulgated under Section 148 of the Code generally provide that the determination of whether these obligations are tax exempt is made as of the date such obligations are issued based on a reasonable expectations regarding the use of the proceeds of the bonds issued. Long-term debt that does not meet and continue to meet the minimum criteria of Section 148 of the Code and the related Treasury Regulations described above are considered "arbitrage bonds" and are not considered "tax exempt" as described above.

The City has performed calculations required under section 148(f) of the Code and has no present liability nor has the City ever been required to make rebate payments for issued debt in past years.

The City is currently in compliance with yield restriction requirements and does not anticipate associated significant noncompliance issues. The City is continuing to proceed with reasonable diligence to expend any remaining unexpended debt issuance proceeds on qualifying projects or to retire related debt issues still outstanding.

Note 7 – Operating Lease

The City is a lessee for police equipment expiring January 2022. Rent expense for the year ended September 30, 2019 is $168,625. Future lease payments are as follows:

Year Ending December 31,	Annual Base Rent
2020	$ 168,625
2021	168,625
2022	168,625
Total	$ 505,875

Note 8 - Interfund Receivables, Payables and Transfers

The following is a summary of interfund balances as of September 30, 2019:

Due to Fund	Due From Fund	Purpose	Amount
General fund	Golf course fund	Cash advances on operations	$ 43,318
			$ 43,318

Amounts booked as due to/from are considered to be temporary loans and will be repaid during the following fiscal year.

The following is a summary of interfund advance balances as of September 30, 2019:

Advance from Fund	Advance to Fund	Purpose	Amount
General fund	Golf course fund	Cash advances on operations	$ 222,575
Water and wastewater utilities	Surface water treatment	Cash advances on operations	6,157,696
			$ 6,380,271

Amounts booked as advance to/from are considered to be long-term loans and will be not repaid during the following fiscal year.

For the year ended September 30, 2019, interfund transfers consisted of the following:

Transfers In Fund	Transfers Out Fund	Purpose	Amount
General Fund	Capital Projects Fund	Cover costs of Mobility expenses for streets, drainage & traffic	$ 489,527
General Fund	Radio Communicaitons	Cover operating expenses for radio tower	40,011
General Fund	Court Security	Cover annual administrative cost	13,750
General Fund	Court Juvenile Fund	Cover Juvenile Case Administrator salary	30,000
General Fund	Missouri City Development Authority	Cover administrative cost	100,000
General Fund	TIRZ #1	Cover administrative cost	39,591
General Fund	TIRZ #2	Cover administrative cost	73,860
General Fund	PID #2	Cover administrative cost	13,600
General Fund	TIRZ #3	Cover administrative cost	73,600
General Fund	PID #4	Cover administrative cost	13,600
General Fund	Water and Wastewater Utility Fund	Cover administrative cost	85,000
General Fund	Surface Water Treatment Fund	Cover administrative cost	407,000
General Fund	Solid Waste Fund	Cover administrative cost for Front Desk Customer Service Support	16,000
Capital Projects Fund	TIRZ #1	Reimbursement for the Independence Boulevard project	1,073,434
Missouri City Development Authority	Capital Projects Fund	Reimburse developer for infrastructure costs and pay for Economic Development Agreement	1,279,114
Capital Projects Fund	Hotel Occupancy Tax Fund	Cover Veteran's Memorial Project	50,000
Missouri City Development Authority	TIRZ #1	Cover administrative cost	20,000
Missouri City Development Authority	TIRZ #2	Cover administrative cost	20,000
Missouri City Development Authority	PID #2	Cover administrative cost	20,000
Missouri City Development Authority	TIRZ #3	Cover administrative cost	20,000
Missouri City Development Authority	PID #4	Cover administrative cost	20,000
Park Land Dedication Fund	General Fund	Write off negative cash balance	3
			$ 3,898,090

Transfers are used to move revenues from the fund with collection authorization to other funds that finance various programs in accordance with budgetary authorizations.

Note 9 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the plan and makes investment decisions and disburses funds to employees in accordance with plan provisions.

The fair value of plan assets held and administered by the plan's third-party administrator were $13,783,268.

Note 10 - Pension Plan

A. Plan Description

The City of Missouri City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

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

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Updated service credit	100% Transfers
Annuity increase (to retirees)	70% of CPI

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	193
Inactive employees entitled to but not yet receiving benefits	193
Active employees	346
Total	732

C. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The required contribution rates for the City was 8.50% in calendar year 2018 and 8.16% in calendar year 2019. The city's contributions to TMRS for the year ended September 30, 2019 were $2,381,313 which exceeded the required contributions by $416,187 since the City contributed at the rate of 10%. The City's contributions exceeded the requirement rate in an attempt to reduce the unfunded pension liability.

D. Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the same size of the City, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%, with a 3 year set-forward for both males and females. In addition, a 3% minimum mortality rate 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The postretirement 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.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.30%
International equity	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.39%
Real return	10.0%	3.78%
Real estate	10.0%	4.44%
Absolute return	10.0%	3.56%
Private equity	5.0%	7.75%
Total	100%	

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2017	$ 128,731,883	$ 103,336,519	$ 25,395,364
Changes for the year:			
Service cost	3,991,551	-	3,991,551
Interest (on the Total Pension Liability)	8,651,306	-	8,651,306
Difference between expected and actual experience	(1,274,730)	-	(1,274,730)
Contributions - employer	-	2,275,624	(2,275,624)
Contributions - employee	-	1,612,283	(1,612,283)
Net investment income	-	(3,094,187)	3,094,187
Benefit payments, including refunds of employee contributions	(5,120,307)	(5,120,307)	-
Administrative expense	-	(59,824)	59,824
Other	-	(3,126)	3,126
Net changes	6,247,820	(4,389,537)	10,637,357
Balance at December 31, 2018	$ 134,979,703	$ 98,946,982	$ 36,032,721

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

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

1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
$ 56,925,223	$ 36,032,721	$ 19,140,160

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019 the city recognized pension expense of $6,308,323.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 987,613	$ 1,097,676
Changes in actuarial assumptions	-	66,788
Difference between projected and actual investment earnings	5,358,697	-
Contributions subsequent to the measurement date	1,837,744	-
Totals	$ 8,184,054	$ 1,164,464

$1,837,744 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Net Deferred Outflows (Inflows) of Resources
2020	$ 1,979,940
2021	818,971
2022	633,977
2023	1,816,558
2024	(67,600)
Totals	$ 5,181,846

Note 11 - Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund

Benefit Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2018 was as follows:

Inactive employees currently receiving benefits	139
Inactive employees entitled to but not yet receiving benefits	47
Active employees	346
Total	532

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.13% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB Statement No. 75 (i.e., no assets are accumulated for OPEB), and as such, the SDBF is considered to be an unfunded OPEB plan. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan is be based on an index of tax-exempt 20-year municipal bond rates rated as AA or higher. As of December 31, 2018, the discount rate used in the development of the Total OPEB Liability was 3.71%.

Actuarial Assumptions

The City's total OPEB liability was measured at December 31, 2018 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Inflation:	2.50%
Salary Increases:	3.50% to 10.50%, including inflation
Discount rate:	3.71%. The discount rate was based on the Fidelity Index's "20- Year Municipal GO AA Index" rate as of December 31, 2018.
Retirees' share of benefit related costs:	$0
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

Balance at December 31, 2017	$ 823,102
Changes for the year:	
Service cost	36,852
Interest on Total OPEB Liability	27,778
Difference between expected and actual experience	48,520
Changes of assumptions or other inputs	(62,263)
Benefit payments	(4,607)
Net changes	46,280
Balance at December 31, 2018	$ 869,382

Sensitivity Analysis

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

1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
$ 1,037,328	$ 869,382	$ 739,118

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

For the year ended September 30, 2019, the City recognized OPEB expense of $72,298.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 41,790	$ -
Changes in actuarial assumptions and other inputs	49,881	53,627
Contributions made subsequent to the measurement date	3,675	-
Totals	$ 95,346	$ 53,627

The $3,675 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2020.

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year Ending December 31,	Net deferred outflows (inflows) of resources
2020	$ 7,668
2021	7,668
2022	7,668
2023	7,668
2024	7,668
Thereafter	(296)
Totals	$ 38,044

Retiree Health Care Plan (RHCP)

Plan Description

The City's defined benefit OPEB plan, City of Missouri City Retiree Health Care Plan (RHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. RHCP is a single-employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the RHCP.

Benefits provided

RHCP provides access to post retirement employees by offering a "blended premium" structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" subsidy. Because the underlying claims costs for a non- Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

Employees covered by benefit terms. At December 31, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries	36
Inactive, nonretired members	-
Active members	336
	372

Total OPEB Liability

The City's total OPEB liability of $6,687,692 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2018.

Actuarial assumptions and methods

The total OPEB liability in the December 31, 2017 actuarial valuation rolled forward to December 31, 2018 was determined using the following actuarial assumptions:

Actuarial Cost Method:	Individual Entry-Age
Discount Rate:	3.71% as of December 31, 2018
Inflation:	2.50%
Salary Increases:	3.50% to 10.50%, including inflation
Demographic Assumptions:	Based on the experience study covering the four year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality:	For healthy retirees, 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%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates:	Pre-65: Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years; Post-65: Initial rate of 6.50% declining to an ultimate rate of 4.25% after 15 years
Participation Rates:	95% for retirees who are eligible for a City subsidy; 50% for retirees who are not eligible; 0% for employees who retire before the age of 50
Other Information:	
Note:	The discount rate changed from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

Discount Rate

Because the RHCP is unfunded or pay-as-you go, the discount rate is based on the 20-year tax-exempt AA or higher municipal bond. For the purpose of this valuation, the municipal bond rate is 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate was 3.31% as of the prior measurement date.

Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at Decmeber 31, 2017	$	6,753,938
Changes for the year:		
Service cost		267,820
Interest on total OPEB liability		224,560
Change of benefit terms		-
Difference between expected and actual experience		11,392
Change in assumptions		(362,911)
Benefit payments		(207,107)
Net changes		(66,246)
Balance at Decmeber 31, 2018	$	6,687,692

Changes of assumptions reflect a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the plan's total OPEB liability, calculated using a discount rate of 3.71%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease in Discount Rate (2.71 %)	Discount Rate (3.71 %)	1% Increase in Discount Rate (4.71 %)
$ 7,646,307	$ 6,687,692	$ 5,885,031

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

1% Decrease Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase Healthcare Cost Trend Rate
$ 5,700,020	$ 6,687,692	$ 7,921,143

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

For the year ended September 30, 2019, the City recognized OPEB expense of $501,169.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,226	$ -
Changes in actuarial assumptions used	347,891	325,777
Contributions made subsequent to the measurement date	157,514	-
Totals	$ 515,631	$ 325,777

The $157,514 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2020.

