

OFFICIAL STATEMENT  
Dated April 20, 2021



Ratings:  
S&P: "AA"  
(See "OTHER INFORMATION - Ratings" herein.)

**NEW ISSUE - Book-Entry-Only**

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

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

**\$5,775,000**  
**CITY OF LEON VALLEY, TEXAS**  
**(Bexar County, Texas)**  
**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021**

**Dated Date: May 1, 2021**

**Due: August 1, as shown below on page 2 hereof**

**PAYMENT TERMS** . . . Interest on the \$5,775,000 City of Leon Valley, Texas General Obligation Refunding Bonds, Series 2021 (the "Bonds") will accrue from the Date of Delivery (defined below), and will be payable February 1 and August 1 of each year commencing August 1, 2021, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "APPENDIX D - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank, Austin, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly, Texas Government Code, Chapter 1207, as amended, ("Chapter 1207"), the City's Home Rule Charter and an ordinance (the "Ordinance") adopted on March 9, 2021 in which the City Council of the City of Leon Valley, Texas (the "City" or the "Issuer"), pursuant to Chapter 1207, delegated to each of the Mayor, City Manager and/or the Finance Director authority to complete the sale of the Bonds by executing an "Approval Certificate" setting forth the final terms of the Bonds. The Approval Certificate was executed by the Acting City Manager on April 20, 2021. The Bonds constitute direct obligations of the City, payable from the proceeds of a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance (see "THE BONDS - Authority for Issuance" and "THE BONDS - Security and Source of Payment").

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

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**CUSIP PREFIX: 526536**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on Page 2**

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

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on or about Thursday, May 13, 2021 (the "Delivery Date").

**SAMCO CAPITAL MARKETS**

**RAYMOND JAMES**

# MATURITY SCHEDULE

CUSIP Prefix: 526536<sup>(1)</sup>

Principal Amount	Stated Maturity (August 1)	Interest Rate	Initial Price or Yield	CUSIP Number Suffix <sup>(1)</sup>
\$450,000	2021	3.000%	0.160%	JN8
420,000	2022	3.000%	0.210%	JP3
430,000	2023	3.000%	0.300%	JQ1
445,000	2024	3.000%	0.350%	JR9
460,000	2025	3.000%	0.500%	JS7
470,000	2026	3.000%	0.650%	JT5
485,000	2027	3.000%	0.800%	JU2
500,000	2028	3.000%	0.950%	JV0
515,000	2029	3.000%	1.080%	JW8
520,000	2030	3.000%	1.180%	JX6
535,000	2031	3.000%	1.250% <sup>(2)</sup>	JY4
545,000	2032	3.000%	1.320% <sup>(2)</sup>	JZ1

## (Accrued Interest from the Date of Delivery)

**OPTIONAL REDEMPTION.** . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2031, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

- (1) CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association and are included solely for convenience of the registered owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 1, 2030, the first optional call date for such Bonds, at a redemption price of par plus accrued interest to the redemption date.

*[The remainder of this page intentionally left blank]*

***This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters.***

*No dealer, broker, salesperson or other person has been authorized to give information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.*

*Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof.*

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

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

***IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.***

***NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.***

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

*[The remainder of this page intentionally left blank]*

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



## OFFICIAL STATEMENT SUMMARY

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

<b>THE CITY</b> .....	The City of Leon Valley, Texas (the "City") is located in Bexar County, Texas along State Highway 16 and its intersection with Loop 410. The City was incorporated in 1952 and operates as a home rule municipality under a council/manager form of government pursuant to the Texas Constitution (the "Constitution") and general laws of the State of Texas, and a Home Rule Charter approved by the voters of the City on November 7, 2017. Policy making and legislative authority are vested in the City Council, which consists of a mayor and a five-member council. The City has a land area of 3.5 square miles and is surrounded on all sides by the City of San Antonio, Texas (see "APPENDIX A – General Information Regarding the City").
<b>THE BONDS</b> .....	The Bonds are issued as \$5,775,000 City of Leon Valley, Texas General Obligation Refunding Bonds, Series 2021. The Bonds are issued as serial Bonds maturing on August 1, 2021 through August 1, 2032 (see "THE BONDS – Description of the Bonds").
<b>PAYMENT OF INTEREST</b> .....	Interest on the Bonds accrues from their initial delivery date, and is payable August 1, 2021, and each February 1 and August 1 thereafter until maturity or, prior redemption (see "THE BONDS - Description of the Bonds").
<b>AUTHORITY FOR ISSUANCE</b> .....	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly, Texas Government Code, Chapter 1207, as amended, ("Chapter 1207"), the City's Home Rule Charter and an ordinance(the "Ordinance") adopted on March 9, 2021 in which the City Council, pursuant to Chapter 1207, delegated to each of the Mayor, City Manager and/or the Finance Director authority to complete the sale of the Bonds by executing an "Approval Certificate" setting forth the final terms of the Bonds. The Approval Certificate was executed by the Acting City Manager on April 20, 2021.
<b>SECURITY FOR THE BONDS</b> .....	The Bonds constitute direct and voted obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City (see "THE BONDS - Security and Source of Payment").
<b>OPTIONAL REDEMPTION</b> .....	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2031, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").
<b>TAX EXEMPTION</b> .....	In the opinion of Bond Counsel for the City, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on the owners thereof.
<b>QUALIFIED TAX-EXEMPT OBLIGATIONS</b> .....	The City has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS - Qualified Tax-Exempt Obligations").
<b>USE OF PROCEEDS</b> .....	Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt designated on Schedule I hereto (the "Refunded Obligations") in order to lower the overall debt service requirements of the City, and to pay the costs associated with the issuance of the Bonds. See "PLAN OF FINANCING – Purpose" and "SCHEDULE I – Schedule of Refunded Obligations".
<b>RATING</b> .....	The Bonds and the presently outstanding tax supported debt of the City is rated "AA" by S&P Global Ratings ("S&P"), without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

**BOOK-ENTRY-ONLY**

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

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

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9/30	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Valuation	Net G.O Tax Debt Outstanding at End of Year	Per Capita at End of Year	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2017	10,866	\$ 887,140,474	\$ 81,644	\$ 7,660,000	\$ 705	0.86%	99.54%
2018	10,866	949,714,257	87,402	7,185,000	661	0.76%	100.00%
2019	10,866	997,287,526	91,781	6,745,000	621	0.68%	98.93%
2020	11,485	1,077,623,830	93,829	6,295,000	548	0.58%	98.94%
2021	11,485	1,131,348,223	98,507	5,325,000 <sup>(3)</sup>	464 <sup>(3)</sup>	0.47% <sup>(3)</sup>	56.53% <sup>(4)</sup>

(1) Source: The City.

(2) As reported by the Bexar Appraisal District on the City's certified roll; subject to change during the ensuing year.

(3) Includes the Bonds and excludes the Refunded Obligations.

(4) Collections through September 30, 2020.

**CHANGE IN NET ASSETS CONSOLIDATED STATEMENT SUMMARY**

	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
Beginning Net Assets	\$ 17,505,829	\$ 18,701,648	\$ 14,876,452	\$ 13,207,562	\$ 12,010,542
Total Revenue	14,824,496	14,919,313	15,344,937	12,450,051	10,450,528
Total Expenditures	(14,840,082)	(16,114,651)	(11,179,566)	(10,781,911)	(9,253,508)
Transfers	(313,482)	(481)	(47,650)	750	-
Restatement of Net Position	-	-	(292,525)	-	-
Ending Net Assets	<u>\$ 17,176,761</u>	<u>\$ 17,505,829</u>	<u>\$ 18,701,648</u>	<u>\$ 14,876,452</u>	<u>\$ 13,207,562</u>

**GENERAL FUND CONSOLIDATED STATEMENT SUMMARY**

	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
Beginning Balance	\$ 6,766,552	\$ 5,353,559	\$ 5,139,341	\$ 4,661,365	\$ 3,876,177
Total Revenue	12,748,011	12,950,976	12,739,872	9,697,739	8,457,227
Total Expenditures	(13,222,531)	(11,537,983)	(12,477,254)	(9,219,763)	(8,345,242)
Other Sources (Uses)	(492,722)	-	(48,400)	-	673,203
Net Funds Available	5,799,310	6,766,552	5,353,559	5,139,341	4,661,365
Prior Period Adjustment	-	-	-	-	-
Ending Balance	<u>\$ 5,799,310</u>	<u>\$ 6,766,552</u>	<u>\$ 5,353,559</u>	<u>\$ 5,139,341</u>	<u>\$ 4,661,365</u>

For additional information regarding the City, please contact:

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or

Mr. Floyd Messick  
Assistant Director of Finance  
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Leon Valley, Texas 78238  
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or

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San Antonio, Texas 78216  
Telephone: (210) 308-2200  
anne.burgerentekin@hilltopsecurities.com

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## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Chris Riley Mayor	17 Years	May 2022	Legal Assistant
Will Bradshaw Mayor Pro Tem	2 Years	May 2021	Planning Manager
David Edwards, Place 1 Councilmember	5 Years	May 2021	Psychologist
Josh Stevens, Place 2 Councilmember	5 Years	May 2022	RN/Business Owner
Jeff Hefner, Place 3 Councilmember	5 Years	May 2021	Unknown
Rey Orozco, Place 4 Councilmember	5 Years	May 2022	Retired Deputy Director VA Hospital

### SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to the City</u>	<u>Total Government Service</u>
Crystal Caldera, PhD	Acting/Interim City Manager	16 Years	16 Years
Vacant <sup>(1)</sup>	Finance Director		
Floyd Messick	Assistant Finance Director	2 Years	5 Years
Saundra Passailaigue, TRMC	City Secretary	6 Years & 10 Months	17 Years

(1) Ms. Vickie Wallace, who previously served as Finance Director for 22 years, retired effective January 21, 2021. The City is currently in the search process for a Finance Director. In the interim, Ms. Wallace has been providing consulting services for the City.

### CONSULTANTS AND ADVISORS

Auditors ..... Armstrong, Vaughan & Associates  
San Antonio, Texas

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

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

**OFFICIAL STATEMENT  
RELATING TO  
\$5,775,000  
CITY OF LEON VALLEY, TEXAS  
GENERAL OBLIGATION REFUNDING BONDS,  
SERIES 2021**

**INTRODUCTION**

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$5,775,000 General Obligation Refunding Bonds, Series 2021 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined) adopted by the City (hereinafter defined) on March 9, 2021, except as otherwise indicated herein.

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

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

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

**DESCRIPTION OF THE CITY . . .** The City of Leon Valley, Texas (the "City"), is a political subdivision and home rule municipality of the State of Texas (the "State"), duly organized and existing under the laws of the State. The City was incorporated in 1952, and operates as a home rule municipality under a council/manager form of government with a City Council comprised of the Mayor and a five member council. Council members are elected to two-year staggered terms. The Mayor is elected at large to a two-year term. Policy making and legislative authority are vested in the City Council and the City Council is responsible for adopting ordinances, adopting the budget, and appointing committees. The estimated 2021 population of the City is 11,485.

**INFECTIOUS DISEASE OUTBREAK – COVID-19**

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on March 2, 2021, the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 took effect on March 10, 2021 and remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The City collects a sales and use tax on all taxable transactions within the City's boundaries, revenue from the sale of water and the collection of sewage, franchise fees based on private utility sales, hotel occupancy taxes upon the occupancy of any hotel or motel room in the City, and other excise taxes and fees that depend on business activity. Further actions may be taken to slow the Pandemic which may reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in

the collection of sales or other excise taxes, utility system revenue, hotel occupancy tax revenues, and utility franchise and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

The full extent of the ongoing impact of COVID-19 on the City's longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition.

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 within the City. The financial and operating data contained herein are the latest available but are for the dates and the periods stated herein, which prior to the economic impact of the Pandemic and efforts to slow it. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency. The Bonds are secured by the proceeds of an ad valorem tax levied annually, within the limits prescribed by law. (See "AD VALOREM PROPERTY TAXATION").

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

## **PLAN OF FINANCING**

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

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

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

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

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

## THE BONDS

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

**AUTHORITY FOR ISSUANCE . . .** The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly, Texas Government Code, Chapter 1207, as amended, ("Chapter 1207"), the City's Home Rule Charter, and an ordinance (the "Ordinance") adopted on March 9, 2021 in which the City Council, pursuant to Chapter 1207, delegated to each of the Mayor, City Manager and/or the Finance Director authority to complete the sale of the Bonds by executing an "Approval Certificate" setting forth the final terms of the Bonds. The Approval Certificate was executed by the Acting City Manager on April 20, 2021.

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds constitute direct and general obligations of the City payable from the proceeds of an ad valorem taxes levied against all taxable property therein, within the limits prescribed by law.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2031, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds of a particular series are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity of a particular series are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (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.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the holder 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. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

All notices of redemption must (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

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

**AMENDMENTS . . .** The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the percentage of the aggregate principal amount of Bonds required to be held for consent to any amendment, addition, or waiver.

**DEFEASANCE . . .** The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with an authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities (hereinafter defined) of such maturities and interest payment dates and to bear interest at such rates as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed, except as hereinafter provided), sufficient to make such payment. The foregoing deposits shall be certified by an independent accounting firm, the City's financial advisor, the Paying Agent/Registrar, or such other qualified financial institution as provided in the Ordinance. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and/or (d) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under applicable laws of the State of Texas. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City money in excess of the amount required for such defeasance.

There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Federal Securities, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, defeasance securities may not be of the same investment quality as those currently identified Texas law as permissible defeasance securities.

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

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar for the Bonds is UMB Bank, Austin, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar. If the date of any payment due on any Bonds is a Saturday, Sunday, legal Holiday, or day on which banking institutions in the city, in which the designated corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date payment was due.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first



class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer will be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" in APPENDIX D for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar are required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer is not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

**REPLACEMENT BONDS . . .** If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount, as the case may be, as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a Certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for determining the person to whom interest is payable on the Bonds on any interest payment date means the close of business on the 15<sup>th</sup> 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 must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

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

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

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

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

#### USE OF BOND PROCEEDS . . . :

Sources of Funds:	
Par Amount of Bonds	\$5,775,000.00
Reoffering Premium	641,082.65
Total Sources of Funds	<u>\$6,416,082.65</u>
Uses of Funds:	
Deposit to Escrow Fund	\$6,295,066.23
Costs of Issuance	83,167.75
Underwriters' Discount (including additional proceeds)	37,848.67
Total Uses of Funds	<u>\$6,416,082.65</u>

#### AD VALOREM PROPERTY TAXATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**ECONOMIC DEVELOPMENT PROGRAMS OF GRANTS AND LOANS...**Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, a city may make loans or

grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

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

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

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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

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

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

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

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

**PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS...**The following terms as used in this section have the meanings provided below:

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

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

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

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

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

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

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

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

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

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

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

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

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

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

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

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

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

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

**MUNICIPAL SALES TAX . . .** The City has adopted the provisions of Chapter 321, Texas Tax Code, as amended, 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 City's General Fund and may not legally be pledged to the payment of the Bonds or any other debt of the City. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who monthly remits the proceeds of the tax, after deduction of a 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 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 tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales 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.

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 THE PROPERTY TAX CODE . . .** The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$30,000.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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

The City has granted an additional exemption of 1% of the appraised value of residence homesteads; minimum exemption of \$5,000.

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 Bexar County collects taxes for the City.

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

The City does tax freeport property.

The City does tax goods-in-transit.

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

The City has not adopted a tax abatement policy.

