(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

OFFICIAL STATEMENT

Dated June 3, 2021

Ratings:
S&P (Insured): "AA"
Moody's (Insured): "A2"
(See "BOND INSURANCE" AND "OTHER INFORMATION - Ratings" herein)
Moody's (unenhanced): "A1"

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

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

$2,740,000
CITY OF CLEVELAND, TEXAS
(Liberty and Montgomery Counties)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

Dated Date: July 1, 2021
Interest Accrual Date: Delivery Date **Due: March 1 as shown on page 2 hereof**

PAYMENT TERMS . . . Interest on the $2,740,000 City of Cleveland, Texas, General Obligation Refunding Bonds, Series 2021 (the "Bonds") will accrue from the date of initial delivery to the purchaser thereof described below (the "Delivery Date") and will be payable March 1 and September 1 of each year commencing March 1, 2022, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described 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 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 "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE 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 Chapter 1207, as amended, and an ordinance of the City authorizing the issuance of the Bonds (the "Bond Ordinance"), which delegated to certain officials of the City the authority to approve the sale of the Bonds through the execution of a pricing certificate (the "Pricing Certificate" and, together with the Bond Ordinance, the "Ordinance") (see "THE BONDS – AUTHORITY FOR ISSUANCE OF THE BONDS"). The Bonds constitute direct obligations of the City, payable from the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City (see "THE BONDS – SECURITY AND SOURCE OF PAYMENT FOR THE BONDS").

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund a portion of the City's outstanding obligations described on Schedule I attached hereto (the "Refunded Obligations") in order to achieve debt service savings; and, (ii) to pay the costs of issuance associated with the Bonds.

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

MATURITY SCHEDULE
See page 2

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

MANDATORY SINKING FUND REDEMPTION . . . In addition, the Bonds maturing March 1, 2033 (the "Term Bonds") are also subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "THE BONDS – MANDATORY SINKING FUND REDEMPTION")

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel (see APPENDIX C -"FORM OF BOND COUNSEL'S OPINION").

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on or about July 1, 2021.

$2,740,000
CITY OF CLEVELAND, TEXAS
(Liberty and Montgomery Counties)
GENERAL OBLIGATION REFUNDING, SERIES 2021

MATURITY SCHEDULE **CUSIP PREFIX: 521769 (2)**

Maturity March 1(1)	Principal	Rate	Price or Yield(2)	CUSIP (3)
2022	$ 195,000	4.000%	0.200%	186594MQ7
2023	215,000	4.000%	0.300%	186594MR5
2024	220,000	4.000%	0.450%	186594MS3
2025	230,000	4.000%	0.600%	186594MT1
2026	235,000	4.000%	0.750%	186594MU8
2027	250,000	4.000%	0.900%	186594MV6
2028	265,000	4.000%	1.000%	186594MW4
2029	270,000	3.000%	1.100%	186594MX2
2030	280,000	3.000%	1.200%	186594MY0

$580,000 2.000% Term Bond Due March 1, 2033(1)(4) Priced To Yield 1.500%(2) - CUSIP # 186594NB9(3)

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

(2) The initial price or yield is furnished by the Initial Purchaser and represents the initial offering price or yield to the public, which may be changed by the Initial Purchaser at any time. Initial yields on premium Bonds are calculated to the earlier of maturity of the first optional call dates.

(3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(4) The Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as described herein (see "THE BONDS – MANDATORY SINKING FUND REDEMPTION").

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix D - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

This Official Statement, which includes the cover page, inside cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

None of the City, the Financial Advisor, Bond Counsel or the Initial Purchaser make any representation or warranty with respect to the information contained in the Official Statement regarding the Depository Trust Company ("DTC") or its Book-Entry-Only System as described under "THE BONDS- BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder 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 HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

This Official Statement contains "Forward-Looking" statements.. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Initial Purchasers after such Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

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 final official statement for any purpose.

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TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Cleveland, Texas, is a political subdivision and municipal corporation of the State, located in Liberty County and Montgomery County, Texas. The City covers approximately 4.81 square miles (see "INTRODUCTION - DESCRIPTION OF CITY").

THE BONDS .... The Bonds are issued as $2,740,000 General Obligation Refunding Bonds, Series 2021. The Bonds are issued as serial bonds maturing March 1, 2022, through and including March 1, 2030, and as term bonds maturing March 1, 2033 (the "Term Bonds") and in the amounts shown on the inside cover page hereof. (see "THE BONDS -DESCRIPTION OF THE BONDS" and "MANDATORY SINKING FUND REDEMPTION").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Delivery Date, and is payable March 1, 2022, and each March 1 and September 1 thereafter until maturity or prior redemption (see "THE BONDS - DESCRIPTION OF THE BONDS").

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, and an ordinance adopted by the governing body of the City, which delegated to certain officials of the City the authority to complete the sale of the Bonds through the execution of a pricing certificate (the ordinance and the pricing certificate are collectively referred to as the "Ordinance") (see "The BONDS – AUTHORITY FOR ISSUANCE OF THE BONDS").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from an annual, continuing ad valorem tax levied, within the limit prescribed by law, on all taxable property located within the City (see "THE BONDS – SECURITY AND SOURCE OF PAYMENT" and "AD VALOREM PROPERTY TAXATION – PUBLIC HEARING AND TAX RATE LIMITATIONS").

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2031 in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2030, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION"). Additionally, the Term Bonds are subject to mandatory sinking fund redemption as provided herein (SEE "THE BONDS – MANDATORY SINKING FUND REDEMPTION").

TAX EXEMPTION .... In the opinion of Bond Counsel, under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds".

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City has designated the Bonds as "qualified tax-exempt obligations" for financial institutions (see "TAX MATTERS – PURCHASE OF TAX-EXEMPT OBLIGATION BY FINANCIAL INSTITUTIONS")

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used (i) to refund a portion of the City's outstanding obligations described on Schedule I attached hereto (the "Refunded Obligations") in order to achieve debt service savings; and, (ii) to pay the costs of issuance associated with the Bonds.

MUNICIPAL BOND INSURANCE AND RATINGS .... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc ("Moody's"), assigned their municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). Moody's assigned an unenhanced municipal bond rating of "A1" to this issue of Bonds. An explanation of the ratings may be obtained from Moody's. See "BOND INSURANCE," "MUNICIPAL BOND RATING" and "APPENDIX D."

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 "THE BONDS - BOOK-ENTRY-ONLY SYSTEM").

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

LEGALITY.................................... The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Bracewell LLP, Houston, Texas, Bond Counsel. The form of the legal opinion of Bond Counsel appears in APPENDIX C.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population(1)	Taxable Assessed Valuation(2)	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt(3)	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Percent Of Total Tax Collections
2017	7,904	$ 321,583,467	$ 40,686	$ 16,190,000	$ 2,048	5.03%	97.19%
2018	7,998	346,639,258	43,341	14,810,000	$ 1,852	4.27%	103.55%
2019	8,061	362,544,760	44,975	13,055,000	$ 1,620	3.60%	98.76%
2020	8,396	389,001,029	46,332	11,675,000	$ 1,391	3.00%	97.30%
2021	8,560	440,833,190	51,499	17,960,000 (4)	$ 2,098	4.07%	93.49% (5)

(1) City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020. The Fiscal Year 2021 number is a City Estimate.
(2) As reported by the Liberty Central Appraisal District and Montgomery County Central Appraisal District, subject to change during the ensuing year.
(3) Includes self-supporting debt. The revenue available to support general obligation debt is shown in "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT." It is the City's current policy to provide these payments from respective system revenues or payments from the Cleveland Economic Development Corporation; this policy is subject to change in the future.
(4) Excludes Refunded Bonds.
(5) Collections through April 30, 2021.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
Beginning Balance	$ 6,362,501	$ 5,906,411	$ 4,108,414	$ 4,412,247	$ 3,455,342
Total Revenue	8,116,750	8,331,643	7,274,086	6,323,726	8,098,763
Total Expenditures	(8,063,850)	(7,113,517)	(6,179,341)	(7,090,215)	(8,111,759)
Other Financing Sources (Uses)	44,025	(762,036)	703,252	462,656	729,067
Prior Period Adjustment	-	-	-	-	240,834
Ending Balance	$ 6,459,426	$ 6,362,501	$ 5,906,411	$ 4,108,414	$ 4,412,247

For additional information regarding the City, please contact:

Mr. Bobby Pennington
City Manager
City of Cleveland
907 E. Houston Street
Cleveland, Texas 77327
(281) 592-2667

or

Mr. Joe Morrow
Managing Director
Hilltop Securities Inc.
700 Milam Street, Suite 500
Houston, Texas 77002
(713) 654-8690

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council Position	Position	Term Expires	Occupation
Richard Boyett	Mayor	May 2023	Retired
Danny Lee	Mayor Pro Tem/Council Position 5	May 2022	Retired
Carolyn McWaters	Council Position 1	May 2023	Retired
Marilyn Clay	Council Position 2	May 2023	Retired
James Franklin	Council Position 3	May 2022	Surgical Tech
Delores Terry	Council Position 4	May 2022	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City
Robert Pennington	City Manager	7 Years
Angela Smith	City Secretary	10 Years
Leslie Herrera	Interim Director of Finance	1 Month
Kevin Pippin	Interim Public Works Director	6 Years
Darrel Broussard	Police Chief	33 Years
David Olson	City Attorney	23 Years

CONSULTANTS AND ADVISORS

Auditors .... Brooks Watson & Co., PLLC
Houston, Texas

Bond Counsel .... Bracewell LLP
Houston, Texas

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

OFFICIAL STATEMENT

RELATING TO
$2,740,000
CITY OF CLEVELAND, TEXAS
(Liberty and Montgomery Counties)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $2,740,000 City of Cleveland, Texas (the "City"), General Obligation Refunding Bonds, Series 2021 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance of the City authorizing the issuance of the Bonds (the "Bond Ordinance"), which delegated to certain officials of the City the authority to approve the sale of the Bonds through the execution of a pricing certificate (the "Pricing Certificate" and, together with the Bond Ordinance, the "Ordinance").

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 the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION - FORWARD-LOOKING STATEMENTS").

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

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's home rule charter. The City was incorporated in 1935, and first adopted its home rule charter in 1981. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety, streets, water and sanitary sewer utilities, recreation, public improvements, planning and zoning, and general administrative services. The estimated 2021 population for the City is 8,560. The City covers approximately 4.81 square miles.

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds are dated July 1, 2021, and interest will accrue from the date of initial delivery and will mature on March 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1, commencing March 1, 2022. 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 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 "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein).

PURPOSE

Proceeds from the sale of the Bonds will be used (i) to refund a portion of the City's outstanding obligations described in Schedule I attached hereto (the "Refunded Obligations") in order to achieve debt service savings, and (ii) to pay the costs of issuance associated with the Bonds.