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year Ending December 31,	Net deferred outflows (inflows) of resources
2020	$ 8,789
2021	8,789
2022	8,789
2023	8,789
2024	8,789
Thereafter	(11,605)
Totals	$ 32,340

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League (TMLIRP), an Intergovernmental Risk-Pool and through commercial insurance carriers. The City purchases commercial general insurance through the Texas Municipal League, an unincorporated association of political subdivisions of the State of Texas.

This policy encompasses general liability, automobile liability, law enforcement liability, errors and omissions liability, property, automobile vehicle liability, and damages with limits of liability for each occurrence at $3,000,000. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in the TML-IRP is limited to payment of premiums.

Workers' Compensation

The City is a member of the Texas Municipal League (TML) Workers' Compensation Intergovernmental Risk Pool, an unincorporated association of political subdivisions of the State of Texas. The fund contracts with a third-party administrator for administration, investigation, and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool. The City's liability is limited to payment of premiums as assessed by TML.

The City pays unemployment insurance claims filed by former employees on an actual reimbursement basis. The Texas Workforce Commission determines individual claim eligibility and bills the City for each eligible claim made. The City contracts with a third party, TALX Employer Services L.L.C., to administer its unemployment insurance/compensation program.

Long-Term Disability

The City provides long-term disability coverage for all full-time employees through Dearborn Life Insurance Company. The City pays the entire amount of the premiums. After a 90-day waiting period, employees who become disabled though injury or sickness may receive 66-2/3 percent of basic monthly earnings, not to exceed maximum benefit less other income benefits.

Health/Dental/Life Insurance Plan

The City provides medical insurance, prescription card, dental, vision and life insurance programs for City employees. The City contracts with Blue Cross Blue Shield of Texas, which offers a H.S.A. high deductible medical plan and a P.P.O. medical plan for employees to choose from. The City also provides life insurance to employees in the amount of $50,000 through Dearborn Life Insurance Company.

Note 13 - Commitments and Contingencies

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Sick Leave

Employees are credited with sick leave at the rate of one day per month with no maximum accumulation, one-half of which is set aside for major illness each year. Regular sick days may be used for ordinary sick days, caring for relatives, and doctor's appointments. Unused sick leave is credited to the major illness accumulation at the end of the year. Employees do not receive any pay or other compensation either for, or in lieu of, accrued sick leave time upon any type of employment termination except for retirement. Upon meeting retirement qualifications and retiring from the City, employees will be paid 25 percent of accumulated major illness sick leave exceeding sixty days up to a total of thirty days.

The unrecorded contingency associated with accumulated major illness sick leave of City employees regardless of estimated retirement date at September 30, 2019 is $310,773.

Note 14 - Park Land Dedication

The City enacted an ordinance requiring open space, park, and recreational areas, which is intended to assure that within residential developments of the City, there is sufficient land dedicated for open space and neighborhood parks. The City subsequently amended this ordinance providing for cash to be remitted in lieu of park land. Cash received shall be restricted to an area established by zone. Presently, the City has established twelve zones. Cash received by the City under this agreement must be expended within five years for the acquisition or development of a neighborhood park.

If not expended within the time frame established, the current owner of the property for which money was paid in lieu of land dedication shall be entitled to a refund providing a refund request is made within a one-year period. The activities of this program are accounted for in a special revenue fund.

Note 15 - Agreement with Gulf Coast Water Authority

In July of 1997, the City entered into an option agreement with Gulf Coast Water Authority (GCWA), a Texas conservation and reclamation district, to purchase surface water rights. The agreement allows the City the option to buy fifteen (15) million gallons per day of surface water from GCWA's canal system. Beginning in March 2009, the City exercised its option to purchase raw surface water and began paying for approximately 52,000 gallons a day to start the process of design for a surface water treatment plant. This water was utilized for a pilot test plant during the design phase of the project. This plant is the key facilitator for the Ground Water Reduction Plan (GRP) for the region. The City completed the design and construction of the Regional Water Treatment Plant in 2012 and began treating surface water.

In May of 2014, the City and GCWA revisited the agreement and entered into a new System Raw Water Availability Agreement that provides the City with a firm quantity of fifteen (15) million gallons per day of surface water from GCWA's canal system. This contract is a long-term contract and will be revisited in August 2027 when all of GCWA's contracts are renegotiated. The City is currently negotiating with GCWA for an additional ten (10) MGD of surface water to support future potable water needs of the City. This additional 10 MGD of raw water is estimated to cost the City\GRP approximately $515,000 annually.

The City has paid GCWA $11,250,678 cumulatively for water options through September 30, 2019.