**TABLE 1 - VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT**

2020/2021 Market Valuation Established by Bexar Appraisal District (excluding totally exempt property)		\$1,199,529,055
Less Exemptions/Reductions at 100% Market Value:		
Over 65 / Over 65 Surviving Spouse	\$ 32,827,890	
Disabled Veterans	21,025,713	
Homestead	11,080,350	
Value Lost to 10% Per Year Cap	3,246,879	68,180,832
2020/2021 Taxable Assessed Valuation		<u>\$ 1,131,348,223</u>
Amount Subject to Freeze		<u>\$ 167,896,512</u>
2020/2021 Freeze Adjusted Taxable Assessed Valuation		<u>\$ 963,451,711</u>
General Obligation Debt Payable from Ad Valorem Taxes as of February 28, 2021		
The Outstanding Obligations <sup>(1)</sup>	\$ 1,835,000	
The Bonds	5,775,000	
General Obligation Debt Payable from Ad Valorem Taxes		<u>\$ 7,610,000 <sup>(1)</sup></u>
Less: Self-Supporting Debt		
Certificates of Obligation, Series 2016	1,835,000	<u>\$ 1,835,000</u>
Net Tax Debt		<u>\$ 5,775,000</u>
Ad Valorem Tax Debt Interest and Sinking Fund as of February 28, 2021		\$ 803,275
Ratio Ad Valorem Tax Debt to Taxable Assessed Valuation		0.67%
2021 Estimated Population - 11,485		
Per Capita Taxable Assessed Valuation - \$98,507		
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$663		

(1) Excludes the Refunded Obligations.

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**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2021		2020		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 630,131,613	52.53%	\$ 602,338,222	52.50%	\$ 559,067,172	51.88%
Real, Residential, Multi-Family	144,094,770	12.01%	128,872,893	11.23%	112,126,350	10.41%
Real, Vacant Lots/Tracts	12,115,678	1.01%	11,378,019	0.99%	11,123,375	1.03%
Real, Acreage (Land Only)	-	0.00%	-	0.00%	-	0.00%
Real, Farm and Ranch Improvements	1,462,930	0.12%	1,418,930	0.12%	1,348,430	0.13%
Real, Commercial	320,897,633	26.75%	313,525,099	27.33%	306,715,519	28.46%
Real, Industrial	6,484,860	0.54%	6,493,321	0.57%	6,022,963	0.56%
Real and Tangible Personal, Utilities	6,187,830	0.52%	6,597,562	0.58%	6,664,795	0.62%
Tangible Personal, Commercial	58,326,879	4.86%	58,037,651	5.06%	56,463,192	5.24%
Tangible Personal, Industrial	2,549,632	0.21%	2,847,247	0.25%	2,049,948	0.19%
Mobile Home Improvements Only	557,400	0.05%	601,220	0.05%	1,016,880	0.09%
Residential Inventory	40,800	0.00%	392,380	0.03%	317,700	0.03%
Special Inventory	16,679,030	1.39%	14,860,500	1.30%	14,700,480	1.36%
Total Appraised Value Before Exemptions	\$ 1,199,529,055	100.00%	\$ 1,147,363,044	100.00%	\$ 1,077,616,804	100.00%
Less: Total Exemptions/Reductions	68,180,832		69,739,214		65,246,506	
Adjustments	-		-		(15,082,772)	
Taxable Assessed Value	<u>\$ 1,131,348,223</u>		<u>\$ 1,077,623,830</u>		<u>\$ 997,287,526</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2018		2017	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 533,563,406	51.49%	\$ 489,209,191	50.83%
Real, Residential, Multi-Family	93,064,370	8.98%	85,523,520	8.89%
Real, Vacant Lots/Tracts	10,784,743	1.04%	10,918,152	1.13%
Real, Acreage (Land Only)	-	0.00%	-	0.00%
Real, Farm and Ranch Improvements	1,387,797	0.13%	1,447,760	0.15%
Real, Commercial	302,811,436	29.22%	283,627,110	29.47%
Real, Industrial	5,833,830	0.56%	4,684,755	0.49%
Real and Tangible Personal, Utilities	7,436,592	0.72%	6,675,518	0.69%
Tangible Personal, Commercial	61,098,968	5.90%	60,528,401	6.29%
Tangible Personal, Industrial	2,141,749	0.21%	1,862,809	0.19%
Mobile Home Improvements Only	668,920	0.06%	699,580	0.07%
Special Inventory	490,000	0.05%	552,000	0.06%
Real Inventory	16,875,390	1.63%	16,704,300	1.74%
Total Appraised Value Before Exemptions	\$ 1,036,157,201	100.00%	\$ 962,433,096	100.00%
Less: Total Exemptions/Reductions	69,848,519		65,540,970	
Adjustments	(16,594,425)		(9,751,652)	
Taxable Assessed Value	<u>\$ 949,714,257</u>		<u>\$ 887,140,474</u>	

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

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**TABLE 3 - VALUATION AND TAX DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2017	10,866	\$ 887,140,474	\$ 81,644	\$ 7,660,000	0.86%	\$ 884
2018	10,866	949,714,257	87,402	7,185,000	0.76%	837
2019	10,866	997,287,526	91,781	6,745,000	0.68%	793
2020	11,485	1,077,623,830	93,829	6,295,000	0.58%	708
2021	11,485	1,131,348,223	98,507	5,325,000 <sup>(3)</sup>	0.47% <sup>(3)</sup>	644 <sup>(3)</sup>

(1) Source: The City.

(2) As reported by the Bexar Appraisal District on the City's certified roll; subject to change during the ensuing year.

(3) Includes the Bonds and excludes the Refunded Obligations.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2017	\$ 0.5566	\$ 0.4746	\$ 0.0820	\$ 4,738,086	98.90%	99.54%
2018	0.5566	0.4788	0.0778	5,019,786	98.93%	100.00%
2019	0.5459	0.4783	0.0676	5,137,625	98.93%	98.93%
2020	0.5436	0.4754	0.0682	5,446,779	98.94%	98.94%
2021	0.5359	0.4722	0.0637	6,062,940	56.53% <sup>(1)</sup>	56.53% <sup>(1)</sup>

(1) Collections through January 31, 2021.

**TABLE 5 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	2020/2021 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Ancira-Winton Chevrolet	Car Dealership	\$ 33,858,830	2.99%
5622 Evers Road Owner LLC	Apartments	28,950,430	2.56%
TRT HEB Marketplace LP	Grocery Store	24,650,000	2.18%
5650 Grissom Owner LP	Apartments	19,990,100	1.77%
Valencia Lofts	Apartments	18,363,000	1.62%
Leors Holdings LLC	Apartments	14,996,880	1.33%
Timberhill Commons Ltd.	Apartments	14,755,000	1.30%
Barcelona Lofts LLC	Apartments	14,350,000	1.27%
Omninet Tower LP	Apartments	13,000,000	1.15%
Forest Oaks Living LLC	Nursing Homes	12,400,000	1.10%
		<u>\$ 195,314,240</u>	<u>17.26%</u>

**TABLE 6 - TAX ADEQUACY**

2021 Principal and Interest Requirements.....	\$ 629,306 <sup>(1)</sup>
\$0.0568 Tax Rate at 98% Collection Produces .....	\$ 629,754
Average Annual Principal and Interest Requirements, 2021-2046.....	\$ 579,592 <sup>(1)</sup>
\$0.0523 Tax Rate at 98% Collection Produces .....	\$ 579,861
Maximum Annual Principal and Interest Requirements, 2021.....	\$ 629,306 <sup>(1)</sup>
\$0.0568 Tax Rate at 98% Collection Produces .....	\$ 629,754

(1) Includes the Bonds and excludes the Refunded Obligations.

**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 tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas (the "MAC"). 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 being accurate or complete. Furthermore, certain of the entities may have issued additional debt since the date such information was last updated by the MAC, and such entities may have programs requiring the issuance of substantial amounts of additional debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping tax debt of the City.

Taxing Jurisdiction	2020/2021 Taxable Assessed Value	2020/2021 Tax Rate	Total G.O. Tax Debt 2/28/2021	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 2/28/2021	Authorized But Unissued Debt As Of 2/28/2021
City of Leon Valley	\$ 1,131,348,223	\$0.5616	\$ 5,775,000 <sup>(1)</sup>	100.000%	\$ 5,775,000 <sup>(1)</sup>	\$ -
Alamo Community College District	186,455,022,211	0.1492	398,965,000	0.610%	2,433,687	277,000,000
Bexar County	182,629,182,936	0.2975	1,944,900,000	0.610%	11,863,890	61,265,887
Bexar County Hospital District	188,459,827,861	0.2763	902,130,000	0.610%	5,502,993	-
Northside Independent School District	57,858,393,877	1.3755	2,250,550,000	1.720%	38,709,460	533,155,000
Total Direct and Overlapping G. O. Tax Debt					\$ 64,285,030	
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation					5.68%	
Per Capita Overlapping G. O. Tax Debt					\$ 5,916	

(1) Includes the Bonds and excludes the Refunded Obligations.

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## DEBT INFORMATION

**TABLE 8 - AD VALOREM TAX DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Debt Service <sup>(1)</sup>			The Bonds			Total Debt Service	Self-Supporting Debt Service	Total Tax Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
2021	\$ 100,000	\$ 149,131	\$ 249,131	\$ 450,000	\$ 37,538	\$ 487,538	\$ 736,668	\$ 107,362	\$ 629,306	
2022	45,000	60,113	105,113	420,000	159,750	579,750	684,863	105,113	579,750	
2023	50,000	57,863	107,863	430,000	147,150	577,150	685,013	107,863	577,150	
2024	50,000	55,363	105,363	445,000	134,250	579,250	684,613	105,363	579,250	
2025	55,000	52,863	107,863	460,000	120,900	580,900	688,763	107,863	580,900	38.18%
2026	55,000	51,075	106,075	470,000	107,100	577,100	683,175	106,075	577,100	
2027	55,000	49,288	104,288	485,000	93,000	578,000	682,288	104,288	578,000	
2028	60,000	47,500	107,500	500,000	78,450	578,450	685,950	107,500	578,450	
2029	60,000	45,550	105,550	515,000	63,450	578,450	684,000	105,550	578,450	
2030	60,000	43,600	103,600	520,000	48,000	568,000	671,600	103,600	568,000	81.30%
2031	65,000	41,650	106,650	535,000	32,400	567,400	674,050	106,650	567,400	
2032	65,000	39,538	104,538	545,000	16,350	561,350	665,888	104,538	561,350	100.00%
2033	70,000	37,425	107,425				107,425	107,425		
2034	70,000	35,150	105,150				105,150	105,150		
2035	70,000	32,875	102,875				102,875	102,875		
2036	75,000	30,600	105,600				105,600	105,600		
2037	75,000	28,163	103,163				103,163	103,163		
2038	80,000	25,725	105,725				105,725	105,725		
2039	80,000	23,125	103,125				103,125	103,125		
2040	85,000	20,525	105,525				105,525	105,525		
2041	85,000	17,763	102,763				102,763	102,763		
2042	90,000	15,000	105,000				105,000	105,000		
2043	95,000	12,188	107,188				107,188	107,188		
2044	95,000	9,219	104,219				104,219	104,219		
2045	100,000	6,250	106,250				106,250	106,250		
2046	100,000	3,125	103,125				103,125	103,125		
	<u>\$ 1,890,000</u>	<u>\$ 990,662</u>	<u>\$ 2,880,662</u>	<u>\$ 5,775,000</u>	<u>\$ 1,038,338</u>	<u>\$ 6,813,338</u>	<u>\$ 9,693,999</u>	<u>\$ 2,738,893</u>	<u>\$ 6,955,106</u>	

(1) Excludes the Refunded Obligations.

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION**

General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/21		\$ 629,306
Interest and Sinking Fund, 9/30/20	\$ 387,926	
\$0.068213 Interest and Sinking Fund Tax Levy @ 98% Collection	<u>721,144</u>	<u>1,109,070</u>
Estimated Balance, 9/30/21		<u>\$ 479,764</u>

*[The remainder of this page intentionally left blank]*

**TABLE 10 - AUTHORIZED BUT UNISSUED TAX DEBT**

The City does not have any authorized but unissued general obligation bonds; provided, however, the City can incur other ad valorem tax-supported indebtedness without first conducting an election, including tax notes with a maturity of less than seven years, certificates of obligation, public property finance contractual obligations, and capital leases subject to annual appropriation.

**ANTICIPATED ISSUANCE OF TAX DEBT . . .** The City does not anticipate the issuance of additional tax debt within the next 12 months, except potentially refunding bonds for debt service savings.

**TABLE 11 – OTHER OBLIGATIONS**

As of Fiscal Year End 2020, the City did not have any lease/purchase or other similar obligations outstanding.

**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 #8.)

**OTHER POST-EMPLOYMENT BENEFITS . . .** In addition to providing pension benefits through the Texas Municipal Retirement System, the death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500.

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## FINANCIAL INFORMATION

**TABLE 12 - CHANGES IN NET ASSETS**

	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
REVENUES:					
Program Revenues:					
Charges for Services	\$ 3,717,731	\$ 4,180,636	\$ 2,954,257	\$ 2,016,052	\$ 1,448,798
Operating Grants and Contributions	604,876	130,103	526,275	476,415	160,001
Capital Grants and Contributions	-	105,767	1,670,428	-	37,766
General Revenues:					
Property Taxes	5,447,139	5,113,648	4,944,531	4,752,901	4,440,697
Sales Taxes	3,738,177	3,746,775	3,687,415	3,517,289	3,244,710
Franchise Taxes	809,636	919,205	1,055,788	1,184,766	1,072,898
Occupancy Taxes	50,523	89,936	-	-	-
Interest and Investment Earnings	94,530	233,900	134,411	55,460	17,663
Miscellaneous	361,884	399,343	371,832	447,168	27,995
Total Revenues	<u>\$ 14,824,496</u>	<u>\$ 14,919,313</u>	<u>\$ 15,344,937</u>	<u>\$ 12,450,051</u>	<u>\$ 10,450,528</u>
EXPENSES:					
Administration	\$ 1,668,621	\$ 1,134,888	\$ 1,163,357	\$ 1,052,772	\$ 1,125,550
Public Safety	9,182,852	10,029,264	6,825,574	5,731,890	4,598,579
Public Works	2,128,939	3,110,746	1,366,183	1,960,573	1,492,449
Parks and Recreation	328,675	306,749	372,372	357,055	228,169
Library	413,953	413,677	421,642	375,764	367,252
Community Center	-	-	-	322,727	355,508
Community Development	939,644	932,724	828,978	753,029	880,111
Interest on Long-term Debt and Fees	177,398	186,603	201,460	228,101	205,890
Total Expenditures	<u>\$ 14,840,082</u>	<u>\$ 16,114,651</u>	<u>\$ 11,179,566</u>	<u>\$ 10,781,911</u>	<u>\$ 9,253,508</u>
Increase in Net Assets Before Transfers	\$ (15,586)	\$ (1,195,338)	\$ 4,165,371	\$ 1,668,140	\$ 1,197,020
Transfers	<u>(313,482)</u>	<u>(481)</u>	<u>(47,650)</u>	<u>750</u>	<u>-</u>
Increase in Net Assets	\$ (329,068)	\$ (1,195,819)	\$ 4,117,721	\$ 1,668,890	\$ 1,197,020
Beginning Net Assets	17,505,829	18,701,648	14,876,452	13,207,562	12,010,542
Restatement of Net Position	-	-	(292,525)	-	-
Ending Net Assets	<u>\$ 17,176,761</u>	<u>\$ 17,505,829</u>	<u>\$ 18,701,648</u>	<u>\$ 14,876,452</u>	<u>\$ 13,207,562</u>