REFUNDED OBLIGATIONS

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

The 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 to accomplish the discharge and final payment of the Refunded Obligations. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund"), containing sufficient funds to accomplish the discharge and final payment of the Refunded Obligations. The funds held by the Escrow Agent in the Escrow Fund will be used to purchase a portfolio of securities authorized under Section 1207.062, Texas Government Code (the "Escrowed Securities").

Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest of the Refunded Obligations.

SOURCES AND USES OF PROCEEDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds		
Par Amount		$ 2,740,000.00
Premium		298,418.10
City Contribution		47,355.00
Total Sources		$ 3,085,773.10
Uses of Funds		
Deposit to Escrow Fund		$ 2,995,243.19
Costs of Issuance(1)		68,139.29
Underwriter's Discount		22,390.62
	Total :	$ 3,085,773.10

(1) Includes legal fees of the City, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, the paying agent/registrar for the Refunded Obligations and the Escrow Agent, contingency and other costs of issuance.

AUTHORITY FOR ISSUANCE

The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT

The principal and interest on the Bonds are payable from a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City. (see "TAX INFORMATION – TAX RATE LIMITATIONS")

PAYMENT RECORD

The City has never defaulted in payment of its general obligation tax debt.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2031, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on March 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 are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof (or mandatory sinking fund payment with respect to Term Bonds (as defined below), if any) to be redeemed and shall direct the Paying Agent/Registrar to call by lot, or other customary method that results in random selection, the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts for redemption. If the Bonds (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.

MANDATORY SINKING FUND REDEMPTION

The Bonds maturing on March 1, 2033, (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity on March 1 in each of the years and respective principal amounts set forth below at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption:

Term Bonds Due March 1, 2033	
Redemption Date	Principal Amount
3/1/2031	$285,000
3/1/2032	145,000
3/1/2033*	150,000
	$580,000

*Maturity

Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption.

The principal amount of Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION

Not less than thirty (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 the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right, in the case of a redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificate that is subject to conditional redemption and such redemption has been rescinded shall remain outstanding.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificate, will send any notice of redemption or other notices with respect to the Certificate 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 Certificate called for redemption or any other action premised on any such notice. Redemption of portions of the Certificate by the City will reduce the outstanding principal amount of such Certificate held by DTC.

In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificate 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 Certificate from the beneficial owners.

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 Certificate or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificate for redemption (see "THE BONDS – BOOK-ENTRY-ONLY SYSTEM").

DEFEASANCE

The City reserves the right to defease the Bonds in any manner now or hereafter allowed by law.

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 believes the source of such information to be reliable but takes 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds 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 will 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 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 Initial Purchaser.

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 Ordinances and summarized under "THE BONDS – TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City also 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, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION

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 principal payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "-BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the Holders and thereafter, 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.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the fifteenth (15^{th}) day of the preceding month.

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

Bond Holders' Remedies

The Ordinance does not provide for the appointment of a trustee to represent the interests of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, the Ordinance does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. A registered owner of the Bonds could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Bond; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Ordinance. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the City's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the City was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bond holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce 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, including rights afforded to creditors under the Bankruptcy Code.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

ASSURED GUARANTY MUNICIPAL CORP.

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

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

Current Financial Strength Ratings

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At March 31, 2021:

- The policyholders' surplus of AGM was approximately $2,805 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $959 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,121 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Merger of MAC into AGM

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021).

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

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

Miscellaneous Matters

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

TAX INFORMATION

AD VALOREM TAX LAW

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. Reference is made to 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 Liberty County Central Appraisal District and the Montgomery Central Appraisal District (collectively the "Appraisal District"). Except as 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, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three 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 (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. 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 ("Productivity Value"). 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, whose members are appointed by the Board of Directors of the Appraisal District. Such 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.

Issuer and Taxpayer Remedies . . . Under certain circumstances, the City and its taxpayers 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 of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of the Appraisal District directly to a three-member special panel of the Appraisal Review Board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "– PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS." The Property Tax Code also establishes a procedure for 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.

State Mandated Homestead Exemptions for Veterans . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for the reduction in taxable valuation attributable to exemptions for veterans.

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 market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the exemption and at what percentage. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

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 Exemptions . . . Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit during the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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

Temporary Exemption for Qualified Property Damaged by a Disaster . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

Tax Increment Financing Zones . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects within the TIRZ. 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 "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within or benefitting the TIRZ and are not available for the payment of other obligations of such taxing units.

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

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

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS

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

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

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

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

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

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

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

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

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

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

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

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

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

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

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

TAX RATE LIMITATION

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

PROPERTY ASSESSMENT AND TAX PAYMENT

Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year and become delinquent on February 15 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 15 of each year and the final installment due on August 1.

PENALTIES AND INTEREST

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the cumulative penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action 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.

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. 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 the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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.

CITY APPLICATION OF TAX CODE

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

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

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

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

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. The Liberty County Tax Assessor/Collector 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 collect the additional one-half cent sales tax for reduction of ad valorem taxes.

380 AGREEMENTS

On November 17, 2016, the City entered into a Chapter 380 Economic Development Agreement with McKinley Development Company, Inc. in order to encourage the development of an approximately 122-acre tract within the City for industrial purposes. The City will provide annual payments from any lawfully available source to reimburse the developer of the tract for the construction of infrastructure to support the development. Payments under the 380 agreement will be calculated based on the additional ad valorem tax revenues attributable to the increased assessed valuation from development on the property. The maximum total payments to be made by the City during the term of the agreement shall not exceed $5,772,900. The agreement terminates upon the developer’s receipt of the total payment amount or the expiration of the 20-year term of the agreement, whichever occurs first. Ad valorem taxes are not pledged to such payment. In no event is the agreement to be construed or interpreted as pledging or otherwise encumbering the ad valorem tax receipts of the City or to in any manner require the City to issue bonds or other ad valorem tax supported indebtedness in order to make the payments required by the agreement.

TAX INCREMENT FINANCING ZONE

On June 20, 2017, the City created Reinvestment Zone Number One (the "Zone") with a base year of January 1, 2017 and encompassing 615 acres. Tax increments generated within the zone will be used for capital improvements including water, sewer, drainage, floodplain mitigation, water reuse system, elevated water tank and road infrastructure. Estimated project costs are $54,300,213. The City will make annual deposits to the Zone in an amount not to exceed 60% of the City’s tax rate multiplied by the captured appraised value of the Zone. The term of the Zone shall expire on December 31, 2042, unless otherwise terminated earlier in accordance with the zone creation ordinance and the development agreement. The City shall have the right to terminate the Zone prior to expiration of its stated term if all financial obligations have been paid in full.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2020/2021 Appraised Valuation Established by Liberty County Central Appraisal District and Montgomery Central Appraisal District		$ 537,764,136
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemption	$ 5,091,985	
Over 65 or Disabled	4,160,440	
Disabled Veterans	4,097,289	
Productivity Loss	32,488,783	
Cap Loss	4,633,608	
Tax Exempt Property	46,458,841	96,930,946
2020/2021 Taxable Assessed Valuation		$ 440,833,190
General Obligation Debt Payable from Ad Valorem Taxes (as of 4/1/2021)		
Outstanding Certificates of Obligation	$ 15,570,000 (1)	
Plus: The Bonds	2,740,000	$ 18,310,000 (1)
Less: Self-Supporting Debt Service (as of 4/1/2021)		$ 8,240,000
Less: General Obligation Interest and Sinking Fund Balance as of 3/1/2021		674,878
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 9,395,122
Ratio Net General Obligation Debt to Taxable Assessed Valuation		2.13%

2021 Estimated Population - 8,560
Per Capita Taxable Assessed Valuation - $51,499
Per Capita Funded Debt - $1,098

(1) Excludes the Refunded Obligations.

TABLE 2 - ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value, Fiscal Year Ending September 30					
	2021		2020		2019	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 197,358,429	36.70%	$ 170,536,919	36.08%	$ 154,120,199	35.19%
Real, Residential, Multi-Family	21,233,361	3.95%	19,953,512	4.22%	18,359,328	4.19%
Real, Vacant Lots/Tracts	30,346,756	5.64%	20,860,044	4.41%	18,870,932	4.31%
Real, Acreage (Land Only)	46,626,540	8.67%	35,813,836	7.58%	31,551,591	7.20%
Real Farm and Ranch Improvements	3,521,820	0.65%	2,488,540	0.53%	941,890	0.22%
Real, Commercial	149,690,999	27.84%	138,362,801	29.27%	132,225,448	30.19%
Real, Industrial	1,138,171	0.21%	831,834	0.18%	1,047,917	0.24%
Oil and Gas	15,760	0.00%	19,540	0.00%	15,760	0.00%
Real and Tangible Personal, Utilities	16,466,160	3.06%	16,049,290	3.40%	15,021,584	3.43%
Tangible Personal, Commercial	52,445,830	9.75%	49,793,560	10.53%	50,223,510	11.47%
Tangible Personal, Industrial	5,417,720	1.01%	5,162,576	1.09%	3,457,200	0.79%
Tangible Personal, Mobile Home	7,320,660	1.36%	6,467,810	1.37%	5,609,210	1.28%
Real Property & Special Inventory	6,181,930	1.15%	6,374,280	1.35%	6,557,160	1.50%
Totally Exempt Property	-	0.00%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 537,764,136	100.00%	$ 472,714,542	100.00%	$ 438,001,729	100.00%
Less: Total Exemptions/Reductions	96,930,946		83,713,513		75,456,969	
Taxable Assessed Value	$ 440,833,190		$ 389,001,029		$ 362,544,760	

	Taxable Appraised Value, Fiscal Year Ending September 30			
	2018		2017	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 145,542,043	35.39%	$ 138,469,011	35.94%
Real, Residential, Multi-Family	17,342,319	4.22%	15,851,353	4.11%
Real, Vacant Lots/Tracts	15,453,842	3.76%	14,162,224	3.68%
Real, Acreage (Land Only)	25,899,738	6.30%	20,021,485	5.20%
Real Farm and Ranch Improvements	31,200	0.01%	48,110	0.01%
Real, Commercial	124,493,653	30.27%	119,636,056	31.05%
Real, Industrial	1,075,811	0.26%	507,798	0.13%
Oil and Gas	15,760	0.00%	-	0.00%
Real and Tangible Personal, Utilities	15,720,874	3.82%	14,055,734	3.65%
Tangible Personal, Commercial	49,735,660	12.09%	47,049,430	12.21%
Tangible Personal, Industrial	4,341,210	1.06%	4,344,380	1.13%
Tangible Personal, Mobile Home	5,201,500	1.26%	5,357,240	1.39%
Real Property & Special Inventory	6,393,280	1.55%	5,802,260	1.51%
Totally Exempt Property	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 411,246,890	100.00%	$ 385,305,081	100.00%
Less: Total Exemptions/Reductions	64,607,632		63,721,614	
Taxable Assessed Value	$ 346,639,258		$ 321,583,467	