Note 16 - Regional Wastewater Treatment Facilities

In March 1996, the City contracted with First Colony Municipal Utility District No. 9 (MUD 9) and Fort Bend County Municipal Utility District No. 42 (MUD 42) to construct a regional wastewater system to include a regional lift station, major transmission line, first phase of a treatment plant, and sludge processing. The project was completed and began operation in December 1999 with a treatment capacity of 1.5 million gallons per day (MGD), more than initially needed by MUDs 9 and 42. Between 2000 and 2010, the City signed regional wastewater facilities agreements with Fort Bend County MUDs No. 46, 115, 129 and 149 to utilize the temporary excess capacity in the Phase I plant, and to secure permanent capacity for these MUDs in future plant expansions. Construction of the Phase II plant expansion from 1.5 to 3.0 MGD began in 2009 and came on line in late 2010. This included a second aeration basin and clarifier, headworks improvements and ultraviolet disinfection system upgrades and expansion. Final cost shares are based on pro rata capacity allocations. The current discharge permit provides for future expansion of the plant to interim Phase III 4.5 MGD and final Phase up to 6.0 MGD phase. Sienna North, which is currently served by a temporary wastewater treatment plant owned by Sienna Plantation MUD 1 began partially diverting flow in October 2019 to the Steep Bank/Flat Bank Plant. Sienna Plantation MUD 1 is currently fully funding the expansion of the existing plant from 3.0 MGD to 4.5 MGD capacity at a cost of approximately $8 Million dollars. Construction is anticipated to begin in summer 2020 and upon completion/expansion, Sienna Plantation MUD 1 will be entitled to 1.5 MGD of plant capacity.

The City owns the plant and is responsible for its operation and maintenance. Under an interlocal agreement between the City and Quail Valley Utility District, District staff performs the operation and maintenance. Each of the MUDs pays monthly charges for their share of operations and maintenance expenses, which includes funding an operations and maintenance reserve.

MUDs 9, 42, 46, 115, 129 and 149 and the City have agreed that each district shall initially have the right to deliver, subject to agreed terms and conditions, wastewater to the plant in the following capacities, and based on current plant capacity (3.0 MGD):

District	Percent	Reserved Capacity (MGD)
First Colony MUD #9	35.0%	1.0500
Fort Bend County MUD #42	14.0%	0.4200
Fort Bend County MUD #115	8.8%	0.2640
Fort Bend County MUD #46	14.2%	0.4250
Fort Bend County MUD #129	14.6%	0.4380
Fort Bend County MUD #149	13.4%	0.4030
Totals	100.0%	3.0000

In March 2015 the City and MUDs 9, 42, 46, 115, 129 and 149, amended the agreements to clarify the obligations of the existing agreements regarding the Phase III expansion, to establish a protocol for the MUDs the opportunity to sell any excess capacity to a future participant and to allow MUDs 46, 115, 129 and 149 the ability to adjust their total requested capacity to equal 1.5 million gallons. The total assigned capacity will not exceed the permitted 3.0 MGD.

The City will provide funding, or per the agreements the City can request that the MUDs fund their prorata share, for the expansion of the facility when needed and reserves the option to utilize package plants in the interim, if necessary, to provide services to all areas. The districts will pay their share of the debt service for expansion or for regulatory upgrades. The maintenance and operation of the plant will be prorated among the MUDs utilizing their average equivalent connections for the year.

Mustang Bayou Service Area

The Mustang Bayou (MB) Water Supply and Wastewater Treatment (WWTP) Service Area includes Fort Bend Municipal Utility Districts No. 47 and 48 (which serve the Vicksburg and Olympia Estates neighborhoods and Hightower High School), Tax Increment Reinvestment Zone No. 2 and Public Improvement Districts No. 2, 3 and 4. The area is attracting major retail and residential development as a result of the Fort Bend Toll Road, which opened in August 2004, connecting Highway 6 with Beltway 8. In 2004, the City and Fort Bend MUDs 47 and 48 executed a regional wastewater treatment and water supply agreement to provide integrated utility services to the area. The wastewater portion of that agreement was updated in 2010 when regional wastewater treatment facilities agreements between the City and MUDs 47 and 48 were executed. Since the new agreements were executed the City has been providing regional water and wastewater service to MUDs 47 and 48 and retail service to the City service area.

The City and the Vicksburg Joint Powers (MUDs 47 and 48) collectively constructed new wastewater facilities for the expansion of the Vicksburg Wastewater Treatment Plant (WWTP), located on the west side of the Toll Road, just north of Trammel-Fresno Road. The City now owns and operates the Vicksburg WWTP, and has since renamed the plant the Mustang Bayou Regional WWTP. The City's Mustang Bayou Regional WWTP provides treatment for the entire service area, including MUDs 47 and 48. This expansion was completed in December of 2009, and plant ownership transfer was completed in March of 2010.

Fort Bend MUDs 47 and 48 own and operate a water well and plant located in the north side of the Mustang Service Area. The City owns and operates a water well and plant in the south side of the service area, south of Highway 6 and east of the Fort Bend Toll Road. The City well and plant has increased water supply and improved water pressure available for fire flows for new and existing development. Under the 2011 water agreements, the ownership of the MUDs' water well and plant was transferred to the City in January 2012, and the two plants and are permanently interconnected to jointly supply the entire service area.

The City projected a need for a water/wastewater master plan, capital improvement plan and an impact fee study as the City and the utility districts (MUDs 47, 48 and Vicksburg Joint Powers) proceed with coordination on utility service issues in the Mustang Bayou Service Area. This study has been completed and has provided the technical and financial information for the City to properly administer and provide utility service in the area. Council adopted the impact fees in January 2015 for the Mustang Bayou Service Area. Due to projected growth and rehabilitation needs, the existing MB WWTP is being expanded from its rated 0.95 MGD capacity to 1.50 MGD at an estimated project cost of $12 Million. MUD 47 and MUD 48 per existing agreements with the City are estimated to pay approximately $3 Million towards this overall project cost. The rehabilitation and expansion is estimated to be completed by Spring 2021.