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**TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
<u>Revenues:</u>					
Property Taxes	\$ 4,758,639	\$ 4,477,714	\$ 4,250,391	\$ 4,054,609	\$ 3,718,246
Non-Property Taxes	3,625,589	3,743,543	3,740,317	3,755,641	3,359,901
Grants/Intergovernmental	3,247,776	3,272,932	2,180,940	159,303	4,550
Licenses, Permits, Fees and Fines	439,663	640,217	1,977,264	739,658	958,336
EMS	344,500	329,283	248,424	257,107	-
Interest	80,258	182,132	99,353	43,701	14,915
Other	251,586	305,155	243,183	687,720	401,279
Total Revenues	<u>\$ 12,748,011</u>	<u>\$ 12,950,976</u>	<u>\$ 12,739,872</u>	<u>\$ 9,697,739</u>	<u>\$ 8,457,227</u>
<u>Expenditures:</u>					
Current Expenditures:					
Administrative	\$ 1,428,229	\$ 916,717	\$ 924,587	\$ 873,233	\$ 1,024,054
Public Safety	7,816,325	7,161,880	6,021,396	4,407,435	3,964,442
Public Works	1,237,827	1,349,686	1,058,984	1,374,632	1,319,658
Parks and Recreation	288,235	281,387	358,460	324,379	198,429
Library	397,869	407,886	402,110	360,023	346,782
Communication	-	-	-	322,727	348,793
Community Center	730,843	752,093	574,455	543,053	473,847
Capital Outlay	1,323,203	668,334	3,137,262	1,014,281	669,237
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>\$ 13,222,531</u>	<u>\$ 11,537,983</u>	<u>\$ 12,477,254</u>	<u>\$ 9,219,763</u>	<u>\$ 8,345,242</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (474,520)	\$ 1,412,993	\$ 262,618	\$ 477,976	\$ 111,985
Budgeted Transfers and Other Financing Sources (Uses)	<u>(492,722)</u>	<u>-</u>	<u>(48,400)</u>	<u>-</u>	<u>673,203</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (967,242)	\$ 1,412,993	\$ 214,218	\$ 477,976	\$ 785,188
Beginning Fund Balance	6,766,552	5,353,559	5,139,341	4,661,365	3,876,177
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ 5,799,310</u>	<u>\$ 6,766,552</u>	<u>\$ 5,353,559</u>	<u>\$ 5,139,341</u>	<u>\$ 4,661,365</u>

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**TABLE 13 - MUNICIPAL SALES TAX HISTORY<sup>(1)</sup>**

The City has adopted the Municipal Sales and Use Tax Act, Texas 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 of which are credited to the General Fund and are not pledged to the payment of the Bonds. In addition, the City imposes an additional one-fourth percent (1/4%) sales tax for street maintenance and repair that went into effect on April 1, 2008 (and was reauthorized in 2011) and an additional one-eighth percent (1/8%) sales tax for economic development projects of The City of Leon Valley Economic Development Corporation that went into effect on April 1, 2009. 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 total City sales tax is 1.375%. Net collections on fiscal year basis are as follows:

Fiscal Year Ended	Total	% of Ad Valorem	Equivalent of Ad Valorem	Per
9/30	Collected	Tax Levy	Tax Rate	Capita <sup>(2)</sup>
2016	\$ 2,376,173	50.15%	\$ 0.2678	\$ 219
2017	2,651,475	52.82%	0.2792	244
2018	2,779,168	54.09%	0.2787	256
2019	2,824,338	51.85%	0.2625	246
2020	2,815,953	47.39%	0.2489	245

(1) Source: City Audited Financials and Comptroller of Public Accounts, State of Texas.

(2) Based on estimated City population provided by the City.

## FINANCIAL POLICIES

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

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

Proprietary Funds . . . The City maintains one type of proprietary fund. Enterprise funds are used to report the functions presented in business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the provision of water and sewer services to residents.

Proprietary fund financial statements provide separate and more detailed information for the water and sewer fund. The water and sewer fund is considered a major fund of the City.

## INVESTMENTS

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

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

the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

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

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

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

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

#### TABLE 14 - CURRENT INVESTMENTS

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

<u>Description</u>	<u>% of Total</u>	<u>Market Value</u>
TexPool	100.00%	\$ 11,202,353
	<u>100.00%</u>	<u>\$ 11,202,353</u>

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

#### TAX MATTERS

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

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City



described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

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

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

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

However, such accrued interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation’s alternative minimum tax imposed by section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see discussion under the caption “Qualified Tax-Exempt Obligations” herein), property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the sale or other taxable disposition of a Discount Bond prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

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

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

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

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

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. 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 (the “MSRB”). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS.** . . The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”). The information to be provided includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement in Tables 1-6 and 8 through 14. The City will provide this information within six months after the end of each fiscal year ending in and after 2021. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

**NOTICE OF CERTAIN EVENTS** . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”. In the Ordinance, the City adopted policies and procedures to ensure timely

compliance with its continuing disclosure undertakings. Neither the Bonds nor the Ordinance make provisions for credit enhancement, liquidity enhancement or debt service reserves.

For these purposes, any event described in the immediately preceding paragraph (12) 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.

**AVAILABILITY OF INFORMATION . . .** Effective July 1, 2009, (the “EMMA Effective Date”) the SEC implemented amendments after the EMMA effective date to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule. Commencing with the EMMA effective date, all information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

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

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “ANNUAL REPORTS” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## **OTHER INFORMATION**

### **RATINGS**

The Bonds and the presently outstanding tax supported debt of the City is rated “AA” by S&P Global Ratings (“S&P”) S&P, without regard to credit enhancement. An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or it will not be revised downward or withdrawn entirely by of such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Bonds.

## **LITIGATION**

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

On the date of delivery of the Bonds to the Underwriter, the City will execute and deliver to the Underwriters a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

## **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

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

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

## **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

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

## **LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE**

The City will furnish to the Underwriters a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on the owners thereof. Though it represents the Financial Advisor and the Underwriters from time to time in connection with matters unrelated to the Bonds, Bond Counsel only represents the City in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed the information under the captions "THE BONDS" (except for the information contained in the subcaptions "Bondholders' Remedies" and "Use of Proceeds", as to which no opinion is expressed), "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings", as to which no opinion is expressed), "OTHER INFORMATION-Registration and Qualification of Bonds For Sale", "OTHER INFORMATION-Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER INFORMATION-Legal Opinions and No-Litigation Certificate" (except for the last two sentences of the first paragraph thereof, as to which no opinion is expressed) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility

with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon by McCall, Parkhurst & Horton, L.L.P., San Antonio, Texas, as counsel to the Underwriter. The legal fees to be paid to counsel for the Underwriter are contingent on the sale and delivery of the Bonds.

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

#### **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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates, and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

#### **FINANCIAL ADVISOR**

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

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

#### **UNDERWRITER**

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at an underwriting discount of \$37,848.67, and no accrued interest. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the 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.

#### **INFORMATION FROM EXTERNAL SOURCES**

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

#### **MISCELLANEOUS**

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

/s/ CHRIS RILEY

Mayor

City of Leon Valley, Texas

ATTEST:

/s/ SAUNDRA PASSAILAIGUE, TRMC

City Secretary

City of Leon Valley, Texas

## SCHEDULE OF REFUNDED OBLIGATIONS

Public Property Finance Contractual  
Obligations, Series 2009

Original Dated Date	Maturity (February 1)	Interest Rate	Amount
5/7/2009	2022 <sup>(1)</sup>	4.200%	\$ 55,000
	2023 <sup>(1)</sup>	4.200%	60,000
	2024 <sup>(1)</sup>	4.200%	60,000
	2025 <sup>(2)</sup>	4.750%	65,000
	2026 <sup>(2)</sup>	4.750%	65,000
	2027 <sup>(2)</sup>	4.750%	70,000
	2028 <sup>(2)</sup>	4.750%	75,000
	2029 <sup>(2)</sup>	4.750%	80,000
			<u>\$ 530,000</u>

The maturities will be redeemed prior to their original maturity on May 26, 2021 at par plus accrued interest to the date of redemption.

(1) Represents mandatory sinking fund redemption of a term obligation maturing on February 1, 2024.

(2) Represents mandatory sinking fund redemption of a term obligation maturing on February 1, 2029.

General Obligation  
Bonds, Series 2012

Original Dated Date	Maturity (August 1)	Interest Rate	Amount
6/15/2012	2021	2.000%	\$ 405,000
	2022	2.000%	415,000
	2023	2.125%	420,000
	2024	2.250%	430,000
	2025	2.375%	440,000
	2026	2.500%	450,000
	2027	2.500%	460,000
	2028	2.625%	470,000
	2029	2.750%	480,000
	2030	2.875%	565,000
	2031 <sup>(1)</sup>	3.250%	580,000
	2032 <sup>(1)</sup>	3.250%	595,000
			<u>\$ 5,710,000</u>

The maturities will be redeemed prior to their original maturity on May 26, 2021 at par plus accrued interest to the date of redemption.

(1) Represents mandatory sinking fund redemption of a term obligation maturing on August 1, 2032.

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## **APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

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**LOCATION AND POPULATION . . .** The City of Leon Valley, Texas (the “City”) is a residential community located along State Highway 16 and its intersection with Loop 410. The City is located northwest of San Antonio, Texas, the City holds the advantages of close proximities to the two major theme parks, Six Flags Fiesta Texas and Sea World, as well as to other major attractions and eating establishments.

**GOVERNMENT . . .** The City is governed by a Mayor and City Council. City Officials hold two (2) year terms on an at-large basis. The City has a comprehensive Master Plan, Zoning Code and In-house Capital Improvements Program. The City is a full-service City with Police, EMS, and Fire Department. The Fire Department is proud of its Public Protection Class 4 rating. The City also has its own Chamber of Commerce, its own Library, Conference Center and a Public Works facility. City Hall holds a Community Development, Business Administration, Municipal Court and City Council Chambers.

**EDUCATIONAL FACILITIES . . .** The City is within the Northside Independent School District (the “District”). The District has three primary schools, one middle school and one high school within the City’s Limits. Established in 1949, the District includes property in Bexar, Medina and Bandera Counties. The District contains an area of 316.49 square miles located in Bexar, Medina and Bandera Counties. The District primarily lies in the northwest quadrant of Bexar County and is traversed by Interstate Highway 10, a portion of U.S. Highway 90, Bandera Road and Culebra Road. Loop 410, a major expressway loop (the “Inner Loop”) encircling San Antonio, runs through the southern and southwestern portions of the District. The “Outer Loop”, Highway 1604, also runs through a portion of the District. The District has a 2015 estimated population of 608,000.

Fourteen new schools have opened in the District in the last six years, and six more are planned to open in the next four years. The District is the largest of the 15 school districts in Bexar County and the 4<sup>th</sup> largest in the State. The District continues to be the “destination” district in San Antonio for many families seeking a quality school system.

**BEXAR COUNTY . . .** The County was organized in 1836 as one of the original counties of the Republic of Texas and is now the fourth most populous of the 254 counties in the State. The County has an area of approximately 1,248 square miles and is located in south central Texas and is a component of the San Antonio-New Braunfels MSA. The principal city within the County is San Antonio, which is the county seat.

The diversified economic base of the County is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. The County’s proximity to Mexico provides favorable conditions for international business relations with the country in the areas of agriculture, tourism, manufacturing, wholesale and retail markets. Industry ranges from the manufacturing of apparel, food products, aircraft, electronics and pharmaceuticals to iron and steel products and oil well equipment. San Antonio is a major insurance center in the southwest, serving as the headquarters for several insurance companies, including United Services Automobile Association.

**LABOR FORCE STATISTICS FOR BEXAR COUNTY<sup>(1)</sup>**

	<u>2021<sup>(2)</sup></u>	<u>2020<sup>(2)</sup></u>	<u>2019<sup>(3)</sup></u>	<u>2018<sup>(3)</sup></u>	<u>2017<sup>(3)</sup></u>
Civilian Labor Force	952,997	958,667	949,380	936,251	924,257
Total Employed	886,055	895,338	919,763	905,106	891,563
Total Unemployed	66,942	63,329	29,617	31,145	32,694
Unemployment Rate	7.0%	6.6%	3.1%	3.3%	3.5%
% Unemployed (Texas)	7.5%	7.1%	3.5%	3.8%	4.3%
% Unemployed (U.S.)	6.6%	6.5%	3.7%	3.9%	4.4%

(1) Source: Texas Employment Commission.

(2) As of February 2021.

(3) Actual annual statistics.

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**APPENDIX B**

EXCERPTS FROM THE  
CITY OF LEON VALLEY, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2020

The information contained in this Appendix consists of excerpts from the City of Leon Valley, Texas Annual Financial Report for the Year Ended September 30, 2020, 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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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Leon Valley, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Leon Valley, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Leon Valley's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Leon Valley, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Leon Valley's basic financial statements. The comparative financial statements, combining and individual nonmajor fund financial statements, introductory section, statistical section and the schedule of expenditures of federal awards required by the audit requirements of Title 2 U.S. Code of federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative financial statements, and combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 nonmajor fund statements and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2021 on our consideration of City of Leon Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Leon Valley's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

February 16, 2021

## MANAGEMENTS DISCUSSION AND ANALYSIS

As management of the City of Leon Valley, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Leon Valley for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### Financial Highlights

- The assets of the City of Leon Valley exceeded its liabilities at the close of the most recent fiscal year by \$26.6 million (net position). Of this amount, \$2.8 million (unrestricted net position) may be used to meet the City's operational needs.
- The City's total net position increased by \$540 thousand mainly due to increased operating and capital grants received during fiscal year 2020 from CARES Act grant funding for COVID related expenses.
- The City's OPEB and pension related deferred outflows totaled \$1.7 million at year end, a decrease of \$1.4 million in comparison with the prior year due to earnings on investments which were more than anticipated as well as increased contribution rates and experience rates.
- The City's OPEB and pension related deferred inflows totaled \$1.3 million at year end, a decrease of \$.3 million in comparison with the prior year due partly to an decrease in the investment earnings. The Pension Liability decreased by \$2.4 million as a result of increased net investment income.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8.5 million, a decrease of \$750 thousand in comparison with the prior year. The decrease is mostly attributed to a decrease in fines and forfeitures of \$392 thousand; \$139 thousand or 54% increase of contracted services (legal) in the Council and Manager expenditures and \$420 thousand increase in Law Enforcement (public safety) Expenditures.
- At the end of the fiscal year, the combined total of the General Fund assigned and unassigned fund balances was \$4.5 million which is 38% of the general fund expenditures not including capital outlay.
- During the fiscal year, the City did not issue additional debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as the introduction of the City of Leon Valley, Texas' basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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

The statement of net position is a presentation of the City's assets and liabilities, including capital and infrastructure assets, and long-term liabilities. This statement reports the difference between assets and liabilities as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information regarding increases and decreases to the government's net position for the fiscal year. Changes in net position are recorded when the underlying event giving rise to the change occurs regardless of the timing of cash flows.

Therefore, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused personal leave). Both 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 or charges (business-type activities). Governmental activities include general government, public safety, public works, parks and recreation, library, and community development. The business-type activities of the City are water and sewer.

**Fund Financial Statements** – The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although non-major funds are also presented in aggregate and further detailed in the supplementary statements. The City uses fund accounting to ensure and demonstrate compliance with requirements placed on resources. Funds are divided into three types: governmental, proprietary, and fiduciary. However, the City does not have any fiduciary funds.