NOTE: Valuations shown are certified taxable assessed values reported by the Liberty Central Appraisal District and Montgomery County Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change over time as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population(1)	Taxable Assessed Valuation(2)	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year(3)	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2017	7,904	$ 321,583,467	$ 40,686	$16,190,000	5.03%	$ 2,048
2018	7,998	346,639,258	43,341	14,810,000	4.27%	1,852
2019	8,061	362,544,760	44,975	13,055,000	3.60%	1,620
2020	8,396	389,001,029	46,332	11,675,000	3.00%	1,391
2021	8,560	440,833,190	51,499	17,960,000 (4)	4.07%	2,098

(1) City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020. The Fiscal Year 2021 number is a City estimate.
(2) As reported by the Liberty Central Appraisal District and Montgomery County Central Appraisal District on City's annual Report of Property Value; subject to change during the ensuing year.
(3) Includes self-supporting debt. The revenue available to support general obligation debt is shown in "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT." It is the City's current policy to provide these payments from respective system revenues or payments from the Cleveland Economic Development Corporation; this policy is subject to change in the future.
(4) Excludes 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	$ 0.7700	$ 0.5657	$ 0.2043	$ 2,681,478	93.28%	97.19%
2018	0.7700	0.5357	0.2343	2,828,823	95.28%	103.55%
2019	0.7700	0.5445	0.2255	3,005,229	95.09%	98.76%
2020	0.7700	0.5581	0.2119	3,331,857	95.14%	97.30%
2021	0.7600	0.5028	0.2572	3,554,626	91.99% (1)	93.49% (1)

(1) Collections through April 30, 2021.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2020/2021 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
McKinley Development Co Inc	Developer	$ 18,775,770	4.26%
Entergy Texas, Inc.	Energy Provider	8,715,150	1.98%
Walmart Real Estate	Real Estate	8,677,800	1.97%
Walmart Stores of Texas, LLC	Retail	5,718,910	1.30%
Cish Acquisition	Real Estate	4,633,710	1.05%
Cleveland Auto Properties	Auto	3,984,980	0.90%
TSM Investments LLC	Real Estate	3,658,200	0.83%
Love's Travel Stops and Country Stores Inc	Convenience Store	3,560,680	0.81%
Orange Marketplace LP	Mall	3,555,960	0.81%
Sleepy Hollow Holdings LP	Apartments	3,092,270	0.70%
		$ 64,373,430	14.60% (1)

(1) Approximately 14.60% of the City's total taxable value is concentrated in its ten largest taxpayers. Adverse development affecting such taxpayers could adversely affect the taxable assessed valuation in the City resulting in less local tax revenue or future increase in ad valorem tax rates.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's home rule charter (see "Tax Rate Limitation"). Administratively, the Attorney General of the State of Texas will permit allocation of up to $1.50 of the $2.50 maximum tax rate for the purpose of paying all general obligation debt service, as calculated at the time of issuance.

TABLE 6 - TAX ADEQUACY

2021 Net Principal and Interest Requirements	$	730,001 (1)
$0.1649 Tax Rate at 91% Collection Produces	$	730,392
Net Average Annual Principal and Interest Requirements (2023-2033)	$	473,918 (1)
$0.1070 Tax Rate at 91% Collection Produces	$	473,936
Net Maximum Annual Principal and Interest Requirements (2023)	$	1,189,525 (1)
$0.2686 Tax Rate at 91% Collection Produces	$	1,189,711

(1) Projected, includes the Bonds. Excludes the self-supporting debt. The revenue available to support general obligation debt is shown in "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT". It is the City's current policy to provide these payments from the respective system revenues or payments from the Cleveland Economic Development Corporation; this policy is subject to change in the future. It is the current expectation of the City that the Bonds will be treated as self-supporting debt.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

	2020/2021 Taxable Assessed Value	Total G.O. Debt	Estimated % Applicable	City's Overlapping G.O. Debt as of 5/1/2021
City of Cleveland	$ 440,833,190 (1)	$ 18,310,000 (2)	100.00%	$ 18,310,000 (2)
Cleveland ISD	2,161,009,718	307,549,989	22.52%	69,260,258
Liberty County	7,665,352,399	30,280,000	6.35%	1,922,780
Montgomery County	61,945,021,939	486,675,000	0.79%	189,803
Total Direct and Overlapping Funded Debt				$ 89,682,841
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation				20.34%
Per Capita Overlapping Funded Debt				10,477

(1) 2020/2021 Tax Assessed Valuation.
(2) Excludes the Refunded Obligations.

DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year End 9/30	Outstanding Debt Service Requirements[(1)]			The Bonds[(2)]			Total General Obligation Debt Service	Less: Self-Supporting Debt Service Water & Sewer[(3)]	Less: Self-Supporting Debt Service EDC	Total Net General Obligation Debt Service	% of Total Net Debt Service Retired
	Principal	Interest	Total	Principal	Interest	Total					
2021	$ 1,160,000	$ 255,718	$ 1,415,718	$ -	$ -	$ -	$ 1,415,718	$ 495,053	$ 190,664	$ 730,001	
2022	1,275,000	430,502	1,705,502	195,000	104,017	299,017	2,004,519	634,937	187,544	1,182,038	
2023	1,370,000	350,220	1,720,220	215,000	80,400	295,400	2,015,620	631,775	194,320	1,189,525	
2024	1,395,000	315,323	1,710,323	220,000	71,700	291,700	2,002,023	626,350	190,992	1,184,681	
2025	1,430,000	278,945	1,708,945	230,000	62,700	292,700	2,001,645	625,475	187,664	1,188,506	44.43%
2026	1,465,000	240,954	1,705,954	235,000	53,400	288,400	1,994,354	619,125	194,232	1,180,997	
2027	910,000	208,690	1,118,690	250,000	43,700	293,700	1,412,390	617,300	190,696	604,394	
2028	735,000	185,602	920,602	265,000	33,400	298,400	1,219,002	619,825	192,108	407,069	
2029	750,000	164,960	914,960	270,000	24,050	294,050	1,209,010	611,800	193,416	403,794	
2030	760,000	141,641	901,641	280,000	15,800	295,800	1,197,441	602,675	189,672	405,094	68.79%
2031	790,000	115,295	905,295	285,000	8,750	293,750	1,199,045	602,225	190,876	405,944	
2032	525,000	95,670	620,670	145,000	4,450	149,450	770,120	347,338	191,976	230,806	
2033	340,000	85,238	425,238	150,000	1,500	151,500	576,738	343,338	-	233,400	
2034	340,000	76,934	416,934	-	-	-	416,934	186,503	-	230,431	
2035	350,000	68,741	418,741	-	-	-	418,741	186,859	-	231,881	79.60%
2036	355,000	60,325	415,325	-	-	-	415,325	182,094	-	233,231	
2037	350,000	51,869	401,869	-	-	-	401,869	172,338	-	229,531	
2038	245,000	45,231	290,231	-	-	-	290,231	59,450	-	230,781	
2039	255,000	40,231	295,231	-	-	-	295,231	63,300	-	231,931	
2040	260,000	34,756	294,756	-	-	-	294,756	62,025	-	232,731	89.00%
2041	265,000	28,850	293,850	-	-	-	293,850	60,675	-	233,175	
2042	200,000	23,494	223,494	-	-	-	223,494	-	-	223,494	
2043	205,000	18,684	223,684	-	-	-	223,684	-	-	223,684	
2044	210,000	13,625	223,625	-	-	-	223,625	-	-	223,625	
2045	215,000	8,313	223,313	-	-	-	223,313	-	-	223,313	
2046	225,000	2,813	227,813	-	-	-	227,813	-	-	227,813	100.00%
	$ 16,380,000	$ 3,342,622	$ 19,722,622	$ 2,740,000	$ 503,867	$ 3,243,867	$ 22,966,489	$ 8,350,458	$ 2,294,160	$ 12,321,871	

(1) "Outstanding Debt" does not include lease/purchase obligations. See "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT" and "OTHER OBLIGATIONS." Excludes the Refunded Obligations. Preliminary, subject to change.
(2) Interest has been calculated at the rates stated on page 2 hereof.
(3) Excludes the Refunded Obligations.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Budgeted General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2021		$ 1,463,073
Interest and Sinking Fund Balance as of September 30, 2020	$ 289,042	
Calculated Interest and Sinking Fund Tax Levy Collection at 91% Collection	822,160	
Estimated Transfer from Waterworks and Sanitary Sewer System Fund(1)	497,959	
Estimated Transfer from Economic Development Corp. Fund(1)	190,664	
Budgeted Delinquent Taxes, Penalites and Interest	63,343	
Budgeted Investment Income	1,499	$ 1,864,667
Estimated Balance, 9/30/2021		$ 401,594

(1) The revenue available to support general obligation debt is shown in "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT". It is the City's current policy to provide these payments from the respective system revenues or payments from the Cleveland Economic Development Corporation; this policy is subject to change in the future.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

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

Net Water and Sewer System Revenue Available	$ 3,528,833
Less: Requirements for Water and Sewer Revenue Bonds, 9/30/2021	-
Balance Available for Other Purposes	3,528,833
Requirements for Ad Valorem Tax Debt Supported by Water and Sewer System Revenues, 9/30/2021(1)	$ 497,959
Percentage of Water and Sewer System General Obligation Bonds, Self-Supporting	100%
Net Economic Development Corporation Revenue Available	$ 611,211
Less: Requirements for Economic Development Corporation Revenue Bonds, 9/30/2021(2)	-
Balance Available for Other Purposes	611,211
Requirements for Ad Valorem Tax Debt for Park and Economic Development Projects to the City, 9/30/2021(2)	$ 190,664
Percentage of Economic Development Corporation General Obligation Bonds, Self-Supporting	100%

(1) Tax and Revenue Certificates of Obligation of the City generally carry a limited pledge of revenues, and the treatment of such debt as self-supporting beyond such limited pledge of revenues is subject to change. In the event of a change in policy or the unavailability of revenue to pay debt service, the City will pay such amounts from ad valorem taxes.

(2) The contract payments from the Cleveland Economic Development Corporation are not pledged to the payment of the ad valorem tax debt issued for the park and economic development projects, and the treatment of such debt as self-supporting is subject to change. In the event of a change in policy or unavailability of funds from such sources, the City will pay such amounts from ad valorem taxes.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation debt. However, under State law, the City is authorized to issue various types of indebtedness, including tax-supported debt, such as certificates of obligation, without seeking voter approval.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City does not anticipate the issuance of additional new money general obligation debt within the next 12 months.