Note 17 - Development Agreements

Agreement with Sienna Plantation

In past years, it was the policy of City Council that before a reclamation district, water control improvement district or municipal utility district could be created, the landowners in the City's extra-territorial jurisdiction must petition for annexation into the City. As a result, the City approved the creation of several separate municipal districts in past years.

In 1995-96, the City began development of a regional water, sewer and storm drainage plan to determine future demands for water, sewer and storm drainage facilities for the entire City including these districts. With the City approximately one-third built, not including the City's extra-territorial jurisdiction, this was a good time to initiate the change. In conjunction with this, a Municipal Utility District Study was performed to assure that Regionalization versus separate MUDs was feasible.

As a result, the City determined to leave the existing districts in place at this time and review their Regionalization needs on an individual basis, when the need to sell new debt or expand the plant took place. For the rest of the City, the City is seeking Regionalization by requiring MUDs to go to a regionalized plant, and to develop contracts for Regionalization with existing MUDs. The Quail Valley MUD is a good example of this Regionalization effort.

In other areas, Public Improvement Districts are being formed to take care of the water, sewer, drainage and other needed improvements.

In 1995-96, several developers of Sienna Plantation, a 10,800-acre master planned community in the City's extraterritorial jurisdiction approached the City Council to allow development by agreement. As a result, a development agreement was proposed allowing development to take place outside the City limits.

The developers in Sienna Plantation entered into the Sienna Plantation Joint Development Agreement with the City of Missouri City (the "City") dated February 19, 1996, as amended (collectively, the "Development Agreement"), which stipulates the City's regulatory authority over the development of Sienna Plantation. The Development Agreement establishes certain restrictions and commitments related to the development of Sienna Plantation, sets forth detailed design and construction standards, stipulates a formula for determining the time of annexation of land within Sienna Plantation by the City, and identifies and establishes a master plan for the development of Sienna Plantation. The provisions of the Development Agreement govern the development of all land within Sienna Plantation.

In the Development Agreement, the City agrees not to annex the property in any district before such time as (i) at least 90 percent of the developable acreage within such district has been developed with water, wastewater treatment, and drainage facilities; and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. The area is expected to add approximately 60,000 to the population of the City.

Contract with Sienna Plantation Municipal Utility District No. 1 (Master District)

The District, together with each conservation and reclamation district located within Sienna Plantation District, has contracted with Sienna Plantation Municipal Utility District No. 1 (the "Master District") to provide water supply and distribution, sewage collection and treatment services, major trunk storm sewer drain services, fire protection, and other services and facilities permitted by law for the entire Sienna Plantation development. The District has incurred, or incurs, the following expenditures with respect to this contract:

- the District's prorated share of the Master District's capital cost (connection charges) of which future costs will be capitalized by the District; and,
- monthly connection charges in an amount sufficient to meet the District's prorated share of the operational and maintenance costs of the central facilities, based on the relevant use of such facilities.

Fire Protection Agreements between City and Sienna Plantation MUDs

Fire Protection agreements have been entered into between the City and various Municipal Utility Districts as follows:

March 19, 2001 Sienna Plantation Municipal Utility District 1
March 19, 2001 Sienna Plantation Municipal Utility District 2
March 19, 2001 Sienna Plantation Municipal Utility District 3
January 3, 2005 Sienna Plantation Municipal Utility District 4
January 3, 2005 Sienna Plantation Municipal Utility District 5
January 3, 2005 Sienna Plantation Municipal Utility District 6
January 3, 2005 Sienna Plantation Municipal Utility District 7
February 21, 2005 Sienna Plantation Municipal Utility District 10
February 21, 2005 Sienna Plantation Municipal Utility District 12

Each of these districts are outside the City's corporate limits, but within its extraterritorial jurisdiction. The agreements are to provide fire suppression and rescue services. The MUD districts agree to pay the City a monthly charge for each residential unit in the districts connected to the public water supply on or before the twentieth day of the preceding month. For non-residential properties, the districts agree to pay a monthly charge per 2,000 square feet of building floor space.

Fire Station #5 Agreement with Sienna Plantation Municipal Utility District No. 1

In March 2001, a Fire Protection Agreement between the City and the District required the District to design and construct Fire Station No. 5 ("Station 5") to service the entire Sienna Plantation area providing fire protection services performed by the City and received by the District. In September 2006, the First Supplement to Fire Protection Agreement (the "First Supplement") between the City and the District, was entered into, shifting the responsibility for the design and construction of Station 5 to the City. In March 2015, final negotiations were completed and the station opened in July 2015.

In providing Fire Protection Services to the Sienna Fire Service Area, the City shall be solely responsible for determining the standard of care for the operation and maintenance of its facilities and equipment and the training of its personnel. The City shall provide staff who meet minimum staff qualifications to perform the Fire Protection Services required by this Agreement. Neither the District nor the Internal Sienna MUDs assume any responsibility for the actions of the City staff in performing Fire Protection Services. The District will make no recommendations and is in no way responsible for the sufficiency or qualification of the City's staff. It is also understood and agreed that the City shall be the owner of Station 5 and all appurtenances, sites, rights-of-way, and easements, including all additions or improvements thereto.