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

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

*Proprietary Funds* – The City maintains one type of proprietary fund. Enterprise funds are used to report the functions presented in business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the provision of water and sewer services to residents.

Proprietary fund financial statements provide separate and more detailed information for the water and sewer fund. The water and sewer fund is considered a major fund of the City.

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

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on the City's general fund budget, which is adopted on an annual basis. A budgetary comparison statement has been provided for this fund in order to demonstrate budgetary compliance with this budget.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Below is a comparative summary of the governmental activities and business-type activities as required by GASB Statement No. 34.

**TABLE A-1**  
**NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current Assets	\$ 9,971,662	\$ 10,985,691	\$ 5,216,230	\$ 4,930,043	\$ 15,187,892	\$ 15,915,734
Capital and Other Assets	20,044,454	19,586,734	7,324,896	6,848,175	27,369,350	26,434,909
Total Assets	<u>30,016,116</u>	<u>30,572,425</u>	<u>12,541,126</u>	<u>11,778,218</u>	<u>42,557,242</u>	<u>42,350,643</u>
<b>Deferred Outflows of Resources</b>	<u>1,434,507</u>	<u>2,661,966</u>	<u>251,483</u>	<u>434,333</u>	<u>1,685,990</u>	<u>3,096,299</u>
<b>Liabilities</b>						
Current Liabilities	1,967,993	2,198,457	323,627	463,965	2,291,620	2,662,422
Noncurrent Liabilities	11,215,246	13,526,420	2,795,777	3,162,789	14,011,023	16,689,209
Total Liabilities	<u>13,183,239</u>	<u>15,724,877</u>	<u>3,119,404</u>	<u>3,626,754</u>	<u>16,302,643</u>	<u>19,351,631</u>
<b>Deferred Inflows of Resources</b>	<u>1,090,623</u>	<u>3,685</u>	<u>218,994</u>	<u>181</u>	<u>1,309,617</u>	<u>3,866</u>
<b>Net Position</b>						
Net Investment in Capital Assets	13,667,111	12,752,432	5,392,876	4,872,274	19,059,987	17,624,706
Restricted	2,950,408	2,704,990	1,784,772	1,595,199	4,735,180	4,300,189
Unrestricted	559,242	2,048,407	2,276,563	2,118,143	2,835,805	4,166,550
Total Net Position	<u>\$ 17,176,761</u>	<u>\$ 17,505,829</u>	<u>\$ 9,454,211</u>	<u>\$ 8,585,616</u>	<u>\$ 26,630,972</u>	<u>\$ 26,091,445</u>

Deferred outflows of resources are related pensions and other post-employment benefits and represent a consumption of net position that applies to future period(s) and will not be recognized as an expenditure until then. Deferred inflows of resources are related to other post-employment benefits and represent an acquisition of net position that applies to a future period and will not be recognized as revenue until that time. Additional information regarding the City's deferred outflows and deferred inflows of resources can be found in Notes 8 and 9 of this report.

The largest portion of the City's net position, \$19.1 million, represents its investment in capital assets (e.g., land, construction in progress, buildings, machinery, and equipment, net of accumulated depreciation), less any related debt used to acquire those assets that are still outstanding. The City of Leon Valley, Texas uses these 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.

Of the other net position, \$4.7 million represents resources that are subject to external restrictions on how they may be used. \$2.8 million (unrestricted net position) may be used to meet the City's operational needs.

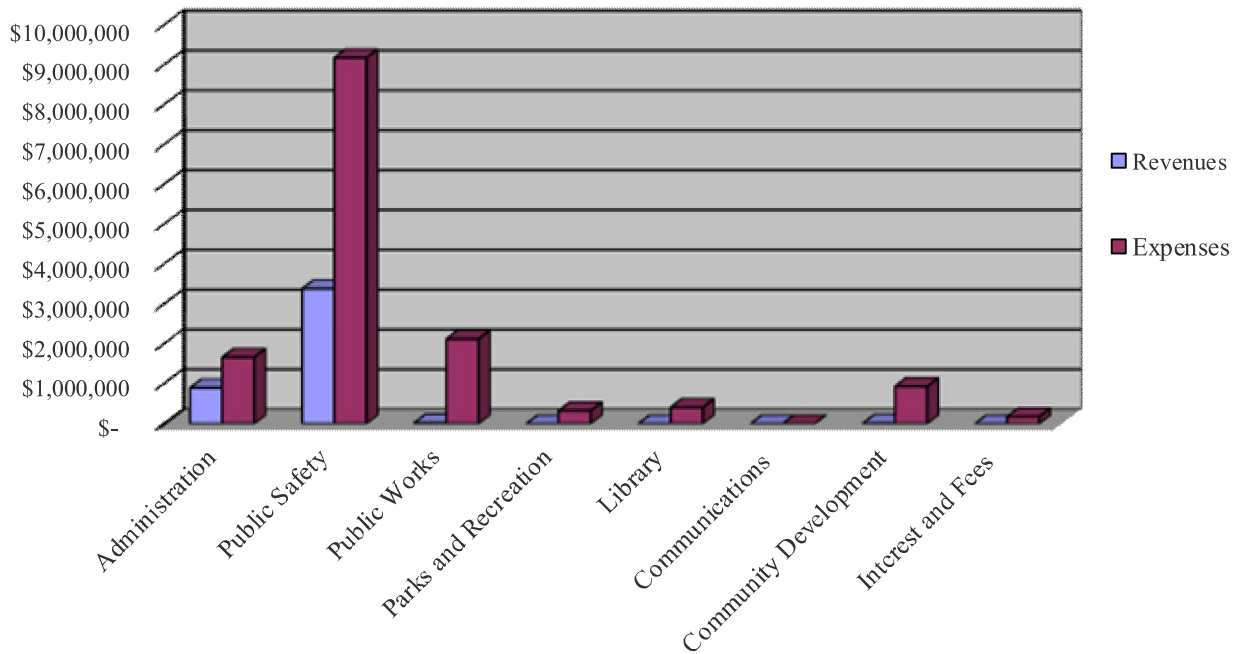
Governmental activities decreased net position by \$0.3 million, which is attributable to fluctuations in program revenues and expenses. Key elements of this decrease are as follows:

**TABLE A-2**  
**CHANGES IN NET POSITION FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

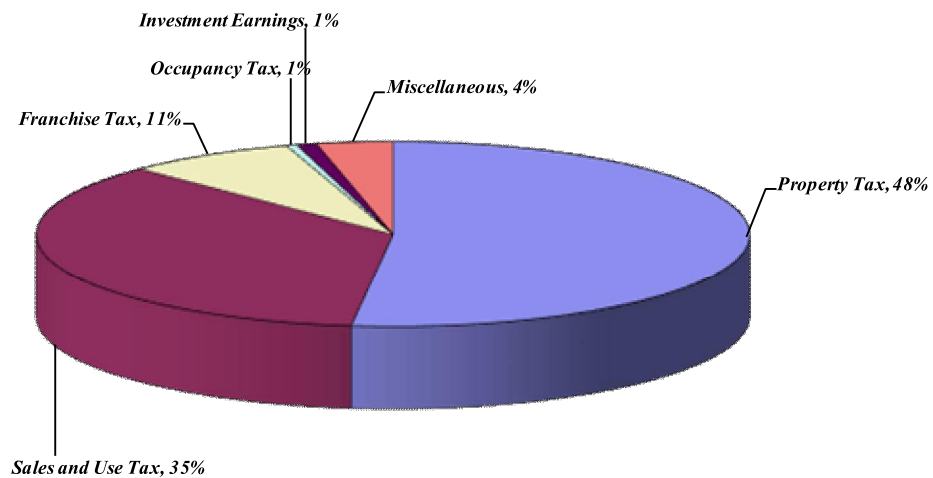
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 3,717,731	\$ 4,180,636	\$ 4,995,934	\$ 5,218,441	\$ 8,713,665	\$ 9,399,077
Operating Grants and Contributions	604,876	130,103	-	-	604,876	130,103
Capital Grants and Contributions	-	105,767	-	302,632	-	408,399
General Revenues						
Property Taxes	5,447,139	5,113,648	-	-	5,447,139	5,113,648
Sales Taxes	3,738,177	3,746,775	-	-	3,738,177	3,746,775
Franchise Taxes	809,636	919,205	-	-	809,636	919,205
Occupancy Taxes	50,523	89,936	-	-	50,523	89,936
Investment Earnings	94,530	233,900	35,341	92,436	129,871	326,336
Miscellaneous	361,884	399,343	50	300	361,934	399,643
Total Revenues	14,824,496	14,919,313	5,031,325	5,613,809	19,855,821	20,533,122
<b>Expenses:</b>						
Administration	1,668,621	1,134,888	-	-	1,668,621	1,134,888
Public Safety	9,182,852	10,029,264	-	-	9,182,852	10,029,264
Public Works	2,128,939	3,110,746	-	-	2,128,939	3,110,746
Parks and Recreation	328,675	306,749	-	-	328,675	306,749
Library	413,953	413,677	-	-	413,953	413,677
Community Development	939,644	932,724	-	-	939,644	932,724
Utility	-	-	4,476,212	4,978,650	4,476,212	4,978,650
Interest and Fiscal Agent Fees	177,398	186,603	-	-	177,398	186,603
Total Expenses	14,840,082	16,114,651	4,476,212	4,978,650	19,316,294	21,093,301
<b>INCREASE IN NET POSITION BEFORE TRANSFERS</b>	(15,586)	(1,195,338)	555,113	635,159	539,527	(560,179)
Transfers In (Out)	(313,482)	(481)	313,482	481	-	-
<b>CHANGE IN NET POSITION</b>	(329,068)	(1,195,819)	868,595	635,640	539,527	(560,179)
<b>BEGINNING NET POSITION</b>	17,505,829	18,701,648	8,585,616	7,949,976	26,091,445	26,651,624
<b>ENDING NET POSITION</b>	<u>\$ 17,176,761</u>	<u>\$ 17,505,829</u>	<u>\$ 9,454,211</u>	<u>\$ 8,585,616</u>	<u>\$ 26,630,972</u>	<u>\$ 26,091,445</u>

EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES  
TOTAL EXPENSES 2020 AND 2019-GOVERNMENT-WIDE

**Revenues-Governmental Activities (Continued)**

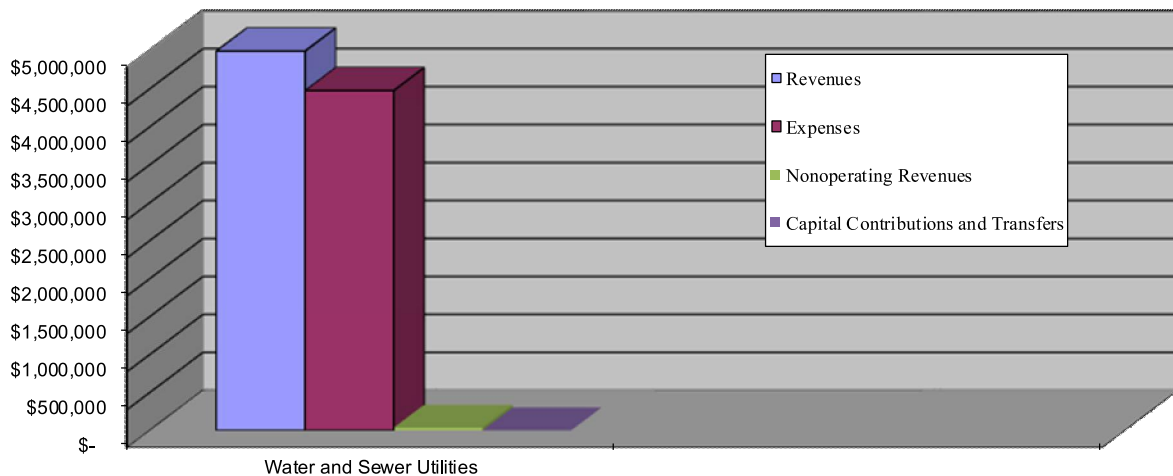
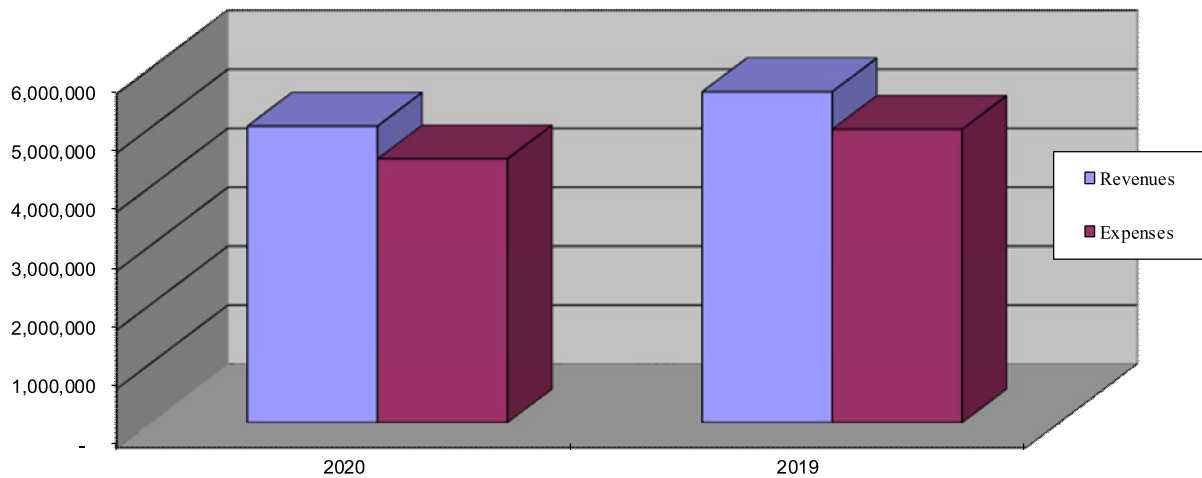


**General Revenue by Source - Governmental Activities**



## Business-Type Activities

Business-Type activities increased net position by 10.0%. For the most part, decreases in expenses were much due to COVID-19.



## Financial Analysis of the Government's Funds

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

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

As September 30, 2020, the City's governmental funds reported combined ending fund balances of \$8.5 million, a decrease of \$750 thousand in comparison with fiscal year 2019. The general fund which is the chief operating fund of the City, at the end of the current fiscal year, had a committed fund balance of \$1million for man-made or natural disaster emergencies.

For the fiscal year ended September 30, 2020, the fund balance of the City's general fund decreased by \$1 million. Key factors in the decrease are as follows:

- The decrease is mostly attributed to a decrease in fines and forfeitures of \$392 thousand;
- \$139 thousand or 54% increase or contracted services (legal) in the Council and Manager expenditures;
- \$420 thousand increase in Law Enforcement Expenditures (public safety).

For the fiscal year ended September 30, 2020, the fund balance of the City's Street Maintenance Tax Fund increased by \$174 thousand. The key factors in the increase are as follows:

- Public works repairs and maintenance expenditures were only \$455 thousand compared to the \$1.9 expected to spend. Projects were delayed to COVID.

The debt service fund has a total fund balance of \$388 thousand, all of which is restricted for the payment of debt service. The net increase in the fund balance during the current year in the debt service fund was \$46 thousand.