TABLE 12 – OTHER OBLIGATIONS

The City currently has no outstanding obligations classified as other obligations.

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 IV Other Information).

OTHER POST-EMPLOYMENT BENEFITS

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

- Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees.

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

The City recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The amount budgeted for the fiscal year ending September 30, 2021, is $442,354. The appropriation for the fiscal year ended September 30, 2020, was $442,354. At the December 31, 2019 valuation and measurement date, there were approximately 213 participants eligible to receive such benefits.

For more information concerning the City's post-employment benefits, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note IV Other Information.

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FINANCIAL INFORMATION

TABLE 13 - CHANGE IN NET ASSETS

	For Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
Revenues:					
Charges for Services	$ 1,055,052	$ 1,039,000	$ 1,258,350	$ 891,005	$ 997,557
Operating Grants and Contributions	703,201	288,387	230,653	311,487	299,135
Capital Grants and Contributions	-	248,843	-	17,375	1,977,877
Property Taxes	3,188,794	3,063,702	2,901,329	2,760,419	2,677,409
Sales and Other Taxes	3,513,801	4,348,951	3,268,102	3,004,420	3,096,142
Franchise Taxes	597,880	475,052	522,006	490,642	497,207
Earnings on Investment	92,382	119,109	65,180	51,997	46,808
Proceeds from Insurance	-	11,112	125,738	28,826	29,941
Gain on sale of Assets	-	5,000	147,514	3,830	2,860
Miscellaneous	284,478	96,573	731,065	20,132	9,676
Total Revenues	$ 9,435,588	$ 9,695,729	$ 9,249,937	$ 7,580,133	$ 9,634,612
Expenditures:					
General Government	$ 1,416,600	$ 1,447,736	$ 1,285,000	$ 1,183,915	$ 1,103,435
Public Safety	3,982,270	3,703,467	3,555,562	3,436,830	3,337,458
Public Works	459,795	461,180	485,250	196,678	216,938
Transportation	761,901	757,647	678,439	933,812	752,884
Culture and Recreation	1,316,044	1,395,381	1,243,431	1,254,290	1,161,286
Grants	-	-	-	716,105	-
Economic Development	144,123	202,728	272,960	204,066	198,116
Debt Service	267,390	286,837	316,888	368,281	269,796
Total Expenditures	$ 8,348,123	$ 8,254,976	$ 7,837,530	$ 8,293,977	$ 7,039,913
Change in Net Assets Before Transfers	$ 1,087,465	$ 1,440,753	$ 1,412,407	$ (713,844)	$ 2,594,699
Transfers	(891,288)	473,947	1,543,083	(1,343,617)	307,167
Change in Net Assets	$ 196,177	$ 1,914,700	$ 2,955,490	$ (2,057,461)	$ 2,901,866
Beginning in Net Assets	17,030,073	15,115,373	12,356,093	14,413,554	11,270,854
Prior Period Adjustment	-	-	(196,210) (1)	-	240,834
Ending Net Assets	$ 17,226,250	$ 17,030,073	$ 15,115,373	$ 12,356,093	$ 14,413,554

Source: The City's audited financial statements.
(1) Restated.

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TABLE 13A – GENERAL FUND REVENUES & EXPENDITURES

	For Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
Revenues:					
Property Taxes	$ 2,265,544	$ 2,163,172	$ 2,042,444	$ 1,973,996	$ 1,881,496
Sales and Other Taxes	3,294,717	4,091,727	3,039,971	2,801,518	2,853,315
Franchise Taxes	597,880	475,052	522,006	490,642	497,207
License and Permits	286,355	210,299	427,083	188,172	56,771
Charges for Services	500,731	476,495	427,723	373,478	392,993
Fines and Forfeitures	253,216	322,322	372,009	307,673	319,382
Intergovernmental	411,184	277,381	1,420	27,025	1,998,995
Earnings on Investments	77,085	100,541	44,607	41,868	35,552
Contributions	159,207	173,126	373,833	94,618	40,449
Miscellaneous	270,831	41,528	22,990	24,736	22,603
Total Revenues	$ 8,116,750	$ 8,331,643	$ 7,274,086	$ 6,323,726	$ 8,098,763
Expenditures:					
City Council	$ 25,891	$ 30,241	$ 27,768	$ 23,462	$ 20,182
Administration	1,000,839	956,804	828,813	759,480	726,439
Civic / Community	197,074	264,162	231,271	232,102	243,946
Court	216,040	265,249	247,963	209,897	179,701
Technology	376,645	375,175	337,844	333,444	287,856
Police	2,576,066	2,235,891	2,125,545	2,087,674	2,060,050
Animal Control	42,156	52,896	54,021	53,460	47,793
Development Services	293,774	237,485	221,765	178,757	205,449
Inspection	-	-	-	-	-
Street Department	487,307	426,168	358,359	591,376	562,770
Airport Department	100,649	46,148	41,396	65,467	47,982
Garage Department	9,451	39,605	7,218	10,402	9,610
Library Department	396,900	381,349	352,033	361,704	315,745
Cemetery and Parks	381,547	399,650	338,413	321,311	309,153
Fire Department	947,643	810,745	751,673	729,805	663,664
Grants	-	-	-	716,105	-
Emergency Management	33,783	13,181	14,005	18,202	10,145
Sports Facilities	58,614	28,685	25,650	52,286	27,944
Capital Outlay	919,471	550,083	215,604	345,281	2,393,330
Debt Service	-	-	-	-	-
Total Expenditures	$ 8,063,850	$ 7,113,517	$ 6,179,341	$ 7,090,215	$ 8,111,759
Proceeds from Insurance	$ -	$ -	$ 125,738	$ 28,826	$ 29,941
Proceeds from Sale of Assets	9,025	5,000	147,514	3,830	2,860
Proceeds from Loans	-	-	-	-	-
Operating Transfers In (Out)	35,000	(767,036)	430,000	430,000	696,266
Total Other Financing Sources (Uses)	$ 44,025	$ (762,036)	$ 703,252	$ 462,656	$ 729,067
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Financing Uses	$ 96,925	$ 456,090	$ 1,797,997	$ (303,833)	$ 716,071
Fund Balance, Beginning of Year	6,362,501	5,906,411	4,108,414	4,412,247	3,455,342
Prior Period Adjustment	-	-	-	-	240,834
Fund Balance, End of Year	$ 6,459,426	$ 6,362,501	$ 5,906,411	$ 4,108,414	$ 4,412,247

Source: The City's audited financial statements.

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Tax Code, Chapter 321, 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 General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, which remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In 2001, the voters of the City approved the imposition of an additional sales and use tax of one-quarter of one percent (1/4 of 1%) for economic development and an additional one-quarter of one percent (1/4 of 1%) for property tax reduction. The sales tax for economic development is collected solely for the benefit of the CEDC, a Type B economic development corporation, and may be pledged to secure payment of sales tax revenue bonds issued by the CEDC.

Fiscal Year Ended 9/30	Total Collected(1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2016	$ 3,096,142	114.11%	$ 0.88	$ 403
2017	3,004,420	112.04%	0.86	391
2018	3,268,102	115.53%	0.89	426
2019	4,348,951	144.71%	1.11	567
2020	3,513,801	105.46%	0.81	458

(1) Includes the sales tax credited to the General Fund for reduction of property taxes and for economic development.

The sales tax breakdown for the City is as follows:

Economic Development Corporation	1/4 ¢
Property Relief Tax	1/4 ¢
City Sales & Use Tax	1 ¢
Liberty County Sales & Use Tax	1/2 ¢
State Sales & Use Tax	6 1/4 ¢
Total	8 1/4 ¢

INVESTMENTS

The City may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

AUTHORIZED INVESTMENTS

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code;

or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in "the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the state and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the state that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the state; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service, if the City Council authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by ordinance, order or resolution.

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

INVESTMENT POLICIES

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

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

ADDITIONAL PROVISIONS

Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the treasurer, chief financial officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 15 - CURRENT INVESTMENTS

As of February 1, 2021, the City's investable funds were invested in the following categories:

Type of Investments	Amount
TexPool	1,721,936
Total	$ 1,721,936

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TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and dispositions of the Bonds.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, (the "Code"), and is not a specific preference item for purposes of the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to the amount of interest of the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) also provides an exception for financial institutions for tax-exempt obligations that are properly designated by an issuer as "qualified tax-exempt obligations."

The City has designated a portion of the Bonds as "qualified tax-exempt obligations" based, in part, on the City's representation that the amount of the Bonds, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than "qualified 501(c)(3) bonds" or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation did not exceed the outstanding amount of the refunded obligation) issued or reasonably anticipated to be issued by or on behalf of the City during 2021, is not expected to exceed $10,000,000. Further, the City and entities aggregated with the City under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during 2021.

The portion of the Bonds not designated by the City as "qualified tax-exempt obligations" will be deemed designated and treated as "qualified tax-exempt obligations" under section 265(b)(3)(D) of the Code because (i)such portion of the Bonds is issued to currently refund a prior qualified tax-exempt obligation and does not exceed the outstanding amount of such prior obligation, (ii) the average maturity date of the Bonds is not later than the average maturity of refunded obligations and (iii) the Bonds do not have a maturity date that is later than 30 years after the original bond was issued.

Notwithstanding the designation or deemed designation of the Bonds as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences . . . Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium . . .The issue price of all of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Certificate in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Certificate in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Certificate by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Premium Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Certificate and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount Bonds . . .The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate constitutes original issue discount with respect to such Original Issue Discount Certificate in the hands of any owner who has purchased such Original Issue Discount Certificate in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Certificate continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – TAX EXEMPTION" and "TAX MATTERS – ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS – COLLATERAL TAX CONSEQUENCES" and "—TAX LEGISLATIVE CHANGES" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Certificate accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less, (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

TAX LEGISLATIVE CHANGES

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

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 an "obligated person" with respect to the Bonds, within the meaning of the Securities and Exchange Commission's ("SEC") Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS

The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes (i) all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 14 and in APPENDIX B and (ii) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (a) prepared in accordance with the accounting principles described in the rules to the financial statements for the most recently concluded fiscal year, or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (b) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available.

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 website or filed with the United States Securities and Exchange Commission (the SEC), as permitted by the Rule.

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 the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into 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 successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For these purposes, (A) any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, (B) as used in (15) and (16), "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, and (C) the City intends the words used in paragraphs (15) and (16) and the definition of financial obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

The City will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide the required annual financial information described above under "- ANNUAL REPORTS" in accordance with the Ordinances by the time required.