Annually, the City will provide the District with an estimate of the Total Operating Costs upon presentation of the Fire Department's initial budget request submitted to the Financial Services Department and shall provide the final Total Operating Costs and Sienna Capital Costs calculations to the District within 10 business days of the City's adoption of its budget. The District shall review such data and provide any objections to the calculations within 10 business days. The City and the District shall work together to resolve any disagreement of the calculation of the Total Operating Costs and the Sienna Operating Costs. It is the intent of the Parties that Total Operating Costs shall include Capital Expenses; accordingly, Sienna Operating Costs shall include an allocation of Capital Expenses.

NewQuest Properties Economic 380 Agreement - Fort Bend Town Center

The Fort Bend Town Center is a commercial development located along both sides of the future extension of the Fort Bend Parkway south of State Highway 6. This particular property lacks some major infrastructure needed for development. As an incentive to have it develop sooner rather than later, in 2006 the City executed an economic development agreement, reimbursing the developer for some of their cost incurred in developing the site. The estimated cost of the project at inception was $6,679,450.

As part of this development, the developer, with the City's assistance was successful in working out an agreement to extend service lanes for the future Fort Bend Parkway south of its current terminus. Such an extension was critical component in encouraging the next phase of the parkway to Sienna Parkway to take place sooner and ultimately improve traffic circulation in the Sienna North area. As an added bonus, the Fort Bend Toll Road Authority has agreed to reimburse the cost incurred for a portion of the extension, once bonds were sold.

Interest on the reimbursement is capped at two (2) years.

Reinvestment Zone Number Three Agreement – Sienna Plantation Management District (SPMD)

The Tax Increment Reinvestment Zone #3 (the "Zone") established by the City in December of 2007, is located within the city limits near the intersection of State Highway 6 and Sienna Parkway. Created under state law, the Zone is to promote private economic development of an area by investing in public infrastructure such as public roadways, water distribution, wastewater collection and storm drainage facilities. The improvements will significantly enhance the value of all the taxable real property in the Zone and will be of general benefit to the City. All of the land within the zone lies wholly within the boundaries of the City.

The base taxable assessed value of real property within the TIRZ is established when the TIRZ is created. Any incremental growth in the taxable assessed value of real property within the TIRZ is established when the TIRZ is created. Any incremental growth in the taxable assessed value of real property over the base is considered a “tax increment.” Taxing jurisdictions within the Zone have the option of contributing all or portions of tax collections attributed to the tax increment to the City for use in financing the public infrastructure improvements. The City has entered into separate tax participation agreements with the Sienna Plantation Levee Improvement District, Houston Community College, Fort Bend Drainage District and Fort Bend County, Texas, which obligates these entities to contribute all or a portion of property taxes collected on the tax increment (“TIRZ Revenues”) to the City.

The City of Missouri City, the Sienna Plantation Management District (the “District”), and the Missouri City Development Authority (the “MCDA”), entered into the Sienna Plantation Reinvestment Zone Development Plan Agreement (the “Agreement”) to provide for the unified development of all land within the Zone and to establish rules for development, financing and operation of improvements. The Agreement defines two categories of projects: District Improvements and TIRZ Improvements. The District is responsible for the acquisition, design, financing and construction of all District Improvements and TIRZ Improvements.

The District Project budget for District TIRZ Improvements shall not exceed $39 million, without the consent of the City. This includes new roadway construction ($11.65 million), roadway and intersection improvements ($7.15 million), a structured parking garage ($13.5 million), decorative signage, landscaping, and enhancements ($4.9 million), and zone administrative costs ($1.8 million).

District Improvements are financed with bonds that the District is authorized to issue for any appropriate District purpose. Those bonds are payable from District collected property taxes and any other lawful revenue of the District. TIRZ Improvements are financed with TIRZ bonds which are payable from TIRZ revenues and District property taxes. As of June 30, 2017, the District has issued $14,332,865 in Road Bonds and Unlimited Tax and Tax Increment Contract Revenue Road Bonds (TIRZ Bonds). The TIRZ Bonds are the obligations solely of SPMD and not the City or TIRZ #3. The Bonds are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property in the District. In addition, the Bonds will be secured by the pledge of TIRZ revenues under the agreement described above, paid to the District from monies received by the City from tax increments resulting within TIRZ#3. These pledged revenues are anticipated to be sufficient to amortize the Bonds. The TIRZ Bonds year end amount outstanding is $11.9 million, which is recognized as a contractual obligation in the City’s financial statements.

On the first business day of each calendar quarter, the City pays the District from the TIRZ revenues the amount necessary (1) to pay debt service on District TIRZ Bonds and to (2) to pay the direct costs of the development and construction of District TIRZ Improvements that are not funded through the issuance of District debt. During the fiscal year ended September 30, 2019, the City paid the district a total of $997,845. Under the terms of the agreement, the District receives a METRO sales tax which is a portion of the sales tax rebated to the City by the Metropolitan Transportation Authority of Harris County which is derived from sales tax revenue generated within the Zone. The reimbursements will be based on the increase in taxable value of real property within the Zone and 50% of the total amount of Metro Tax generated from the District. During the fiscal year ended September 30, 2019, the City paid the district $256,234.