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

Unrestricted net position of the water and sewer fund at the end of the year amounted to \$1.9 million. The total increase in net position for the water and sewer fund was \$869 thousand. Most of this increase is due to an increase in the water rates and grant revenue.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City revised its budget for a total increase of \$2.5 million. The following are the main components of the increase:

- \$631 thousand from CARES ACT Funding
- \$180 thousand to purchase land
- \$207 thousand for attorney fees
- \$240 thousand to construct ADA compliant cross walks
- \$310 thousand to purchase an ambulance
- \$204 thousand to construct new sidewalks at Evers and Seneca Road
- \$505 thousand for Economic Development project funding



## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** - The City's investment in capital assets for its governmental and business- type activities as of September 30, 2020 amounted to \$27.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, and roads. The City's investment in capital assets for the current fiscal year increased by \$1.0 million from fiscal year 2019.

**TABLE A-3**  
**CAPITAL ASSETS**  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,497,118	\$ 1,317,346	\$ 203,227	\$ 203,227	\$ 1,700,345	\$ 1,520,573
Water Rights	-	-	2,041,390	1,908,999	2,041,390	1,908,999
Buildings	10,981,760	10,981,760	25,403	25,403	11,007,163	11,007,163
Water/Wastewater System - Plant	-	-	9,825,014	9,407,690	9,825,014	9,407,690
Transportation and Equipment	6,971,955	6,465,200	-	-	6,971,955	6,465,200
Infrastructure	16,019,097	15,299,222	1,266,617	1,054,586	17,285,714	16,353,808
Construction in Progress	-	-	-	-	-	-
Accumulated Depreciation	(15,425,476)	(14,476,794)	(6,036,755)	(5,751,730)	(21,462,231)	(20,228,524)
<b>TOTALS</b>	<b>\$ 20,044,454</b>	<b>\$ 19,586,734</b>	<b>\$ 7,324,896</b>	<b>\$ 6,848,175</b>	<b>\$ 27,369,350</b>	<b>\$ 26,434,909</b>

Additional information of the City of Leon Valley's capital assets can be found in Note 6 of this report.

**Long-Term Debt** - For the fiscal year ended September 30, 2020, the City had a total bonded debt outstanding of \$8.3 million.

**TABLE A-4**  
**LONG-TERM DEBT**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 5,792,343	\$ 6,199,302	\$ 1,932,020	\$ 1,975,901	\$ 7,724,363	\$ 8,175,203
Public Property Finance Contracts	585,000	635,000	-	-	585,000	635,000
<b>TOTALS</b>	<b>\$ 6,377,343</b>	<b>\$ 6,834,302</b>	<b>\$ 1,932,020</b>	<b>\$ 1,975,901</b>	<b>\$ 8,309,363</b>	<b>\$ 8,810,203</b>

Additional information of the City of Leon Valley's long term debt can be found in Note 7 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For fiscal year 2021, the City took a very conservative approach to budgeting due to COVID-19. An increase of \$90 thousand in property tax was budgeted, which is due to an increase in property values. Sales tax was budgeted with a decrease of \$106 thousand and licenses, permits, fees and fines with a decrease of \$173 thousand. Overall revenues were budgeted with a decrease of \$302 thousand due to the uncertainty of the continued effect of COVID-19 on the economy. The city adopted a tax rate of \$0.535904 which is a decrease from the fiscal year 2019 tax rate. The tax components are as follows: The tax components are as follows: \$0.472162 for Maintenance and Operations and \$0.0535904 for the Interest and Sinking.

Expenditures for the general fund are budgeted at \$12.2 million and capital outlay at \$232 thousand. The funding for the capital expenditures will come from the capital reserve funds and not the current year operating revenue.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 6400 El Verde Road, Leon Valley, Texas 78238.

## BASIC FINANCIAL STATEMENTS

CITY OF LEON VALLEY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents:			
Unrestricted	\$ 1,441,858	\$ 397,534	\$ 1,839,392
Restricted for Customer Deposits	-	154,252	154,252
Investments			
Unrestricted	7,064,436	-	7,064,436
Restricted Investments - Water/Wastewater	-	4,137,917	4,137,917
Receivables (net of allowances):			
Property Taxes	175,918	-	175,918
Special Assessment	13,278	-	13,278
Other	572,666	526,527	1,099,193
Due from Other Governments	699,072	-	699,072
Inventories	4,434	-	4,434
<i>Total Current Assets</i>	<u>9,971,662</u>	<u>5,216,230</u>	<u>15,187,892</u>
<i>Noncurrent Assets:</i>			
Capital Assets:			
Land	1,497,118	203,227	1,700,345
Water Rights	-	2,041,390	2,041,390
Buildings	10,981,760	25,403	11,007,163
Water/Wastewater System-Plant	-	9,825,014	9,825,014
Other Machinery and Equipment	2,095,425	-	2,095,425
Office Equipment	56,134	-	56,134
Infrastructure	16,019,097	-	16,019,097
Transportation and Equipment	4,820,396	1,266,617	6,087,013
Construction in Progress	-	-	-
Less: Accumulated Depreciation	<u>(15,425,476)</u>	<u>(6,036,755)</u>	<u>(21,462,231)</u>
<i>Total Noncurrent Assets:</i>	<u>20,044,454</u>	<u>7,324,896</u>	<u>48,687,054</u>
<b>TOTAL ASSETS</b>	<u>30,016,116</u>	<u>12,541,126</u>	<u>63,874,946</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Related Outflows	1,380,834	241,691	1,622,525
Deferred OPEB Related Outflows	<u>53,673</u>	<u>9,792</u>	<u>63,465</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,434,507</u>	<u>\$ 251,483</u>	<u>\$ 1,685,990</u>

See accompanying notes to basic financial statements.

CITY OF LEON VALLEY  
STATEMENT OF NET POSITION (CONTINUED)  
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 881,714	\$ 24,168	\$ 905,882
Accrued Expenses	413,556	42,809	456,365
Accrued Interest Payable	29,115	10,394	39,509
Current Portion of Compensated Absences	169,500	43,123	212,623
Current Portion of Long-Term Debt	466,959	48,881	515,840
Payable from Restricted Assets:			
Customer Deposits Payable	7,149	154,252	161,401
<i>Total Current Liabilities</i>	<u>1,967,993</u>	<u>323,627</u>	<u>2,291,620</u>
<i>Noncurrent Liabilities:</i>			
Compensated Absences	659,281	128,968	788,249
Net Pension Liability	4,222,381	706,453	4,928,834
OPEB Liability	423,200	77,217	500,417
Long-Term Debt	5,910,384	1,883,139	7,793,523
<i>Total Noncurrent Liabilities</i>	<u>11,215,246</u>	<u>2,795,777</u>	<u>14,011,023</u>
<b>TOTAL LIABILITIES</b>	<u>13,183,239</u>	<u>3,119,404</u>	<u>16,302,643</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Related Inflows	1,088,023	218,549	1,306,572
Deferred OPEB Related Inflows	2,600	445	3,045
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,090,623</u>	<u>218,994</u>	<u>1,309,617</u>
<b>NET POSITION</b>			
Net Investment In Capital Assets	13,667,111	5,392,876	19,059,987
Restricted For:			
Public, Educational and Governmental	256,795	-	256,795
Debt Service	396,473	-	396,473
Street Maintenance	1,416,767	-	1,416,767
Crime Control and Prevention District	225,086	-	225,086
Federal Police Forfeitures	369,624	-	369,624
Other	285,663	-	285,663
Water Supply	-	425,482	425,482
Storm Water Fee	-	1,359,290	1,359,290
Unrestricted	559,242	2,276,563	2,835,805
<b>TOTAL NET POSITION</b>	<u>\$ 17,176,761</u>	<u>\$ 9,454,211</u>	<u>\$ 26,630,972</u>

See accompanying notes to basic financial statements.

CITY OF LEON VALLEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
Administration	\$ 1,668,621	\$ 409,905	\$ 494,156	\$ -
Public Safety	9,182,852	3,296,536	90,770	-
Public Works	2,128,939	-	19,950	-
Parks and Recreation	328,675	-	-	-
Library	413,953	-	-	-
Community Development	939,644	11,290	-	-
Interest and Fiscal Agent Fees	177,398	-	-	-
<i>Total Governmental Activities</i>	<u>14,840,082</u>	<u>3,717,731</u>	<u>604,876</u>	<u>-</u>
<i>Business-Type Activities</i>				
Water/Wastewater Utilities	4,476,212	4,995,934	-	-
<i>Total Business-Type Activities</i>	<u>4,476,212</u>	<u>4,995,934</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 19,316,294</u>	<u>\$ 8,713,665</u>	<u>\$ 604,876</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Taxes:				
Property Taxes				
Sales Taxes				
Franchise Taxes				
Occupancy Taxes				
Investment Earnings				
Miscellaneous				
<b>Total General Revenues</b>				
Transfers In (Out)				
<b>Change in Net Position</b>				
<b>Net Position at Beginning of Year</b>				
<b>Net Position at End of Year</b>				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (764,560)	\$ -	\$ (764,560)
(5,795,546)	-	(5,795,546)
(2,108,989)	-	(2,108,989)
(328,675)	-	(328,675)
(413,953)	-	(413,953)
(928,354)	-	(928,354)
(177,398)	-	(177,398)
<u>(10,517,475)</u>	<u>-</u>	<u>(10,517,475)</u>
-	519,722	519,722
-	519,722	519,722
<u>(10,517,475)</u>	<u>519,722</u>	<u>(9,997,753)</u>
5,447,139	-	5,447,139
3,738,177	-	3,738,177
809,636	-	809,636
50,523	-	50,523
94,530	35,341	129,871
361,884	50	361,934
<u>10,501,889</u>	<u>35,391</u>	<u>10,537,280</u>
<u>(313,482)</u>	<u>313,482</u>	<u>-</u>
(329,068)	868,595	539,527
<u>17,505,829</u>	<u>8,585,616</u>	<u>26,091,445</u>
<u>\$ 17,176,761</u>	<u>\$ 9,454,211</u>	<u>\$ 26,630,972</u>

CITY OF LEON VALLEY  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	General Fund	Debt Service	Street Maintenance TaxFund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 471,097	\$ 388,016	\$ 237,076
Investments	5,516,499	-	1,065,752
Accounts Receivables (net of allowances):			
Taxes	151,624	24,294	-
Special Assessment	-	13,278	-
Other	561,450	-	-
Due from Other Governments	526,048	-	115,461
Inventories	4,434	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,231,152</b>	<b>\$ 425,588</b>	<b>\$ 1,418,289</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<i>Liabilities:</i>			
Accounts Payable	\$ 878,765	\$ -	\$ 1,522
Accrued Expenditures	401,293	-	-
Deposits Payable	250	-	-
<i>Total Liabilities</i>	<u>1,280,308</u>	<u>-</u>	<u>1,522</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenues - Taxes	151,534	37,662	-
<i>Total Deferred Inflows of Resources</i>	<u>151,534</u>	<u>37,662</u>	<u>-</u>
<i>Fund Balances:</i>			
Nonspendable:			
Inventory	4,434	-	-
Restricted for:			
Public, Educational and Governmental	256,795	-	-
Parks	100	-	-
Debt Service	-	387,926	-
Street Maintenance	-	-	1,416,767
Crime Control and Prevention District	-	-	-
Federal Police Forfeitures	-	-	-
Park Bucks	4,229	-	-
Committed for Disaster Emergencies	1,000,000	-	-
Assigned for:			
Red Light Camera Traffic Safety	434,817	-	-
Tree Mitigation and Replacement	25,875	-	-
Economic Development	288,864	-	-
Unassigned	3,784,196	-	-
<i>Total Fund Balances</i>	<u>5,799,310</u>	<u>387,926</u>	<u>1,416,767</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 7,231,152</b>	<b>\$ 425,588</b>	<b>\$ 1,418,289</b>

See accompanying notes to basic financial statements.



Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 345,669	\$ 1,441,858
482,185	7,064,436
-	175,918
-	13,278
11,217	572,667
57,563	699,072
-	4,434
<u>\$ 896,634</u>	<u>\$ 9,971,663</u>

\$ 1,429	\$ 881,716
12,262	413,555
6,899	7,149
<u>20,590</u>	<u>1,302,420</u>

-	189,196
<u>-</u>	<u>189,196</u>

-	4,434
-	256,795
-	100
-	387,926
-	1,416,767
225,086	225,086
369,624	369,624
281,334	285,563
-	1,000,000
	434,817
-	25,875
-	288,864
-	3,784,196
<u>876,044</u>	<u>8,480,047</u>

<u>\$ 896,634</u>	<u>\$ 9,971,663</u>
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CITY OF LEON VALLEY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 8,480,047
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		20,044,454
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds.		189,196
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(828,781)
Long-term liabilities, including bonds payable and related premiums, are not due and payable in the current period and therefore, not reported in the funds:		
Bonds Payable	(6,377,343)	
Accrued Interest Payable	<u>(29,115)</u>	(6,406,458)
Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
Net Pension Liability	(4,222,381)	
Pension Related Deferred Inflows	(1,088,023)	
Pension Related Deferred Outflows	<u>1,380,834</u>	(3,929,570)
OPEB Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
OPEB Liability	(423,200)	
OPEB Related Deferred Inflows	(2,600)	
OPEB Related Deferred Outflows	<u>53,673</u>	<u>(372,127)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 17,176,761</u>

See accompanying notes to basic financial statements.

CITY OF LEON VALLEY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service	Street Maintenance Tax
<b>REVENUES</b>			
Property Taxes	\$ 4,758,639	\$ 682,520	\$ -
Sales Taxes	2,815,953	-	619,628
Franchise Taxes	809,636	-	-
Occupancy Taxes	-	-	-
Licenses and Permits	439,663	-	-
EMS	344,500	-	-
Fines and Forfeitures	2,648,061	-	-
Grants	599,715	-	-
Rent	-	-	-
Investment Earnings	80,258	-	9,918
Miscellaneous	251,586	-	-
<b>TOTAL REVENUES</b>	<u>12,748,011</u>	<u>682,520</u>	<u>629,546</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Administration	1,428,229	-	-
Public Safety	7,816,325	-	-
Public Works	1,237,827	-	455,191
Parks and Recreation	288,235	-	-
Library	397,869	-	-
Community Development	730,843	-	-
<i>Capital Outlay</i>	1,323,203	-	-
<i>Debt Service:</i>			
Principal	-	450,000	-
Interest and Fiscal Charges	-	186,043	-
<b>TOTAL EXPENDITURES</b>	<u>13,222,531</u>	<u>636,043</u>	<u>455,191</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(474,520)</u>	<u>46,477</u>	<u>174,355</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(492,722)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(492,722)</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(967,242)	46,477	174,355
<b>Fund Balances at Beginning of Year</b>	<u>6,766,552</u>	<u>341,449</u>	<u>1,242,412</u>
<b>Fund Balances at End of Year</b>	<u>\$ 5,799,310</u>	<u>\$ 387,926</u>	<u>\$ 1,416,767</u>

See accompanying notes to basic financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 5,441,159
302,596	3,738,177
-	809,636
50,523	50,523
-	439,663
-	344,500
355,868	3,003,929
5,161	604,876
11,290	11,290
4,353	94,529
<u>28,651</u>	<u>280,237</u>
<u>758,442</u>	<u>14,818,519</u>

12,073	1,440,302
554,580	8,370,905
-	1,693,018
-	288,235
-	397,869
128,605	859,448
245,753	1,568,956
-	450,000
-	186,043
<u>941,011</u>	<u>15,254,776</u>

<u>(182,569)</u>	<u>(436,257)</u>
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179,240	179,240
<u>-</u>	<u>(492,722)</u>

<u>179,240</u>	<u>(313,482)</u>
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(3,329)	(749,739)
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<u>879,373</u>	<u>9,229,786</u>
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<u>\$ 876,044</u>	<u>\$ 8,480,047</u>
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CITY OF LEON VALLEY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (749,739)

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	1,568,956	
Depreciation Expense	<u>(1,111,236)</u>	457,720

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		5,980
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources  
to governmental funds, which the repayment of the principal of long-term debt consumes  
the current financial resources of governmental funds. Neither transaction, however, has  
any affect on net position. This amount is the net effect of these differences in the  
treatment of long-term debt and related items.