AVAILABILITY OF INFORMATION FROM MSRB

The City has agreed to provide the foregoing information only to the MSRB. The MSRB has made the information available to the public without charge through EMMA at www.emma.msrb.org.

LIMITATIONS, DISCLAIMERS, AND AMENDMENTS

The City has agreed to update information and to provide notices of certain specified events only as described above. The City shall be obligated to observe and perform such obligations for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any bond calls and any defeasances that cause the City to be no longer an "obligated person."

The provisions of the City's continuing disclosure undertaking are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in the City's continuing disclosure undertaking, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City has undertaken to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide as described above and has not undertaken to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or undertaken to update any information provided, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell the Bonds at any future date.

Under no circumstances shall the City be liable to the owner or beneficial owner of any Certificate or any other person, in contract or tort, for damages resulting in whole or in part from any breach by the City, whether negligent or with or without fault on its part, of any covenant specified in its undertaking, and any right and remedy of any such person, in contract or tort, for or on account of any such breach shall be limited to an action for mandamus or specific performance. No default by the City in observing or performing its obligations under its continuing disclosure undertaking shall constitute a breach of or default under the Ordinance for purposes of any other provisions of the Ordinance. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The City may amend its continuing disclosure undertaking from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (i) the provisions of undertaking, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds 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 Owners of a majority in aggregate principal amount of the outstanding Bonds consent to such amendment or (B) an entity or individual person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. The provisions of the City's undertaking may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the City so amends the provisions of its undertaking, it shall include with any amended financial information or operating data next provided as described in Annual Reports, above, an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

During the past five (5) years, the City has not failed to comply in any material respects with the continuing disclosure agreements made by it in accordance with the Rule.

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration he has subsequently extended. In addition, certain local officials, including the City and the County Judge of Harris County, also declared a local state of disaster. 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 issued a series of executive orders relating to COVID-19 preparedness and mitigation. On March 2, 2021, the Governor issued Executive Order GA-34, effective March 10, 2021, which among other things rescinds and supersedes various prior executive orders and provides that (i) in all counties not in an "area with high hospitalization" (as defined in Executive Order GA-34) there are no COVID-19-related operating limits for any business or other establishment and (ii) no person may be required by any jurisdiction to wear or to mandate the wearing of a face covering. In "areas with high hospitalizations" a county judge may impose COVID-19-related mitigation strategies, including reinstituting business occupancy limits. Liberty and Montgomery Counties are not currently an "area with high hospitalizations." The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues within the City. See "TAX INFORMATION – TABLE 2 – TAXABLE ASSESSED VALUATION BY CATEGORY" and "FINANCIAL INFORMATION – TABLE 14 – MUNICIPAL SALES TAX HISTORY." The Bonds are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the City's operations and maintenance expenses. See "TAX INFORMATION – PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS." Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition. See "FINANCIAL INFORMATION – TABLE 14 – MUNICIPAL SALES TAX HISTORY."

The financial and operating data contained herein is as of the date and for the periods specified herein. Such information is generally for dates and periods prior to the economic impact of the Pandemic and measures instituted to slow it. 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.

RISKS FROM WEATHER EVENTS

The City is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. If a weather-related event were to significantly damage all or part of the improvements within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the City's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the City would be adversely affected.

OTHER INFORMATION

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc ("Moody's"), assigned their municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). Moody's assigned an unenhanced municipal bond rating of "A1" to this issue of Bonds. An explanation of the ratings may be obtained from Moody's. See "BOND INSURANCE," "MUNICIPAL BOND RATING" and "APPENDIX D – Specimen Municipal Bond Insurance Policy."

2021 LEGISLATIVE SESSION

The 87th Texas Legislature convened on January 12, 2021. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

During the legislative session, the Legislature may consider legislation affecting the finances and operations of Texas political subdivisions. The City can make no representations or predictions regarding any actions the Legislature may take during a legislative session, including those concerning the substance or the effect of any legislation that may be passed during this session or a future session of the Legislature.

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's ability to pay debt service on 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.

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 "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State and the rendering of and opinion as to legality by Bracewell LLP, Houston, Texas, Bond Counsel for the City.

The City will furnish the Initial Purchaser with a complete transcript of proceedings held incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and legally binding obligations of the City under the Constitution and laws of the State. The City will also furnish the approving legal opinion of Bond Counsel in substantially the form attached hereto as Appendix C.

In its capacity as Bond Counsel, Bracewell LLP, Houston, Texas, has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. Bond Counsel's role in connection with the Official Statement was limited to reviewing the information describing the Bonds in the Official Statement to verify that such descriptions conform to the provisions of the Ordinance. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein.

The legal fee to be paid to 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.

The 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.

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, has not verified and 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 has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility to the City and, as applicable, the 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.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of SAMCO Capital (the "Initial Purchaser of the Bonds") to purchase the Bonds at a price of par plus a cash premium of $276,027.48. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser of the Bonds. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Bonds.

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.

CERTIFICATION OF THE OFFICIAL STATEMENT

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

Schedule I

SCHEDULE OF REFUNDED OBLIGATIONS

Certificates of Obligation, Series 2011

Original Maturity March 1	Interest Rate	Maturity Amount to be Refunded	Call Date	Call Price
2022	3.150%	$ 115,000	9/1/2021	100.00 %
2023	3.300%	120,000	9/1/2021	100.00
2024	3.400%	120,000	9/1/2021	100.00
2025	3.500%	125,000	9/1/2021	100.00
2026	3.550%	130,000	9/1/2021	100.00
2027	3.650%	135,000	9/1/2021	100.00
2028	3.750%	140,000	9/1/2021	100.00
2029	3.800%	145,000	9/1/2021	100.00
2030	3.850%	150,000	9/1/2021	100.00
2031	3.900%	155,000	9/1/2021	100.00
		$ 1,335,000		

Certificates of Obligation, Series 2012A

Original Maturity March 1	Interest Rate	Maturity Amount to be Refunded	Call Date	Call Price
2022(1)	2.000%	$ 115,000	7/6/2021	100.00 %
2023(1)	2.000%	120,000	7/6/2021	100.00
2024(2)	2.500%	120,000	7/6/2021	100.00
2025(2)	2.500%	125,000	7/6/2021	100.00
2026(3)	3.000%	125,000	7/6/2021	100.00
2027(3)	3.000%	130,000	7/6/2021	100.00
2028(4)	3.000%	135,000	7/6/2021	100.00
2029(4)	3.000%	140,000	7/6/2021	100.00
2030(5)	3.250%	145,000	7/6/2021	100.00
2031(5)	3.250%	150,000	7/6/2021	100.00
2032(6)	3.250%	155,000	7/6/2021	100.00
2033(6)	3.250%	160,000	7/6/2021	100.00
		$ 1,620,000		
		2,955,000		

(1) Represents a mandatory sinking fund redemption for a Term Bond Maturity March 1, 2023.
(2) Represents a mandatory sinking fund redemption for a Term Bond Maturity March 1, 2025.
(3) Represents a mandatory sinking fund redemption for a Term Bond Maturity March 1, 2027.
(4) Represents a mandatory sinking fund redemption for a Term Bond Maturity March 1, 2029.
(5) Represents a mandatory sinking fund redemption for a Term Bond Maturity March 1, 2031.
(6) Represents a mandatory sinking fund redemption for a Term Bond Maturity March 1, 2033.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY . . . The City of Cleveland, Texas (the "City"), located in Liberty and Montgomery Counties, was incorporated in 1935. The City covers approximately 4.81 square miles and its economy is centered around timber-related industries. The City's economic foundation also includes oil and gas production, sand and gravel, tourism and agriculture.

POPULATION HISTORY

	2017	2018	2019	2020	2021
City of Clevelend	7,904	7,998	8,061	8,396	8,560

LOCATION . . .The major route traveling through Cleveland is U.S. Highway 59 ("US 59"), traveling southwest towards Houston and northeast into East Texas to the cities of Livingston, Lufkin, and Nacogdoches, and onward to Texarkana, Texas. US 59 Business is the original route of US 59, which runs north and south through the center of Cleveland, known locally as Washington Avenue and Loop 537. State Highway 105 travels east and west, and Cleveland is roughly the halfway point between Beaumont and Navasota.

RAILROADS . . .Burlington Northern Santa Fe and Union Pacific provide railroad service to the City.

AIR SERVICE . . .The City is served by Cleveland Municipal Airport which features a paved and lighted 5,000-foot runway. The nearest commercial air service is Houston Intercontinental Airport 30 miles southwest, which provides regional, national and international services.

EDUCATION . . .The City is within the Cleveland Independent School District consisting of four elementary schools, one middle school and one high school.

PARKS AND RECREATION . . . The City maintains four parks, a community swimming pool and an exposition center and arena. City parks are available to the public year-round with the exception of the pool which has a schedule that varies during the spring and summer months. Various amenities that the parks provide include basketball and volleyball courts, playground equipment, a covered pavilion, picnic tables and restrooms.

LABOR FORCE

Liberty County

Calendar Year	Labor Force	Total Employment	Total Unemployment	Unemployment Rate
2017	31,982	29,688	2,294	7.2%
2018	32,718	30,807	1,911	5.8%
2019	33,468	31,793	1,675	5.0%
2020	33,582	30,011	3,571	10.6%
2021 (1)	34,054	30,501	3,553	10.4%

(1) Through April of 2021.

APPENDIX B

EXCERPTS FROM THE

CITY OF CLEVELAND, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2020

The information contained in this Appendix consists of excerpts from the City of Cleveland, 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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BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Cleveland, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Cleveland, Texas (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City'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. 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.

14950 Heathrow Forest Pkwy | Suite 530 | Houston, TX 77032 | Tel: 281.907.8788 | Fax: 888.875.0587 | www.BrooksWatsonCPA.com

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

Opinion

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, the discretely presented component unit and the aggregate remaining fund information of the City 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, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in postemployment benefits other than pensions and related ratios, and budgetary comparison information as listed in the table on 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 Cleveland, Texas's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BrooksWatson & Co.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
January 22, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2020

As management of the City of Cleveland, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

Financial Highlights

- The City's total combined net position was $32,535,823 at September 30, 2020. Of this, $7,773,019 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.

- At the close of the current fiscal year, the City's governmental funds reported combined fund balance of $7,515,499, a decrease of $1,169,121.

- As of the end of the year, the unassigned fund balance of the general fund was $6,420,938 or 80% of total general fund expenditures.

- The City had an overall increase in net position of $1,863,024, which is primarily a result of water and sewer fund revenues and capital contributions exceeding current year expenses.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide 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.

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, debt service, and certain special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the respective budget.

Proprietary Funds

The City's proprietary funds are all enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer and sanitation services. All activities associated with providing such services are accounted for in these funds, including administration, water production, sewer and sanitation services, and other operating costs. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and solid waste funds, all of which are considered to be major funds of the City.