Trammel Crow Economic 380 Agreement – Park Eight 90

Located at the intersection of US90A and Beltway 8, Park Eight-Ninety is the newest business park being developed in Missouri City. The 129 acre development is being developed by Trammell Crow Development and will offer the opportunity for more than 1,700,000 sf of investment grade warehouse, distribution and manufacturing space. The project builds upon the strong relationship between Trammel Crow and the City and track record of success in developing the very successful Missouri City's Lakeview Business Park. Furthermore, the development standards put in place by the developer and by the City's Planned Development District ordinance build up on what was put in place of Lakeview development to ensure this property will deliver quality end users, with highest quality construction standards and an upscale appearance

In continuation of the City's pro-business and development values the City entered into a chapter 380 development agreement with Trammel Crow. This performance based agreement provides the opportunity for Trammel Crow to be reimbursed for up to $7,000,000 of qualifying infrastructure costs associated with the park. The reimbursements are based on the net growth in assessed value in the park not including abated or exempt property and are structured so that the City is ensured a positive return on investment.

Century Land Holdings Economic 380 Agreement

During FY2018, the City of Missouri City and Century Land Holdings of Texas, LLC (developer) entered into a 380 agreement reimbursing the developer for the design and construction of certain infrastructure that promotes economic development near the planned residential subdivision, Liberty Ridge. The Liberty Ridge subdivision is located in the vicinity of the Independence Boulevard Segment 1 roadway expansion project. As part of the development, the developer dedicated right-of-way for the expansion project. In order for the developer to continue progress, maintain adequate drainage, and allow a safe passage for builders and future homeowners, the developer plans to construct a small section of the subject project, ahead of the city's schedule to construct the remaining section of this roadway project.

The developer advanced the cost of and managed the design and construction of the improvements at the western entrance of the property. The project was completed in FY 2019 and the terms of the agreement were complied with. The total project cost was $281,964, which will be paid to the developer in FY 2020.

Note 18 – Agreement with Harris County Metropolitan Transit Authority

The City entered into a Congestion Mitigation/Traffic Management Agreement with the Harris County Metropolitan Transit Authority (METRO) to address ongoing mobility needs through the further development of regional transportation systems. Under this agreement, METRO will make payments to the City to fund eligible transportation projects as defined in the agreement. The agreement is effective through December 31, 2025. These payments will generally be limited to one-half (1/2) of all METRO sales tax collections within the City during the agreement. These payments will be in addition to payments for previously approved METRO projects within the City. The City received approximately $4.34 million pursuant to this agreement for eligible transportation projects in the fiscal year 2019.

Note 19 – Tax Abatements

The City grants tax abatement agreements under Chapter 380 of the Texas Local Government Code and the Property Redevelopment and Tax Abatement Act under Chapter 312 of the Texas Tax Code to provide incentives for economic development within the City limits. The agreements take two forms; ad valorem taxes and sales tax.

The currently active ad valorem tax agreements call for the abatement of a portion (40% to 85%) of property taxes that would normally be due on real and personal property of a specified development's assessed value. All of these agreements will call for the entity to construct and maintain certain buildings and improvements at specified levels. Some agreements will call for entities to produce and maintain a certain number of jobs for the length of the agreements. Failure of the entity to comply with the requirements will cause the entity to be subject to a claw back provision which typically includes the repayment of all abated ad valorem taxes plus interest at the Texas Tax Code delinquent tax rate. Total ad valorem taxes abated in the current fiscal year under these agreements were approximately $812,921.

Of the currently active sales tax abatements agreements, one provides for 100% abatement of sales taxes generated by the entity in exchange for employing 210 employees and maintaining at least $10 million in inventory. Failure of the entity to meet either commitment will invalidate the tax rebate for the year the requirement was not satisfied. Three provide for a 50% abatement of sales taxes generated by the projects upon the successful completion of the project with no claw back provisions. Total sales taxes abated for the current fiscal year under these agreements totaled approximately $1,073,741.

Note 20 – Recent Accounting Pronouncements

GASB Statement 84, *Fiduciary Activities* ("GASB 84"), establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. GASB 84 will be implemented by the City in 2020 and the impact has not yet been determined.

GASB Statement 87, *Leases* ("GASB 87"), increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 will be implemented by the City in 2021 and the impact has not yet been determined.

GASB Statement 91, *Conduit Debt Obligations* ("GASB 91"), provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB 91 will be implemented by the City in 2021 and the impact has not yet been determined.

Note 21 – Subsequent Events

In October 2019, the City sold $11,065,000 of General Obligation and Refunding Bonds, Series 2019. The bonds mature in varying amounts from 2020 through 2039 with coupons ranging from 3.0% to 5.0%. Proceeds from the sale of the bonds will be used to refund a portion of the City's outstanding obligations to achieve debt service savings and fund drainage improvements, transportation improvements, facilities improvements and public safety infrastructure and to pay the costs of issuance associated with the sale of bonds.

In January 2020, the City determined that it would be necessary to reimburse Houston Community College Facilities $350,424 from TIRZ No. 3.

The extent of the operational and financial impact the COVID-19 pandemic may have on the City has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. The City is unable to accurately predict how COVID-19 will affect the results of its operations because the virus's severity and the duration of the pandemic are uncertain.