Principal Repayments	450,000	
Amortization of Premiums, Discounts, Losses	<u>6,959</u>	456,959

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that actuarially determined pension expense exceeded contributions.		(344,166)
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Governmental funds report required contributions to OPEB as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plan. This is the amount that actuarially determined OPEB expense exceeded contributions.		(35,616)
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Some expenses reported in the Statement of Activities do not require the use of  
current financial resources and, therefore, are not reported as expenditures in  
governmental funds:

Compensated Absences	(121,890)	
Accrued Interest	1,684	<u>(120,206)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ (329,068)</u>
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CITY OF LEON VALLEY  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
SEPTEMBER 30, 2020

	Business-Type Activity
	<u>Water and Wastewater</u>
<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents:	
Unrestricted	\$ 397,534
Restricted for Customer Deposits	154,252
Restricted Investments - Water/Wastewater	4,137,917
Accounts Receivable, Net of Allowance:	
Customer Accounts	<u>526,527</u>
<i>Total Current Assets</i>	<u>5,216,230</u>
<i>Noncurrent Assets:</i>	
Capital Assets:	
Land	203,227
Water Rights	2,041,390
Buildings and Improvements	25,403
Water/Wastewater System-Plant	9,825,014
Transportation and Equipment	1,266,617
Less: Accumulated Depreciation	<u>(6,036,755)</u>
<i>Total Noncurrent Assets</i>	<u>7,324,896</u>
<b>TOTAL ASSETS</b>	<u>12,541,126</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Related Outflows	241,691
Deferred OPEB Related Outflows	<u>9,792</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 251,483</u>

See accompanying notes to basic financial statements.



CITY OF LEON VALLEY  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONTINUED)  
SEPTEMBER 30, 2020

	Business-Type Activity <u>Water and Wastewater</u>
<b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 24,168
Accrued Expenses	42,809
Accrued Interest Payable	10,394
Current Portion of Compensated Absences	43,123
Current Portion of Long-Term Debt	48,881
Payable from Restricted Assets:	
Customer Deposits Payable	<u>154,252</u>
<i>Total Current Liabilities</i>	<u>323,627</u>
<i>Noncurrent Liabilities:</i>	
Compensated Absences	128,968
Net Pension Liability	706,453
OPEB Liability	77,217
Long-Term Debt	<u>1,883,139</u>
<i>Total Noncurrent Liabilities</i>	<u>2,795,777</u>
<b>TOTAL LIABILITIES</b>	<u>3,119,404</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Related Inflows	218,549
Deferred OPEB Related Inflows	<u>445</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>218,994</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	5,392,876
Restricted for:	
Water Supply Fee Reserve	425,482
Storm Water Fee Reserve	1,359,290
Unrestricted	
Unrestricted Appropriated Net Assets	350,000
Unrestricted	<u>1,926,563</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 9,454,211</u></u>

See accompanying notes to basic financial statements.

CITY OF LEON VALLEY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
	Water and Sewer System
<b>OPERATING REVENUES</b>	
Metered Water Sales	\$ 1,786,931
Wastewater Sales Charges	2,412,438
Storm Water Fees	416,289
Connection and Platting	312,512
Customer Penalties	44,067
Customer Disconnect Fees	6,660
Tap Fees	8,123
<b>TOTAL OPERATING REVENUES</b>	<u>4,987,020</u>
<b>OPERATING EXPENSES</b>	
General and Administrative	962,310
Water System	1,088,717
Wastewater System	1,800,693
Stormwater System	242,491
Depreciation	321,853
<b>TOTAL OPERATING EXPENSES</b>	<u>4,416,064</u>
<b>OPERATING INCOME (LOSS)</b>	<u>570,956</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment Earnings	35,341
Interest Expense	(60,148)
Miscellaneous	50
Impact Fees	8,914
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(15,843)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>555,113</u>
<b>TRANSFERS AND CONTRIBUTIONS</b>	
Transfers In	313,482
<b>TOTAL TRANSFERS AND CONTRIBUTIONS</b>	<u>313,482</u>
<b>CHANGE IN NET POSITION</b>	868,595
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>8,585,616</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 9,454,211</u></u>

See accompanying notes to basic financial statements.

CITY OF LEON VALLEY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
	<u>Water and Sewer System</u>
<b>Cash Flows From Operating Activities:</b>	
Cash Received From Customers	\$ 5,307,537
Cash Paid to Supplier for Goods & Services	(2,465,893)
Cash Paid for Employee Salaries and Benefits	<u>(1,700,924)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>1,140,720</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Acquisition and Construction of Capital Assets	(798,574)
Impact, Capital Contributions and Misc. Fees	8,964
Interest Paid on Long-Term Debt	(60,148)
Transfers from Other Funds for Projects	313,482
Principal Paid on Long-Term Debt	<u>(43,881)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(580,157)</u>
<b>Cash Flows From Investing Activities:</b>	
Purchase of Investments	(335,342)
Interest and Investment Earnings	<u>35,341</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(300,001)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>260,562</u>
<b>Cash and Cash Equivalents at Beginning of Year:</b>	
Cash and Cash Equivalents	147,772
Restricted Cash and Cash Equivalents	<u>143,452</u>
	<u>291,224</u>
<b>Cash and Cash Equivalents at End of Year:</b>	
Cash and Cash Equivalents	397,534
Restricted Cash and Cash Equivalents	<u>154,252</u>
	<u><u>\$ 551,786</u></u>

See accompanying notes to basic financial statements.

CITY OF LEON VALLEY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activity <u>Water and Wastewater</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income	\$ 570,956
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	321,853
Decrease (Increase) in Assets:	
Accounts Receivable (net)	309,717
Deferred Pension Related Outflows	192,229
Deferred OPEB Related Outflows	(9,379)
Increase (Decrease) in Liabilities:	
Accounts Payable	(181,218)
Accrued Expenditures	13,529
Accrued Interest Payable	(333)
Customer Deposits	10,800
Compensated Absences	29,487
Net Pension Liability	(351,031)
OPEB Liability	15,297
Deferred Pension Related Inflows	218,549
Deferred OPEB Related Inflows	264
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 1,140,720</u></u>

See accompanying notes to basic financial statements.

## NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leon Valley, Texas, was incorporated in 1952. The City operates under a council- manager form of government and provides the following services as authorized by its charter: police and fire protection, maintenance of streets, planning and zoning, parks and recreation, general administrative services, water, and sewer services.

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

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

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

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

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

Revenues are classified as program revenues and general revenues. Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred inflow of resources. Property taxes which are levied prior to September 30, 2019, and became due October 1, 2019 have been assessed to finance the budget of the fiscal year beginning October 1, 2019 and, accordingly, have been reflected as deferred inflow of resources and taxes receivable in the fund financial statement at September 30, 2020.

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

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

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

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

The government reports the following major governmental funds:

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

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

**Street Maintenance Tax Fund** accounts for sales tax collection for street maintenance. This special tax was approved by voters starting in November 2007.

Nonmajor funds include special revenue funds.

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

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

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

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

D. Cash and Cash Equivalents

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



CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

E. Investments

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

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost.

F. Receivables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2019 and past due after January 31, 2020. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

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

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

G. Short-Term Inter-fund Receivables/Payables

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

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

H. Inventories and Prepaid Items

The City accounts for inventories using the consumption method. Inventories consist primarily of supplies and are valued at cost determined by the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid Items of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Budget

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

J. Restricted Assets

Certain enterprise fund revenues are collected for a specific purpose by state law and city ordinances such as impact fees for infrastructure improvements and the purchase of future water rights. These funds are classified as restricted assets on the statement of net position and balance sheet because their use is limited by law.

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

K. Capital Assets

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

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

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

Asset	Useful Lives (Years)
Buildings	60
Water/Wastewater System - Plant	15 - 60
Other Machinery & Equipment	3 - 60
Office Equipment	6 - 12
Vehicles	3 - 24
Infrastructure	12 - 60

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

L. Compensated Absences

Vested or accumulated vacation leave and compensatory time that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. The City is responsible for payment of vested or accumulated vacation leave and compensatory time. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are reported in the government wide statements. Vested or accumulated vacation leave and compensatory time of the enterprise fund is recorded as an expense and liability of that fund as the benefits accrue to employees. Accumulated vacation pay and compensatory time at September 30, 2020 of \$172,091 and \$828,781 have been recorded in accrued liabilities of the enterprise fund and government-wide statements, respectively. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The general fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

M. Deferred Inflows/Outflows of Resources

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

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

N. Pensions

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

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

O. OPEB Liability

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deduction from TMRS's Total OPEB Liability have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. The general fund has typically been used in the prior year to liquidate OPEB liabilities.

P. Long-Term Obligations

Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For this purpose, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable. In the current year, the City adopted a new GASB standard that establishes new note disclosure requirements for long-term debt, including direct borrowings and placement. See additional detail in Note 7.

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

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

Q. Net Position

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

R. Fund Balance Classification Policies

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

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

R. Fund Balance Classification Policies (Continued)

Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

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

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

S. Inter-fund Transactions

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

T. Operating Revenues and Expenses

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

U. Use of Estimates

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

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

V. New Accounting Pronouncements

The Government Accounting Standards Board has issued the following statements:

- **Statement No. 84, Fiduciary Activities** – The requirements of this Statement will take effect for reporting periods ending after December 31, 2020. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting certain criteria will be reported in a fiduciary fund in the basic financial statements. The City has not early adopted this pronouncement.
- **Statement No. 87, Leases** – The requirements of this Statement will take effect for reporting periods ending after June 30, 2022. A lessee will be required to recognize the assets and liabilities for leases with lease terms of more than 12 months. The City has not early adopted this pronouncement.
- **Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period** – The requirements of this statement will take effect for financial statements starting with the fiscal year ended after December 31, 2020. This statement no longer requires interest cost to be capitalized.
- **Statement No. 90, Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 67** – This Statement provided guidance for reporting a component unit if a government acquires a 100 percent equity interest of another legally separate entity. The objectives of the Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and improve the relevance of financial information for certain component units. This Statement is effective for the City's financial period beginning after December 31, 2020.

NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash

At September 30, 2020, the carrying amount of the City's cash on hand was \$1,875; deposits in the bank were \$2,529,727 and the book balance was \$1,991,769. The City's cash was fully collateralized.

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

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

The City's investments at September 30, 2020 are as shown below:

Investment Type	Fair Value	Weighted Average Maturity in Days	Ratings	
			MOODY'S	S&P
TexPool	\$ 11,202,353	49	Aaa	AAAM

Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Texpool	\$ 11,202,353	\$ -	\$ -	\$ 11,202,353

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

C. Analysis of Specific Deposit and Investment Risks

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

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. City investment policy follows state guidelines. The City policy allows investments in certificates of deposit with banks in Texas, investments in U.S. Treasuries and Agencies, and investment pools that invest in obligations of the United States or its agencies and instrumentalities to name a few.

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

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

At September 30, 2020, the City's investments were in TexPool, a public funds investment pool where all securities held maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service.

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

At year end and per City policy all funds were in the City's name and collateralized with securities that maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. The City was not exposed to custodial credit risk.

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

*Interest Rate Risk.* This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk due to investment in an external investment pool as authorized by the City's investment policy.

*Foreign Currency Risk.* This is the risk that exchange rates will adversely affect the fair value of an investment. The City's policy does not allow investment in foreign currency. At year end the City was not exposed to foreign currency risk.

D. Investment Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts as amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

E. Public Funds Investment Pools

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.



CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

E. Public Funds Investment Pools (Continued)

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

NOTE 3 -- RECEIVABLES

A. Special Assessments

The City levied special assessments in 1986 against various property owners benefiting from public improvements completed in 1987. In accordance with the provisions of the assessment certificates issued for the property owners, assessments are due and payable at the time of completion. All assessments receivable as of September 30, 2012, are considered delinquent. These public improvements were funded through a note payable at the City's depository bank. Collections from assessment accounts were insufficient to cover the required note payments and therefore, the City's general fund paid the note in full through a transfer. Accordingly, current and future principal and interest collections on these delinquent accounts will be used to reimburse the City's general fund. The related assessments receivable, revenues, deferred revenue, and debt payments are reported in the debt service fund.

B. Receivables

Receivables consist of the following as of September 30, 2020:

	Governmental Funds				Proprietary Fund
	General	Debt Service	Street Maintenance Tax	Nonmajor Funds	Water and Sewer Fund
<i>Receivables:</i>					
Property Taxes	\$ 178,365	\$ 28,597	\$ -	\$ -	\$ -
Special Assessment	-	13,278	-	-	-
EMS	209,384	-	-	-	-
Sales Taxes	526,048	-	115,461	-	-
Franchise Taxes	189,054	-	-	-	-
Occupancy Taxes	-	-	-	11,217	-
Customers	-	-	-	-	537,195
Grants	23,318	-	-	-	-
Other	349,078	-	-	57,563	-
Gross Receivables	1,475,247	41,875	115,461	68,780	537,195
Less: Allowance for Uncollectibles	(236,125)	(4,303)	-	-	(10,668)
Net Total Receivables	<u>\$ 1,239,122</u>	<u>\$ 37,572</u>	<u>\$ 115,461</u>	<u>\$ 68,780</u>	<u>\$ 526,527</u>

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 4 -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2019, upon which the fiscal 2020 levy was based, was \$1,075,859,763 (market value less exemptions).

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2020 was \$0.543590 per \$100 of assessed value, which means that the City has a tax margin of \$ 1.95641 for each \$100 value. The City may not, however, adopt a tax rate that exceeds the rollback rate or the effective rate, whichever is lower, without first having two public hearings. If the City adopts a tax rate that exceeds the rollback tax rate, registered voters may petition the City for an election on the tax increase. A successful election limits the City's current tax rate to the rollback rate.