Component Units

The City maintains the accounting and financial statements for two component units. The Cleveland Economic Development Corporation is a discretely presented component unit displayed on the government-wide financial statements. The Tax Increment Reinvestment Zone No. 1 Fund ("TIRZ #1") is a blended component unit and presented as a nonmajor governmental fund.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund, schedule of the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Cleveland, assets exceeded liabilities by $32,535,823 as of September 30, 2020, in the primary government.

The largest portion of the City's net position, $24,631,373, reflects its investments in capital assets (e.g., land, municipal buildings, streets, and water/sewer systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position:

	2020			2019		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 8,845,620	$ 2,707,935	$ 11,553,555	$ 9,987,808	$ 2,251,297	$ 12,239,105
Internal balances	25,064	(25,064)	-	7,390	(7,390)	-
Capital assets, net	19,287,103	17,070,580	36,357,683	19,155,795	16,124,063	35,279,858
Total Assets	28,157,787	19,753,451	47,911,238	29,150,993	18,367,970	47,518,963
Deferred Ouflows of Resources	397,003	87,656	484,659	808,367	124,049	932,416
Other liabilities	1,500,160	1,019,067	2,519,227	1,660,074	1,239,950	2,900,024
Long-term liabilities	9,525,185	3,433,093	12,958,278	11,170,997	3,593,355	14,764,352
Total Liabilities	11,025,345	4,452,160	15,477,505	12,831,071	4,833,305	17,664,376
Deferred Inflows of Resources	303,195	79,374	382,569	98,216	15,988	114,204
Net Position:						
Net investment in capital assets	10,492,601	13,830,573	24,323,174	10,618,793	12,736,499	23,355,292
Restricted	439,630	-	439,630	1,019,640	-	1,019,640
Unrestricted	6,294,019	1,479,000	7,773,019	5,391,640	906,227	6,297,867
Total Net Position	$ 17,226,250	$ 15,309,573	$ 32,535,823	$ 17,030,073	$ 13,642,726	$ 30,672,799

City of Cleveland, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

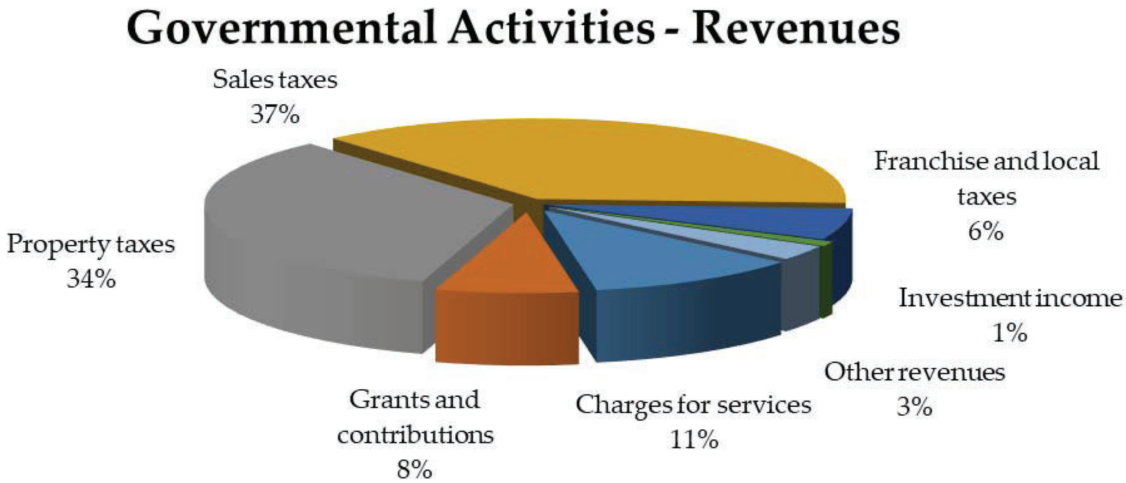
September 30, 2020

Statement of Activities:

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

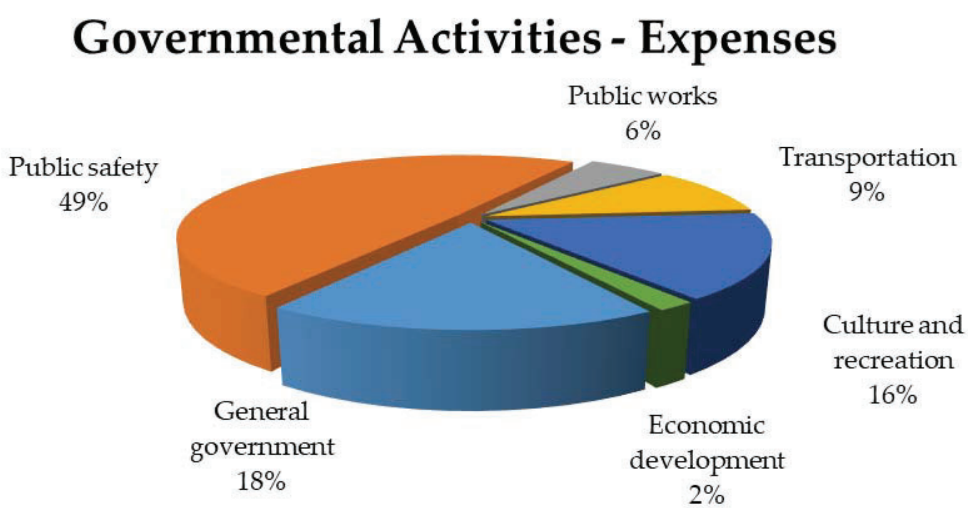
	For the Year Ended September 30, 2020			For the Year Ended September 30, 2019		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 1,055,052	$ 3,528,833	$ 4,583,885	$ 1,039,000	$ 3,545,253	$ 4,584,253
Grants and contributions	703,201	272,676	975,877	618,160	43,882	662,042
General revenues:						
Property taxes	3,188,794	-	3,188,794	3,063,702	-	3,063,702
Sales taxes	3,513,801	-	3,513,801	4,236,146	-	4,236,146
Franchise and local taxes	597,880	-	597,880	587,857	-	587,857
Investment income	92,382	15,517	107,899	119,109	33,129	152,238
Other revenues	284,478	61,817	346,295	31,755	3,309	35,064
Total Revenues	9,435,588	3,878,843	13,314,431	9,695,729	3,625,573	13,321,302
Expenses						
General government	1,416,600	-	1,416,600	1,447,736	-	1,447,736
Public safety	3,982,270	-	3,982,270	3,703,467	-	3,703,467
Public works	459,795	-	459,795	461,180	-	461,180
Transportation	761,901	-	761,901	757,647	-	757,647
Culture and recreation	1,316,044	-	1,316,044	1,395,381	-	1,395,381
Economic development	144,123	-	144,123	202,728	-	202,728
Interest and fiscal charges	267,390	98,924	366,314	286,837	117,427	404,264
Water & sewer	-	3,004,360	3,004,360	-	2,883,233	2,883,233
Total Expenses	8,348,123	3,103,284	11,451,407	8,254,976	3,000,660	11,255,636
Change in Net Position Before Transfers	1,087,465	775,559	1,863,024	1,440,753	624,913	2,065,666
Transfers	(891,288)	891,288	-	473,947	(473,947)	-
Total	(891,288)	891,288	-	473,947	(473,947)	-
Change in Net Position	196,177	1,666,847	1,863,024	1,914,700	150,966	2,065,666
Beginning Net Position	17,030,073	13,642,726	30,672,799	15,115,373	13,491,760	28,607,133
Ending Net Position	$ 17,226,250	$ 15,309,573	$ 32,535,823	$ 17,030,073	$ 13,642,726	$ 30,672,799

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



For the year ended September 30, 2020, revenues from governmental activities totaled $9,435,588. Property tax, sales tax and charges for services are the City's largest revenue sources. Grants and contributions increased by $85,041 or 14% primarily due to nonrecurring federal grants received through the CARES Act in the current year. Sales taxes decreased by $722,345 or 17%, which is primarily attributable to the impact of COVID-19 requiring local businesses to restrict occupancy, as well as temporary closures during the last six months of the fiscal year. Investment income decreased by $26,727 or 22% due to utilization of interest-bearing cash accounts and realization of lower interest rates. Other revenues increased by $252,723 primarily as a result of nonrecurring insurance reimbursements received in the current year. All other revenues remained relatively consistent when compared to the previous year.

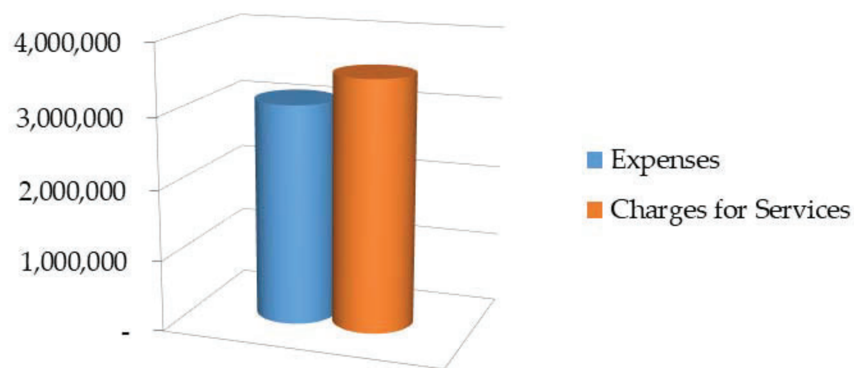
This graph shows the governmental function expenses of the City:



For the year ended September 30, 2020, expenses for governmental activities totaled $8,348,123. This represents an increase of $93,147 or 1% from the prior year. The City's largest functional expense is public safety of $3,982,270, which increased by $278,803 or 8%. This change is primarily a result of increased salaries and overtime related to COVID-19. Economic development expenses decreased by $58,605 or 29% primarily due to a decline in salaries, advertising, and operating supplies resulting from the impacts of COVID-19. All other expenditures remained relatively consistent with the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2020, charges for services by business-type activities totaled $3,528,833. This represents a slight decrease of $16,420 from the previous year, which is considered minimal.

Total expenses amounted to $3,103,284, an increase of $102,624 or 3% during the year. This is primarily attributed to greater personnel costs and vehicle repair expenses in the water department.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the year the general fund reflected a fund balance of $6,459,426. Of this, $38,488 is considered committed for the purchase of capital assets. Unassigned fund balance totaled $6,420,938 as of yearend. The general fund increased by $96,925 primarily as a result of revenues and other financing sources exceeding expenditures.

The debt service fund had an ending fund balance of $289,042 at yearend, a slight increase of $6,867 from the prior year. Total principal and interest payments (including bond issuance costs) made during the year were $1,210,000 and $343,119, respectively.