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Holland & Knight

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February 25, 2021

Ladies and Gentlemen:

WE HAVE ACTED as bond counsel for the CITY OF MISSOURI CITY, TEXAS (the "City"), in connection with an issue of bonds described as follows:

> THE CITY OF MISSOURI CITY, TEXAS, TEXAS, GENERAL OBLIGATION AND REFUNDING BONDS, SERIES 2021 (the "Bonds"), in the aggregate original principal amount of $8,620,000, issuable in fully registered form only, in denominations, dated the date, bearing interest, maturing in the years and amounts, and transferable and exchangeable as set out in the Bonds and in the Ordinance ("Ordinance") adopted by the City Council of City of Missouri City, Texas authorizing their issuance.

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the status of the interest on the Bonds under federal income tax law and with respect to the defeasance of the obligations being refunded (the "Refunded Bonds"). In such capacity we have examined relevant provisions of the Constitution and laws of the State of Texas; a transcript of certain certified proceedings pertaining to the issuance of the Bonds; certain certifications and representations concerning the use of proceeds of the Bonds, the use of other funds of the City, and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds, including executed Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have not been requested to examine, and have not investigated or verified, any original proceedings, records, data, or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. Capitalized terms used herein, unless otherwise defined, have the meaning set forth in the Ordinance.

BASED ON SUCH EXAMINATION, it is our opinion that:

(1) the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds are valid and legally binding Bonds of the City in accordance with the terms and conditions thereof, except to the extent that the enforcement of the rights and remedies of the owners thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, or moratorium or other similar laws affecting the rights of creditors, or the exercise of judicial discretion in accordance with general principles of equity; the Bonds have been authorized in accordance with law; the Bonds and any additional Bonds hereafter issued on a parity therewith are payable from and are secured

solely by a pledge of the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the boundaries of the City.

IT IS FURTHER OUR OPINION that, under existing law:

(i) The interest on the Bonds (which is defined to include any original issue discount properly allocable to the holder thereof) is excludable from gross income for federal income tax purposes. Moreover, such interest will not be treated as an item of tax preference in computing the federal alternative minimum tax imposed on individuals.

The opinions expressed in the preceding paragraph are conditioned upon compliance by the City with its covenants relating to certain arbitrage rebate and other tax requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code (including, without limitation, its covenants not to use any proceeds of the Bonds in a manner that would cause the Bonds to be classified as private activity bonds under Sections 141(a) and 141(d) of the Code and to comply with the requirements contained in Section 148 of the Code), to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes. Failure of the City to comply with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular bondholders. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal income tax consequences that may arise due to ownership of the Bonds. We express no opinion regarding any state tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding any state tax consequences of owning the Bonds.

(ii) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to two separate Escrow Agreements entered into between the City and the Escrow Agent and effective on the date of delivery of the Bonds, and that therefore the Refunded Bonds are deemed to be fully paid from the funds provided therefore in the respective Escrow Agreements and have been defeased.

In providing such opinions, we have relied on representations of the City, the City's Financial Advisor, the Verification Agent and the Underwriter with respect to matters solely within the knowledge of the City, the City's Financial Advisor, and the Underwriter, respectively, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied upon the Report regarding the mathematical accuracy of certain computations. In the event that such representations or the Report are determined to be inaccurate or incomplete or the City fails to comply with the foregoing covenants in the Ordinance, interest on the Bonds could become includable in gross income from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions.

Yours very truly,

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Derrick Mitchell
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February 25, 2021

WE HAVE ACTED as bond counsel for the City of Missouri City, Texas (the "City"), in connection with an issue of certificates (the "Certificates") described as follows:

> CITY OF MISSOURI CITY, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATIONS, SERIES 2021, dated February 15, 2021, in the principal amount of $11,180,000.

The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the City authorizing their issuance (the "Ordinance").

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, under which the City is acting as a home-rule city of the State of Texas, and with respect to the excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates which contains certified copies of certain proceedings of the City, customary certificates of officers, agents and representatives of the City and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. T-1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that

> (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Certificates constitute valid and legally binding obligations of the City, and that taxable property within the City is subject

to the levy of ad valorem taxes, within the limits prescribed by law, to pay the Certificates and the interest thereon.

(2) Ad valorem taxes, within the limit prescribed by law, upon all taxable property within the City, necessary to pay the interest on and principal of the Certificates, have been pledged irrevocably for such purpose, and, solely to permit the sale of the Certificates for cash, $10,000 of the net revenues of the City's waterworks and sanitary sewer system have also been pledged.

THE RIGHTS OF THE OWNERS of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that, under existing law:

(3) Interest on the Certificates is excludable from gross income for federal income tax purposes.

(24) The Certificates are not "private activity bonds" within the meaning of the Code, and as such, interest on the Certificates is not subject to the alternative minimum tax.

In providing such opinions, we have relied on representations of the City, the City's financial advisor and the underwriters of the Certificates, with respect to matters solely within the knowledge of the City, the City's financial advisor and the underwriters of the Certificates, respectively, which we have not independently verified. In addition, we have assumed for purposes of these opinions continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Certificates from gross income for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the City fails to comply with the foregoing provisions of the Ordinance, interest on the Certificates could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of the Certificates.

Owners of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Certificates).

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

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