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

NOTE 5 -- INTERFUND TRANSACTIONS

Transfers consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water & Sewer	\$ 313,482	Seneca West Drainage Project
General Fund	Non-Major Fund	179,240	Community Center Renovations
		<u>\$ 492,722</u>	

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 6 -- CAPITAL ASSETS

Governmental and Business-type capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 1,317,346	\$ 179,772	\$ -	\$ 1,497,118
Construction in Progress	-	-	-	-
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,317,346</u>	<u>179,772</u>	<u>-</u>	<u>1,497,118</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	10,981,760	-	-	10,981,760
Other Machinery and Equipment	1,793,161	366,905	(64,641)	2,095,425
Office Equipment	46,831	9,303	-	56,134
Vehicles	4,625,208	293,101	(97,913)	4,820,396
Infrastructure	15,299,222	719,875	-	16,019,097
<i>Total Capital Assets Being Depreciated</i>	<u>32,746,182</u>	<u>1,389,184</u>	<u>(162,554)</u>	<u>33,972,812</u>
<i>Accumulated Depreciation:</i>				
Buildings	(2,381,146)	(221,774)	-	(2,602,920)
Other Machinery and Equipment	(1,522,780)	(146,940)	64,641	(1,605,079)
Office Equipment	(13,740)	(5,703)	-	(19,443)
Vehicles	(2,801,217)	(406,987)	97,913	(3,110,291)
Infrastructure	(7,757,911)	(329,832)	-	(8,087,743)
<i>Total Accumulated Depreciation</i>	<u>(14,476,794)</u>	<u>(1,111,236)</u>	<u>162,554</u>	<u>(15,425,476)</u>
Total Capital Assets Being Depreciated, Net	<u>18,269,388</u>	<u>277,948</u>	<u>-</u>	<u>18,547,336</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,586,734</u>	<u>\$ 457,720</u>	<u>\$ -</u>	<u>\$ 20,044,454</u>
	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities:</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 203,227	\$ -	\$ -	\$ 203,227
Water Rights	1,908,999	132,391	-	2,041,390
<i>Total Assets Not Being Depreciated</i>	<u>2,112,226</u>	<u>132,391</u>	<u>-</u>	<u>2,244,617</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	25,403	-	-	25,403
Waster/Wastewater System - Plant	9,407,690	417,324	-	9,825,014
Transportation and Equipment	1,054,586	248,859	(36,828)	1,266,617
<i>Total Capital Assets Being Depreciated</i>	<u>10,487,679</u>	<u>666,183</u>	<u>(36,828)</u>	<u>11,117,034</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(21,165)	(410)	-	(21,575)
Waster/Wastewater System - Plant	(4,944,322)	(219,550)	-	(5,163,872)
Transportation and Equipment	(786,243)	(101,893)	36,828	(851,308)
<i>Total Accumulated Depreciation</i>	<u>(5,751,730)</u>	<u>(321,853)</u>	<u>36,828</u>	<u>(6,036,755)</u>
Total Capital Assets Being Depreciated, Net	<u>4,735,949</u>	<u>344,330</u>	<u>-</u>	<u>5,080,279</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,848,175</u>	<u>\$ 476,721</u>	<u>\$ -</u>	<u>\$ 7,324,896</u>

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 6 -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

<i>Governmental Activities:</i>	
Administration	\$ 210,699
Public Safety	425,168
Public Works	359,370
Parks and Recreation	33,717
Community Development	66,541
Library	15,741
<i>Total Depreciation Expense - Governmental Activities</i>	<u><u>\$ 1,111,236</u></u>
<i>Business-Type Activities:</i>	
Water and Sewer System	\$ 321,853
<i>Total Depreciation Expense - Business Type Activities</i>	<u><u>\$ 321,853</u></u>

NOTE 7 -- LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2020 were comprised of the following individual issues:

	<u>Issue Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Balance</u>
<b><i>Primary Government</i></b>				
Governmental Activities:				
General Obligation Bonds				
2012 Series	\$ 7,000,000	2032	1.25-3.25%	\$ 5,710,000
Notes from Direct Borrowing and				
Direct Placements:				
Public Property Financing Contracts				
2009 Public Property Finance Contract	\$ 1,060,000	2029	3.125-5%	<u>585,000</u>
<b>Total Governmental Long-Term Obligations</b>				<u><u>\$ 6,295,000</u></u>
	<u>Issue Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Balance</u>
Business Type:				
Certificates of Obligation				
2016 Series	\$ 1,970,000	2046	4.01%	<u>\$ 1,835,000</u>
<b>Total Business-Type Long-Term Obligations</b>				<u><u>\$ 1,835,000</u></u>

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 7 -- LONG-TERM DEBT (Continued)

	Balance 9/30/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds	\$ 6,110,000	\$ -	\$ (400,000)	\$ 5,710,000	\$ 405,000
Unamortized Premium	89,302	-	(6,959)	82,343	6,959
	<u>6,199,302</u>	<u>-</u>	<u>(406,959)</u>	<u>5,792,343</u>	<u>411,959</u>
Notes from Direct Borrowing and Direct Placements:					
Public Property Finance Contract	635,000	-	(50,000)	585,000	55,000
Compensated Absences	635,181	240,959	(169,249)	828,781	169,500
<i>Total Governmental Activities</i>	<u>\$ 7,469,483</u>	<u>\$ 240,959</u>	<u>\$ (626,208)</u>	<u>\$ 7,206,124</u>	<u>\$ 636,459</u>
<i>Business-Type Activities:</i>					
Certificates of Obligation	\$ 1,875,000	\$ -	\$ (40,000)	\$ 1,835,000	\$ 45,000
Unamortized Premium	100,901	-	(3,881)	97,020	3,881
Compensated Absences	117,747	56,096	(31,239)	172,091	43,123
<i>Total Business-Type Activities</i>	<u>\$ 2,093,648</u>	<u>\$ 56,096</u>	<u>\$ (75,120)</u>	<u>\$ 2,104,111</u>	<u>\$ 92,004</u>

Compensated absences and other postemployment benefit obligations for governmental activities are generally liquidated by the general fund.

The Public Property Finance Contract does not have any terms specified in the agreement related to events of default, termination events or subjective acceleration clauses.

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences and bond premium, as of September 30, 2020, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	Total
2021	\$ 405,000	\$ 148,169	\$ 55,000	\$ 25,368	\$ 633,537
2022	415,000	140,069	55,000	23,057	633,126
2023	420,000	131,769	60,000	20,642	632,411
2024	430,000	122,844	60,000	18,122	630,966
2025	440,000	113,169	65,000	15,318	633,487
2026-2030	2,425,000	396,219	290,000	28,739	3,139,958
2031-2032	1,175,000	57,525	-	-	1,232,525
Total	<u>\$ 5,710,000</u>	<u>\$ 1,109,764</u>	<u>\$ 585,000</u>	<u>\$ 131,246</u>	<u>\$ 7,536,010</u>

Year Ending September 30,	Business-Type Activities		
	Certificates of Obligation		
	Principal	Interest	Total
2021	\$ 45,000	\$ 62,363	\$ 107,363
2022	45,000	60,112	105,112
2023	50,000	57,863	107,863
2024	50,000	55,362	105,362
2025	55,000	52,862	107,862
2026-2030	290,000	237,012	527,012
2031-2035	340,000	186,637	526,637
2036-2040	395,000	128,137	523,137
2041-2045	465,000	60,418	525,418
2046	100,000	3,126	103,126
Total	<u>\$ 1,835,000</u>	<u>\$ 903,892</u>	<u>\$ 2,738,892</u>

CITY OF LEON VALLEY  
BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN

Texas Municipal Retirement System

A. Plan Description

The City participates as one of 888 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](http://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.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	107
Inactive Employees Entitled to but Not Yet Receiving Benefits	74
Active Employees	115
	<hr/>
	296
	<hr/>

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 8 -- PENION PLAN (Continued)

Texas Municipal Retirement System (Continued)

C. Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during calendar year 2019. The City changed the employee contribution rate to 7% for calendar year 2019. The contribution rates for the City were 16.89% and 17.12% for calendar years 2019 and 2020 respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$1,243,211, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

E. Actuarial Assumptions

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

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

E. Actuarial Assumptions (Continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
	<u>100.00%</u>	



CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

F. 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.

G. Changes in Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 44,516,904	\$ 37,214,281	\$ 7,302,623
Changes for the year:			
Service Cost	1,260,851	-	1,260,851
Interest	2,974,542	-	2,974,542
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	696,928	-	696,928
Changes of Assumptions	97,929	-	97,929
Contributions - Employer	-	1,193,708	(1,193,708)
Contributions - Employee	-	494,728	(494,728)
Net Investment Income	-	5,749,089	(5,749,089)
Benefit Payments, Including Refunds of Employee Contributions	(2,160,070)	(2,160,070)	-
Administrative Expense	-	(32,509)	32,509
Other Changes	-	(977)	977
Net Changes	2,870,180	5,243,969	(2,373,789)
Balance at December 31, 2019	\$ 47,387,084	\$ 42,458,250	\$ 4,928,834

	2018	2019
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.60%	89.60%
Covered Payroll	\$ 6,210,153	\$ 7,067,549
Net Pension Liability as a Percentage of Covered Payroll	117.59%	69.74%

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

G. Changes in Net Pension Liability (Asset) (Continued)

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

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability	\$ 11,387,862	\$ 4,928,834	\$ (382,503)

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2020, the City recognized pension expense of \$1,647,126.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 609,685	\$ -
Changes in Actuarial Assumptions	70,108	-
Differences Between Projected and Actual Investment Earnings	-	1,306,572
Contributions Subsequent to the Measurement Date	942,732	-
	<u>\$ 1,622,525</u>	<u>\$ 1,306,572</u>

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 8 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The City reported \$942,732 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (December 31, 2019) will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended December 31,		
2020	\$	(79,183)
2021		(133,377)
2022		233,205
2023		(647,424)
Thereafter		-
	\$	<u>(626,779)</u>

NOTE 9 -- OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2019, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	84
Inactive Employees Entitled to but Not Yet Receiving Benefits	8
Active Employees	<u>115</u>
	<u>207</u>

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

For the Calendar Year Ended December 31,	Total SDBF Contribution Rate	Retiree Portion to SDBF Contribution Rate
2018	0.18%	0.06%
2019	0.18%	0.05%

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 9 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

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

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	2.75%
Administrative Expenses	All administrative expenses are paid throe the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In additional, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2019 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2018	\$ 396,977
Changes for the year:	
Service Cost	15,549
Interest	14,951
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(2,759)
Changes of Assumptions or Other Inputs	79,233
Benefit Payments	(3,534)
Net Changes	103,440
Balance at December 31, 2019	\$ 500,417

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

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 9 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

The following presents the TOL of the City, calculated using the discount rate of 3.31% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.31%) and 1-percentage point higher (4.31%) than the current rate:

	Discount Rate 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total OPEB Liability	\$ 607,403	\$ 500,417	\$ 417,933

For the year ended September 30, 2020, the City recognized OPEB expense of \$28,255. Also as of September 30, 2020, 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
Difference Between Expected and Actual Experience	\$ -	\$ 3,045
Changes in Actuarial Assumptions	60,406	-
Contributions Subsequent to the Measurement Date	3,059	-
	<u>\$ 63,465</u>	<u>\$ 3,045</u>

Deferred outflows of resources in the amount of \$3,059 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the plan year ended December 31, 2019 (fiscal year ended September 30, 2020). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended December 31,		
2020	\$	15,247
2021		15,247
2022		12,404
2023		11,949
2024		2,514
	<u>\$</u>	<u>57,361</u>

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 10 -- FUND BALANCE

As of September 30, 2020, fund balances consist of the following:

	General Fund	Debt Service	Street Maintenance Tax Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<i>Fund Balances:</i>					
Nonspendable:					
Inventory	\$ 4,434	\$ -	\$ -	\$ -	\$ 4,434
Restricted for:					
Public, Education and Governmental	256,795	-	-	-	256,795
Debt Service	-	387,926	-	-	387,926
Parks	100	-	-	-	100
Economic Development Corporation	-	-	-	-	-
Street Maintenance	-	-	1,416,767	-	1,416,767
Crime Control and Prevention District	-	-	-	225,086	225,086
Federal Police Forfeitures	-	-	-	369,624	369,624
Other:					
Park Bucks	4,229	-	-	-	4,229
Community Center	-	-	-	189,521	189,521
Grants	-	-	-	5,875	5,875
Child Safety	-	-	-	31,391	31,391
State Police Forfeiture	-	-	-	10,582	10,582
Building Security	-	-	-	21,613	21,613
Court Technology	-	-	-	22,352	22,352
Committed for Disaster Emergencies	1,000,000	-	-	-	1,000,000
Assigned for:					
Red Light Camera Traffic Safety	434,817	-	-	-	434,817
Tree Mitigation and Replacement	25,875	-	-	-	25,875
Economic Development	288,864	-	-	-	288,864
Unassigned	3,784,196	-	-	-	3,784,196
<i>Total Fund Balances</i>	<u>\$ 5,799,310</u>	<u>\$ 387,926</u>	<u>\$ 1,416,767</u>	<u>\$ 876,044</u>	<u>\$ 8,480,047</u>

NOTE 11 -- CONTINGENCIES

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

CITY OF LEON VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

NOTE 12 -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2020 were \$291,788.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

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



CITY OF LEON VALLEY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance With Final Budget - Positive (Negative)	2019 Actual
	Original	Final			
<b>REVENUES</b>					
Property Taxes	\$ 4,679,227	\$ 4,679,227	\$ 4,758,639	\$ 79,412	\$ 4,477,714
Sales Taxes	2,847,759	2,847,759	2,815,953	(31,806)	2,824,338
Franchise Taxes	926,903	926,903	809,636	(117,267)	919,205
Licenses and Permits	404,431	404,431	439,663	35,232	640,217
Charges for Service	264,000	264,000	344,500	80,500	329,283
Fines and Forfeitures	2,971,558	2,971,558	2,648,061	(323,497)	3,040,541
Grants	24,550	24,550	599,715	575,165	232,391
Investment Earnings	120,000	120,000	80,258	(39,742)	182,132
Miscellaneous	317,072	317,072	251,586	(65,486)	305,155
<b>TOTAL REVENUES</b>	<b>12,555,500</b>	<b>12,555,500</b>	<b>12,748,011</b>	<b>192,511</b>	<b>12,950,976</b>
<b>EXPENDITURES</b>					
<b>Administration:</b>					
<i>Business Office:</i>					
Personnel Services	48,788	48,788	44,896	3,892	43,221
Supplies	19,975	19,975	16,043	3,932	18,000
Contracted Services	107,942	107,942	83,623	24,319	72,193
<i>Total Business Office</i>	<u>176,705</u>	<u>176,705</u>	<u>144,562</u>	<u>32,143</u>	<u>133,414</u>
<i>Finance and Accounting:</i>					
Personnel Services	118,082	118,082	109,311	8,771	105,861
Supplies	6,640	6,640	3,814	2,826	5,600
Contracted Services	86,081	86,081	63,360	22,721	70,523
<i>Total Finance and Accounting</i>	<u>210,803</u>	<u>210,803</u>	<u>176,485</u>	<u>34,318</u>	<u>181,984</u>
<i>Council and Manager:</i>					
Personnel Services	282,589	361,227	347,686	13,541	322,393
Supplies	32,870	548,861	361,734	187,127	20,570
Contracted Services	276,442	483,892	397,762	86,130	258,356
Capital Outlay	17,055	311,828	311,526	302	-
<i>Total Council and Manager</i>	<u>608,956</u>	<u>1,705,808</u>	<u>1,418,708</u>	<u>287,100</u>	<u>601,319</u>
<b>Total Administration</b>	<b>\$ 996,464</b>	<b>\$ 2,093,316</b>	<b>\$ 1,739,755</b>	<b>\$ 353,561</b>	<b>\$ 916,717</b>