The capital projects fund had an ending fund balance of $121,775, a decrease of $1,351,739 compared to the prior year. The decrease was primarily a result of transfers out to the proprietary fund.

There was an overall decrease in governmental fund balance of $1,169,121 from the prior year. The decrease was primarily a result of transfers out to the proprietary fund.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive revenue variance of $45,205 and a positive expenditure variance of $1,230,374 for the year. Other financing sources had an overall positive budget variance of $11,025. Final budgeted revenues increased by $86,443 compared to the original budgeted revenues. Final budgeted expenditures increased by $83,081 compared to the original expense appropriations. Two general fund departments exceeded appropriations at the legal level of control.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested $19,287,103 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested $17,070,580 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Purchase new lot of land on Peach Ave. for $101,006.
- Downtown sidewalk renovations for $397,105.
- New furniture and shelving for the library totaling $182,763.
- Municipal Sports Park restroom improvements for $51,487.

- Purchase of three new police vehicles for $100,140.
- New Kubota tractor for public works department for $80,025.
- E-sign for city hall for $44,469.
- Water plant #2 improvements for $932,414.
- Sanitary sewer system improvements for $314,337.

More detailed information about the City's capital assets is presented in note IV. D to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds and notes outstanding of $11,675,000. During the year, the City refunded $1,980,000 of Certificates of Obligation. The City also issued $2,030,000 of General Obligation Refunding Bonds. Principal payments of $1,430,000 were made during the year. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Cleveland and improving services provided to their public citizens. The City is considering the impacts of the COVID-19 pandemic when preparing the upcoming fiscal year's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Cleveland's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Department, 907 Houston St. Cleveland, Texas 77327.

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FINANCIAL STATEMENTS

City of Cleveland, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 7,150,676	$ 1,993,645	$ 9,144,321
Receivables, net	1,523,777	714,290	2,238,067
Contract receivable due from component unit	171,105	-	171,105
Internal balances	25,064	(25,064)	-
Due from component unit	62	-	62
Total Current Assets	8,870,684	2,682,871	11,553,555
Capital assets:			
Non-depreciable	2,835,282	3,953,055	6,788,337
Net depreciable capital assets	16,451,821	13,117,525	29,569,346
Total Capital Assets	19,287,103	17,070,580	36,357,683
Total Assets	28,157,787	19,753,451	47,911,238
Deferred Outflows of Resources			
Pension outflows	306,368	80,205	386,573
OPEB outflows	28,459	7,451	35,910
Deferred charges on refunding	62,176	-	62,176
Total Deferred Outflows of Resources	397,003	87,656	484,659

Component Unit
Cleveland EDC
$ 1,637,793
-
-
-
-
1,637,793
1,043,812
167,261
1,211,073
2,848,866
-
-
-
-

City of Cleveland, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	$ 446,623	$ 460,313	$ 906,936
Customer deposits	-	314,092	314,092
Accrued interest payable	18,062	8,675	26,737
Due to primary government	-	-	-
Compensated absences, current	100,475	10,987	111,462
Contract payable due to primary government	-	-	-
Long-term debt due in one year	935,000	225,000	1,160,000
	1,500,160	1,019,067	2,519,227
Noncurrent liabilities:			
Compensated absences, noncurrent	11,164	1,221	12,385
Net pension liability	1,370,192	358,707	1,728,899
OPEB liability	222,151	58,158	280,309
Long-term debt due in more than one year	7,921,678	3,015,007	10,936,685
	9,525,185	3,433,093	12,958,278
Total Liabilities	11,025,345	4,452,160	15,477,505
Deferred Inflows of Resources			
Pension inflows	281,671	73,739	355,410
OPEB inflows	21,524	5,635	27,159
Total Deferred Inflows of Resources	303,195	79,374	382,569
Net Position			
Net investment in capital assets	10,492,601	13,830,573	24,323,174
Restricted for:			
Capital projects	121,775	-	121,775
Municipal court	28,813	-	28,813
Debt service	289,042	-	289,042
Unrestricted	6,294,019	1,479,000	7,773,019
Total Net Position	$ 17,226,250	$ 15,309,573	$ 32,535,823

See Notes to Financial Statements.

Component Unit
Cleveland EDC
$ 13,543
-
-
62
-
171,105
-
184,710
-
-
-
-
-
184,710
-
-
-
1,211,073
-
-
-
1,453,083
$ 2,664,156

City of Cleveland, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental Activities				
General government	$ 1,416,600	$ -	$ 180,062	$ -
Public safety	3,982,270	267,966	-	-
Public works	459,795	286,355	-	304,359
Transportation	761,901	289,370	-	10,187
Culture and recreation	1,316,044	211,361	1,818	-
Economic development	144,123	-	206,775	-
Interest and fiscal charges	267,390	-	-	-
Total Governmental Activities	8,348,123	1,055,052	388,655	314,546
Business-Type Activities				
Water & Sewer	3,103,284	3,528,833	-	272,676
Total Business-Type Activities	3,103,284	3,528,833	-	272,676
Total Primary Government	$ 11,451,407	$ 4,583,885	$ 388,655	$ 587,222
Component Unit				
Cleveland EDC	611,211	-	-	-
Total Component Unit	$ 611,211	$ -	$ -	$ -

General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Insurance recoveries

Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Cleveland EDC
$ (1,236,538)	$ -	$ (1,236,538)	$ -
(3,714,304)	-	(3,714,304)	-
130,919	-	130,919	-
(462,344)	-	(462,344)	-
(1,102,865)	-	(1,102,865)	-
62,652	-	62,652	-
(267,390)	-	(267,390)	-
(6,589,870)	-	(6,589,870)	-
-	698,225	698,225	-
-	698,225	698,225	-
(6,589,870)	698,225	(5,891,645)	-
			(611,211)
			$ (611,211)
3,188,794	-	3,188,794	-
3,513,801	-	3,513,801	652,091
597,880	-	597,880	-
92,382	15,517	107,899	22,422
-	61,817	61,817	-
284,478	-	284,478	1,000
(891,288)	891,288	-	-
6,786,047	968,622	7,754,669	675,513
196,177	1,666,847	1,863,024	64,302
17,030,073	13,642,726	30,672,799	2,599,854
$ 17,226,250	$ 15,309,573	$ 32,535,823	$ 2,664,156

City of Cleveland, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2020

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 6,061,813	$ 286,346	$ 223,760	$ 578,757	$ 7,150,676
Receivables, net	1,235,878	238,528	-	49,371	1,523,777
Contract receivable - EDC	171,105	-	-	-	171,105
Due from component unit	62	-	-	-	62
Due from other funds	25,086	2,696	-	28,840	56,622
Total Assets	$ 7,493,944	$ 527,570	$ 223,760	$ 656,968	$ 8,902,242
Liabilities					
Accounts payable and accrued liabilities	$ 338,420	$ -	$ 101,985	$ 6,218	$ 446,623
Due to other funds	26,064	-	-	5,494	31,558
Total Liabilities	364,484	-	101,985	11,712	478,181
Deferred Inflows of Resources					
Unavailable revenue:					
Property tax	498,929	238,528	-	-	737,457
EDC	171,105	-	-	-	171,105
Total Deferred Inflows of Resources	670,034	238,528	-	-	908,562
Fund Balances					
Restricted for:					
Capital projects	-	-	121,775	-	121,775
Municipal court	-	-	-	28,813	28,813
Debt service	-	289,042	-	-	289,042
Economic development	-	-	-	465,347	465,347
TIRZ	-	-	-	50,564	50,564
Public safety	-	-	-	105,977	105,977
Committed for:					
Purchase of capital assets	38,488	-	-	-	38,488
Unassigned reported in:					
General fund	6,420,938	-	-	-	6,420,938
Nonmajor funds	-	-	-	(5,445)	(5,445)
Total Fund Balances	6,459,426	289,042	121,775	645,256	7,515,499
Total Liabilities, Deferred Inflows, and Fund Balances	$ 7,493,944	$ 527,570	$ 223,760	$ 656,968	$ 8,902,242

See Notes to Financial Statements.

City of Cleveland, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2020

Fund Balances - Total Governmental Funds	$ 7,515,499
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	2,835,282
Capital assets - net depreciable	16,451,821
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	737,457
Contract receivable - EDC	171,105
Deferred outflows (inflows) of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.	
Pension outflows	306,368
Pension inflows	(281,671)
OPEB outflows	28,459
OPEB inflows	(21,524)
Deferred charge on refunding	62,176
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(18,062)
Compensated absences	(111,639)
Net pension liability	(1,370,192)
OPEB liability	(222,151)
Bond premium	(361,678)
Bonds, notes, and capital leases	(8,495,000)
Net Position of Governmental Activities	$ 17,226,250

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
Revenues				
Property tax	$ 2,265,544	$ 872,686	$ -	$ 50,564
Sales tax	3,294,717	-	-	219,084
Franchise and local taxes	597,880	-	-	-
Intergovernmental	411,184	-	-	2,188
Contributions	159,207	206,775	-	-
Charges for services	500,731	-	-	-
License and permits	286,355	-	-	-
Fines and forfeitures	253,216	-	-	14,750
Investment income	77,085	6,212	5,803	3,282
Other revenue	270,831	-	-	415
Total Revenues	8,116,750	1,085,673	5,803	290,283
Expenditures				
General government:				
Administration	1,000,839	-	-	-
City council	25,891	-	-	-
Technology	376,645	-	-	-
Public safety:				
Municipal court	216,040	-	-	17,494
Police department	2,576,066	-	-	-
Animal control	42,156	-	-	-
Fire and ambulance	947,643	-	-	-
Emergency management	33,783	-	-	-
Public works:				
Development services	293,774	-	-	-
Garbage department	9,451	-	-	-
Maintenance	-	-	20,950	-
Transportation:				
Street department	487,307	-	-	-
Airport department	100,649	-	-	-
Culture and recreation:				
Library department	396,900	-	-	-
Cemetery and parks	381,547	-	-	-
Civic/community	197,074	-	-	-
Sports facilities	58,614	-	-	-
Economic development	-	-	-	147,198
Debt service:				
Principal	-	1,210,000	-	-
Interest and fiscal charges	-	279,110	-	-
Bond issuance costs	-	64,009	-	-
Capital outlay	919,471	-	-	46,765
Total Expenditures	8,063,850	1,553,119	20,950	211,457

Total Governmental Funds
$ 3,188,794
3,513,801
597,880
413,372
365,982
500,731
286,355
267,966
92,382
271,246
9,498,509
1,000,839
25,891
376,645
233,534
2,576,066
42,156
947,643
33,783
293,774
9,451
20,950
487,307
100,649
396,900
381,547
197,074
58,614
147,198
1,210,000
279,110
64,009
966,236
9,849,376

City of Cleveland, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 52,900	$ (467,446)	$ (15,147)	$ 78,826
Other Financing Sources (Uses)				
Transfers in	35,000	410,304	-	-
Transfers (out)	-	-	(1,336,592)	-
Proceeds from sale of assets	9,025	-	-	-
Payment to refunding bond agent	-	(1,965,991)	-	-
Proceeds from bond issuance	-	2,030,000	-	-
Total Other Financing Sources (Uses)	44,025	474,313	(1,336,592)	-
Net Change in Fund Balances	96,925	6,867	(1,351,739)	78,826
Beginning fund balances	6,362,501	282,175	1,473,514	566,430
Ending Fund Balances	$ 6,459,426	$ 289,042	$ 121,775	$ 645,256

See Notes to Financial Statements.