CITY OF LEON VALLEY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL  
GENERAL FUND (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		2020	Variance With	
	Original	Final	Actual	Final Budget -	2019
			Amounts	Positive	Actual
				(Negative)	
<b>Public Safety</b>					
<i>Law Enforcement Administration:</i>					
Personnel Services	\$ 2,539,652	\$ 2,539,652	\$ 2,374,920	\$ 164,732	\$ 439,403
Supplies	120,900	120,900	122,025	(1,125)	15,511
Contracted Services	115,622	115,622	118,203	(2,581)	70,994
Capital Outlay	-	-	-	-	31,621
<i>Total Law Enforcement Administration</i>	<u>2,776,174</u>	<u>2,776,174</u>	<u>2,615,148</u>	<u>161,026</u>	<u>557,529</u>
<i>Law Enforcement Traffic Safety:</i>					
Personnel Services	533,423	533,423	419,268	114,155	366,322
Supplies	33,145	33,145	62,632	(29,487)	69,120
Contracted Services	10,000	10,000	8,859	1,141	62,941
Capital Outlay	40,000	280,000	230,564	49,436	102,674
<i>Total Law Enforcement Traffic Safety</i>	<u>616,568</u>	<u>856,568</u>	<u>721,323</u>	<u>135,245</u>	<u>601,057</u>
<i>Law Enforcement Patrol:</i>					
Personnel Services	-	-	-	-	1,513,772
Supplies	-	-	-	-	68,928
Contracted Services	-	-	-	-	31,665
<i>Total Law Enforcement Patrol</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,614,365</u>
<i>Law Enforcement Investigations and Narcotics:</i>					
Personnel Services	-	-	-	-	429,819
Supplies	-	-	-	-	4,371
Contracted Services	-	-	-	-	16,427
<i>Total Law Enforcement Investigations and Narcotics</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,617</u>
<i>Law Enforcement Red Light Camera:</i>					
Personnel Services	554,581	554,581	515,732	38,849	483,982
Supplies	5,500	5,500	5,110	390	8,574
Contracted Services	846,783	846,783	846,140	643	731,418
Capital Outlay	-	-	-	-	-
<i>Total Law Enforcement Red Light Cameras</i>	<u>\$ 1,406,864</u>	<u>\$ 1,406,864</u>	<u>\$ 1,366,982</u>	<u>\$ 39,882</u>	<u>\$ 1,223,974</u>
<i>Impound Lot:</i>					
Personnel Services	151,381	151,381	149,923	1,458	-
Supplies	5,800	5,800	5,472	328	-
Contracted Services	13,500	13,500	8,960	4,540	-
Capital Outlay	-	-	-	-	-
<i>Total Impound Lot Light Cameras</i>	<u>\$ 170,681</u>	<u>\$ 170,681</u>	<u>\$ 164,355</u>	<u>\$ 6,326</u>	<u>\$ -</u>

CITY OF LEON VALLEY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL  
GENERAL FUND (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance With Final Budget - Positive (Negative)	2019 Actual
	Original	Final			
<b>Public Safety (Cont.)</b>					
<i>Fire Protection Administration:</i>					
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ 411,316
Supplies	-	-	-	-	9,472
Contracted Services	-	-	-	-	33,980
<i>Total Fire Protection Administration</i>	-	-	-	-	454,768
<i>Fire Protection Operations:</i>					
Personnel Services	2,861,667	2,861,667	2,689,677	171,990	2,041,483
Supplies	128,664	224,914	275,180	(50,266)	61,189
Contracted Services	184,755	184,755	214,224	(29,469)	161,599
Capital Outlay	282,600	592,600	262,277	330,323	61,771
<i>Total Fire Protection Operations</i>	3,457,686	3,863,936	3,441,358	422,578	2,326,042
<i>Emergency Medical Services:</i>					
Supplies	-	-	-	-	70,157
Contracted Services	-	-	-	-	59,437
Capital Outlay	-	-	-	-	24,358
<i>Total Emergency Medical Services</i>	-	-	-	-	153,952
<b>Total Public Safety</b>	8,427,973	9,074,223	8,309,166	765,057	7,382,304
<b>Public Works:</b>					
Personnel Services	862,673	862,673	827,249	35,424	790,544
Supplies	182,000	182,000	189,654	(7,654)	235,847
Contracted Services	340,376	340,376	220,924	119,452	323,295
Capital Outlay	98,500	302,130	324,098	(21,968)	251,055
<b>Total Public Works</b>	1,483,549	1,687,179	1,561,925	125,254	1,600,741
<b>Parks and Recreation:</b>					
Personnel Services	83,271	83,271	75,694	7,577	57,631
Supplies	52,000	52,000	56,033	(4,033)	37,844
Contracted Services	436,760	436,760	156,508	280,252	185,912
Capital Outlay	275,000	275,000	194,738	80,262	196,855
<b>Total Parks and Recreation</b>	\$ 847,031	\$ 847,031	\$ 482,973	\$ 364,058	\$ 478,242

CITY OF LEON VALLEY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL  
GENERAL FUND (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		2020	Variance With	
	Original	Final	Actual	Final Budget -	2019
			Amounts	Positive	Actual
				(Negative)	
<b>Library:</b>					
Personnel Services	\$ 378,883	\$ 378,883	\$ 330,058	48,825	\$ 332,481
Supplies	36,600	53,100	32,117	20,983	42,674
Contracted Services	40,476	40,476	35,694	4,782	32,731
Capital Outlay	-	-	-	-	-
<b>Total Library</b>	<b>455,959</b>	<b>472,459</b>	<b>397,869</b>	<b>74,590</b>	<b>407,886</b>
<b>Development Activities:</b>					
<i>Community Development/ Events:</i>					
Personnel Services	368,104	368,104	311,670	56,434	319,921
Supplies	10,800	10,800	9,946	854	11,647
Contracted Services	216,532	216,532	165,779	50,753	183,460
Capital Outlay	12,500	12,500	-	12,500	-
<i>Total Community Development/ Events</i>	<i>607,936</i>	<i>607,936</i>	<i>487,395</i>	<i>120,541</i>	<i>515,028</i>
<i>Special Events:</i>					
Personnel Services	22,254	22,254	5,525	16,729	17,508
Supplies	106,750	109,826	27,781	82,045	82,547
<i>Total Special Events</i>	<i>129,004</i>	<i>132,080</i>	<i>33,306</i>	<i>98,774</i>	<i>100,055</i>
<i>Economic Development:</i>					
Personnel Services	136,868	136,868	129,227	7,641	102,487
Supplies	11,220	11,220	5,846	5,374	4,073
Contracted Services	163,291	667,836	75,069	592,767	30,450
<i>Total Economic Development</i>	<i>311,379</i>	<i>815,924</i>	<i>210,142</i>	<i>605,782</i>	<i>137,010</i>
<b>Total Development Activities</b>	<b>1,048,319</b>	<b>1,555,940</b>	<b>730,843</b>	<b>825,097</b>	<b>752,093</b>
<b>Total Expenditures</b>	<b>13,259,295</b>	<b>15,730,148</b>	<b>13,222,531</b>	<b>2,507,617</b>	<b>11,537,983</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over (Under) Expenditures</b>	<b>\$ (703,795)</b>	<b>\$ (3,174,648)</b>	<b>\$ (474,520)</b>	<b>\$ 2,700,128</b>	<b>\$ 1,412,993</b>

CITY OF LEON VALLEY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL  
GENERAL FUND (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		2020	Variance With	
	Original	Final	Actual	Final Budget -	2019
			Amounts	Positive	Actual
				(Negative)	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	\$ -	\$ -	\$ (492,722)	\$ (492,722)	\$ -
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(492,722)</b>	<b>(492,722)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(703,795)</b>	<b>(3,174,648)</b>	<b>(967,242)</b>	<b>2,207,406</b>	<b>1,412,993</b>
<b>Fund Balances, Beginning</b>	<b>6,766,552</b>	<b>6,766,552</b>	<b>6,766,552</b>	<b>-</b>	<b>5,353,559</b>
<b>Fund Balances, Ending</b>	<b>\$ 6,062,757</b>	<b>\$ 3,591,904</b>	<b>\$ 5,799,310</b>	<b>\$ 2,207,406</b>	<b>\$ 6,766,552</b>

CITY OF LEON VALLEY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL  
STREET MAINTENANCE TAX FUND  
YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance With Final Budget - Positive (Negative)	2019 Actual
	Original	Final			
<b>REVENUES</b>					
Sales Taxes	\$ 625,750	\$ 625,750	\$ 619,628	\$ (6,122)	\$ 620,103
Investment Earnings	25,000	25,000	9,918	(15,082)	35,510
<b>TOTAL REVENUES</b>	<u>650,750</u>	<u>650,750</u>	<u>629,546</u>	<u>(21,204)</u>	<u>655,613</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
Public Works	1,900,903	1,900,903	455,191	1,445,712	1,212,604
<b>TOTAL EXPENDITURES</b>	<u>1,900,903</u>	<u>1,900,903</u>	<u>455,191</u>	<u>1,445,712</u>	<u>1,212,604</u>
<b>Net Change in Fund Balance</b>	(1,250,153)	(1,250,153)	174,355	(1,424,508)	(556,991)
<b>FUND BALANCE - BEGINNING</b>	<u>1,242,412</u>	<u>1,242,412</u>	<u>1,242,412</u>	<u>-</u>	<u>1,799,403</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ (7,741)</u>	<u>\$ (7,741)</u>	<u>\$ 1,416,767</u>	<u>\$ (1,424,508)</u>	<u>\$ 1,242,412</u>

CITY OF LEON VALLEY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2020

**Budgetary Information** – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriation budget approved by the City Council and as such is a good management control device. Annual budgets are adopted for the general fund, water and wastewater fund, grant fund, building security fund, child safety fund, municipal court technology fund, debt service fund, police forfeiture fund, crime control and prevention district fund, community center fund and street maintenance tax fund. Project-length financial plans are adopted for capital project funds. Of these budgets, the general fund, street maintenance tax fund, community center fund, grants fund, crime control preventions fund, child safety fund, state forfeiture fund, federal forfeiture fund, building security fund, court technology fund, and debt service fund are legally adopted.

Budgetary preparation and control is exercised at the fund level. The city manager is authorized to transfer budget amounts between accounts within a department. These transfers cannot increase the overall budgeted expenditures.

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

	Total Pension Liability					
	2014	2015	2016	2017	2018	2019
Service Cost	\$ 645,011	\$ 761,483	\$ 747,641	\$ 842,875	\$ 1,107,270	\$ 1,260,851
Interest (on the Total Pension Liability)	2,491,971	2,548,566	2,513,302	2,599,775	2,833,754	2,974,542
Changes of Benefit Terms	-	-	-	-	1,757,255	-
Difference between Expected and Actual Experience	(806,336)	(863,803)	109,583	194,960	121,392	696,928
Change of Assumptions	-	149,794	-	-	-	97,929
Benefit Payments, Including Refunds of Employee Contributions	(1,734,074)	(1,426,682)	(2,099,537)	(2,174,580)	(1,946,832)	(2,160,070)
Net Change in Total Pension Liability	596,572	1,169,358	1,270,989	1,463,030	3,872,839	2,870,180
Total Pension Liability - Beginning	36,144,116	36,740,688	37,910,046	39,181,035	40,644,065	44,516,904
Total Pension Liability - Ending	<u>\$ 36,740,688</u>	<u>\$ 37,910,046</u>	<u>\$ 39,181,035</u>	<u>\$ 40,644,065</u>	<u>\$ 44,516,904</u>	<u>\$ 47,387,084</u>
	Plan Fiduciary Net Position					
	2014	2015	2016	2017	2018	2019
Contributions - Employer	\$ 769,208	\$ 813,946	\$ 702,892	\$ 735,312	\$ 821,094	\$ 1,193,707
Contributions - Employee	282,279	311,658	301,671	341,475	372,609	494,728
Net Investment Income	1,903,667	50,874	2,310,877	4,903,405	(1,172,483)	5,749,089
Benefit Payments, Including Refunds of Employee Contributions	(1,734,074)	(1,426,682)	(2,099,537)	(2,174,580)	(1,946,832)	(2,160,070)
Administrative Expense	(19,877)	(30,989)	(26,101)	(25,416)	(22,673)	(32,509)
Other	(1,634)	(1,531)	(1,406)	(1,286)	(1,185)	(977)
Net Change in Plan Fiduciary Net Position	1,199,569	(282,724)	1,188,396	3,778,910	(1,949,470)	5,243,968
Plan Fiduciary Net Position - Beginning	33,279,600	34,479,169	34,196,445	35,384,841	39,163,751	37,214,281
Plan Fiduciary Net Position - Ending	<u>\$ 34,479,169</u>	<u>\$ 34,196,445</u>	<u>\$ 35,384,841</u>	<u>\$ 39,163,751</u>	<u>\$ 37,214,281</u>	<u>\$ 42,458,249</u>
Net Pension Liability - Ending	\$ 2,261,519	\$ 3,713,601	\$ 3,796,194	\$ 1,480,314	\$ 7,302,623	\$ 4,928,835
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.84%	90.20%	90.31%	96.36%	83.60%	89.60%
Covered Payroll	\$ 4,704,649	\$ 5,194,294	\$ 5,027,846	\$ 5,691,256	\$ 6,210,153	\$ 7,067,549
Net Pension Liability as a Percentage of Covered Payroll	48.07%	71.49%	75.50%	26.01%	117.59%	69.74%

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



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

	Fiscal Year		
	2015	2016	2017
Actuarially Determined Contribution	\$ 779,557	\$ 738,640	\$ 735,472
Contributions in Relation to the Actuarially			
Determined Contribution	779,557	738,640	735,472
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,923,162	\$ 5,036,278	\$ 5,492,470
Contributions as a Percentage of Covered			
Payroll	15.83%	14.67%	13.39%
	2018	2019	2020
Actuarially Determined Contribution	\$ 830,183	1,108,962	1,243,211
Contributions in Relation to the Actuarially			
Determined Contribution	830,183	1,108,962	1,243,211
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 6,231,160	\$ 6,920,380	\$ 7,285,644
Contributions as a Percentage of Covered			
Payroll	13.32%	16.02%	17.06%

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

CITY OF LEON VALLEY  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO SCHEDULE OF CONTRIBUTIONS

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.  Pre-retirement: PUB (10) mortality tables, with the public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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

	Total OPEB Liability		
	2017	2018	2019
Service Cost	\$ 11,383	\$ 14,283	\$ 15,549
Interest on Total OPEB Liability	13,335	13,517	14,951
Changes of Benefit Terms	-	-	
Difference between Expected and Actual Experience	-	(1,286)	(2,759)
Change of Assumptions or Other Inputs	32,701	(28,902)	79,233
Benefit Payments	(2,846)	(3,726)	(3,534)
Net Change in Total OPEB Liability	54,573	(6,114)	103,440
Total OPEB Liability - Beginning	348,518	403,091	396,977
Total OPEB Liability - Ending	<u>\$ 403,091</u>	<u>\$ 396,977</u>	<u>\$ 500,417</u>
Covered Payroll	\$ 5,691,256	\$ 6,210,153	\$ 7,067,549
Total OPEB Liability as a Percentage of Covered Payroll	7.08%	6.39%	7.08%

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

NOTES TO SCHEDULE OF CHANGES

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

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## **APPENDIX C**

### **FORM OF BOND COUNSEL'S OPINION**

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**May 13, 2021**

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**FINAL**

IN REGARD to the authorization and issuance of the “City of Leon Valley, Texas General Obligation Refunding Bonds, Series 2021” (the *Bonds*), dated May 1, 2021, in the aggregate principal amount of \$5,775,000. We have reviewed the legality and validity of the issuance thereof by the City Council of the City of Leon Valley, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 1 in each of the years 2021 through 2032, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

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

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Bonds, including the Ordinance and the Escrow Deposit Letter (the *Escrow Agreement*) between the Issuer and UMB Bank, N.A., Austin, Texas (the *Escrow Agent*); (2) the certification (the *Sufficiency Certificate*) by Hilltop Securities Inc., as Financial Advisor to the Issuer, concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bonds executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of

**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF LEON VALLEY, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021”**

all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the ordinances authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer.

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

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial



**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF LEON VALLEY, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021”**

institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Norton Rose Fulbright US LLP

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## **APPENDIX D**

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

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## BOOK-ENTRY-ONLY SYSTEM

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

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities Bonds. 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 S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to one or both series of the Bonds at any time by giving reasonable notice to the City or the respective Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

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

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

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

The City takes no responsibility for the accuracy of such DTC information.

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



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