Total Governmental Funds
$ (350,867)
445,304
(1,336,592)
9,025
(1,965,991)
2,030,000
(818,254)
(1,169,121)
8,684,620
$ 7,515,499

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City of Cleveland, Texas

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

For the Year Ended September 30, 2020

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

Net changes in fund balances - total governmental funds	$	(1,169,121)
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		1,055,293
Depreciation expense		(923,985)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		83,054
Payment from EDC for contract receivable		(155,000)
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		(15,403)
Accrued interest		5,706
Pension expense		94,451
OPEB expense		5,168
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Amortization of deferred charges on refunding		(15,198)
Amortization of debt premium		40,187
Current year bond refunding		1,980,000
Bond issuance		(2,030,000)
Deferred charges on current year bond refunding		31,025
Principal payments		1,210,000
Change in Net Position of Governmental Activities	$	196,177

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2020

		Water & Sewer
Assets		
Current Assets		
Cash and cash equivalents	$	1,993,645
Receivables, net		714,290
Total Current Assets		2,707,935
Noncurrent Assets		
Capital assets:		
Non-depreciable		3,953,055
Net depreciable capital assets		13,117,525
Total Noncurrent Assets		17,070,580
Total Assets		19,778,515
Deferred Outflows of Resources		
Pension outflows		80,205
OPEB outflows		7,451
Total Deferred Outflows of Resources		87,656
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities		460,313
Due to other funds		25,064
Customer deposits		314,092
Accrued interest payable		8,675
Long-term debt - current portion		225,000
Compensated absences - current portion		10,987
Total Current Liabilities		1,044,131
Noncurrent Liabilities		
Net pension liability		358,707
OPEB liability		58,158
Long-term debt - noncurrent portion		3,015,007
Compensated absences - noncurrent portion		1,221
Total Liabilities		4,477,224
Deferred Inflows of Resources		
Pension inflows		73,739
OPEB inflows		5,635
Total Deferred Inflows of Resources		79,374
Net Position		
Net investment in capital assets		13,830,573
Unrestricted		1,479,000
Total Net Position	$	15,309,573

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended September 30, 2020

	Water & Sewer
Operating Revenues	
Charges for services	$ 3,528,833
Total Operating Revenues	3,528,833
Operating Expenses	
Administration	390,953
Water production	964,734
Sewer department	801,630
Sanitation services	262,696
Other	6,873
Depreciation	577,474
Total Operating Expenses	3,004,360
Operating Income	524,473
Nonoperating Revenues (Expenses)	
Insurance recoveries	61,817
Investment income	15,517
Interest expense	(98,924)
Total Nonoperating Revenues (Expenses)	(21,590)
Income (Loss) Before Transfers and Capital Contributions	502,883
Transfers and Capital Contributions	
Capital contributions	272,676
Transfers in	1,336,592
Transfers (out)	(445,304)
Change in Net Position	1,666,847
Beginning net position	13,642,726
Ending Net Position	$ 15,309,573

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2020

	Water & Sewer
Cash Flows from Operating Activities	
Receipts from customers	$ 3,419,551
Payments to suppliers	(2,229,528)
Payments to employees	(258,633)
Net Cash Provided (Used) by Operating Activities	931,390
Cash Flows from Noncapital Financing Activities	
Transfer in	1,336,592
Transfer (out)	(445,304)
Net Cash Provided (Used) by Noncapital Financing Activities	891,288
Cash Flows from Capital and Related Financing Activities	
Capital purchases	(1,523,991)
Capital contributions	272,676
Insurance recoveries	61,817
Principal paid on debt	(220,000)
Interest paid on debt	(103,925)
Net Cash (Used) by Capital and Related Financing Activities	(1,513,423)
Cash Flows from Investing Activities	
Purchase of investments	715,940
Interest on investments	15,517
Net Cash Provided by Investing Activities	731,457
Increase (Decrease) in Cash and Cash Equivalents	1,040,712
Beginning cash and cash equivalents	952,933
Ending Cash and Cash Equivalents	$ 1,993,645

See Notes to Financial Statements.

City of Cleveland, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2020

	Water & Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	$ 524,473
Adjustments to reconcile operating income (loss) to net cash provided:	
Depreciation	577,474
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(131,866)
Net pension liability	13,733
OPEB liability	24,785
Due to other funds	17,674
Deferred Outflows of Resources:	
Pension	43,406
OPEB	(7,013)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(211,269)
Customer deposits	22,584
Compensated absences	(5,977)
Deferred Inflows of Resources:	
Pension	60,692
OPEB	2,694
Net Cash Provided (Used) by Operating Activities	$ 931,390

See Notes to Financial Statements.

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City of Cleveland, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Cleveland, Texas (the "City) is a municipal corporation governed by an elected mayor and five-member governing council. Pursuant to its provisions and subject only to its limitations imposed by the State Constitution and by the City's charter, all powers of the City shall be vested in an elective Council composed of four Council Members and a Mayor, collectively known as the City Council. The City Council enacts local legislation, adopts budgets, determines policies, and appoints the City Manager, who in turn is responsible to the City Council for the execution of laws and the administration of the government of the City.

The City is an independent political subdivision of the State of Texas governed by an elected council and is considered a primary government for financial reporting purposes as its activities are not considered a part of any other governmental or other type of reporting entity. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Cleveland Economic Development Corporation ("CEDC") is legally separate and presented as a discretely presented component unit. The Tax Increment Reinvestment Zone No. 1 Fund ("TIRZ #1") is a blended component unit and presented as a nonmajor governmental fund. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Cleveland Economic Development Corporation ("CEDC")

The Cleveland Economic Development Corporation was established as a nonprofit industrial development corporation on November 27, 2001. The primary purpose of the CEDC is to (1) enhance appearance, housing and education, (2) envision improvements and plan for progress in the local economy and (3) create and develop opportunities for enhancing the quality of life. The CEDC receives funding primarily through sales and use taxes levied for the benefit of the CEDC. The CEDC is exempt from Federal income taxes under Section 501(c) 6 of the Internal Revenue Code. The CEDC is managed by a five-member board of directors who are appointed by the City Council of the City of Cleveland, Texas.

Blended Component Unit

Tax Increment Reinvestment Zone No. 1 Fund ("TIRZ #1")

The Tax Increment Reinvestment Zone No. 1 fund was created to encourage and accelerate planned development within the City limits. The fund accounts for all tax and expenditure activity associated with the fund's primary purpose. The tax increment is derived from the difference in appraised value between the year in which the reinvestment zone is established (base year) and each year the reinvestment zone is in existence. The Board is comprised of nine members who serve two and one-year terms. The City is responsible for appointing at least six members to the Board, Liberty County shall appoint one, one member is from the state senate of the district, and one from the state house of representatives. The TIRZ functions similar to a department of the City. Separate audited financial statements are not available.

C. Basis of Presentation – Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is the main operating fund of the City and is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, transportation, and culture and recreation.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds. The primary source of revenue for debt service is local property taxes.

Capital Projects Fund

The capital projects fund accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

<u>Proprietary Fund Types</u>

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards

Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB.

The government reports the following major enterprise fund:

Water and Sewer Fund

The water and sewer fund is used to account for the provision of water & wastewater collection and wastewater treatment operations. Activities of the fund include administration, operations and maintenance of the water and sewer system, and sanitation services. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Additionally, the government reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the hotel/motel fund, the money seizures fund, the fire department restoration fund, court technology fund, court security fund, and TIRZ #1 funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to when transactions are recorded in the financial records and reported on the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

All governmental funds and component units are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles	5 to 10 years
Furniture and equipment	5 to 20 years
Water & sewer system	5 to 50 years
Buildings and improvements	10 to 50 years

7. Deferred Outflows/Inflows of Resources

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

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and forfeitures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Compensated Absences

The City employees are paid for absences due to vacation according to a prescribed policy. Accordingly, the government-wide and proprietary fund financial statements reflect the accrual for vacation leave at September 30, 2020. Compensated absences are liquidated by the general fund and proprietary fund.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, capital leases, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Pensions

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

14. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is $7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds. Reconciling items have been presented on the balance sheet of governmental funds in the basic financial statements.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." A reconciliation has been presented in the basic financial statements.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, and certain special revenue funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added to a budgeted fund without Council approval. Appropriations lapse at the end of the year.

A. Expenditures in Excess of Appropriations

For the current year, expenditures exceeded appropriations at the legal level of control as follows:

General fund:	
Emergency management	$ 3,716
Street department	5,221

Debt Service fund:	
Principal	$ 360,000
Interest and fiscal charges	136,743
Bond issuance costs	64,009
Payment to refunding agent	1,965,991
Court Technology fund:	
Municipal court	$ 9,615

B. Deficit Fund Equity

The court technology fund had a deficit fund balance of $5,445 as of September 30, 2020 due to current year expenditures exceeding revenues. This deficit will be replenished through the future operating surpluses.

C. Restricted Net Position

The City records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted fund balance for governmental funds was $1,061,518, of which, $494,160 is restricted by enabling legislation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2020, the primary government had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External investment pools	$ 1,409,866	0.09
Total fair value	$ 1,409,866	
Portfolio weighted average maturity		0.09

As of September 30, 2020, the discretely presented component unit had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
External investment pools	$ 311,395	0.09
Total fair value	$ 311,395	
Portfolio weighted average maturity		0.09

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2020, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State

Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Nonmajor Governmental	Water & Sewer	Total
Property taxes	$ 498,929	$ 238,528	$ -	$ -	$ 737,457
Sales taxes	679,942	-	-	-	679,942
Hotel/motel taxes	-	-	27,673	-	27,673
Grant	-	-	-	193,145	193,145
Other	57,007	-	21,698	-	78,705
Accounts	-	-	-	635,073	635,073
Allowance	-	-	-	(113,928)	(113,928)
	$ 1,235,878	$ 238,528	$ 49,371	$ 714,290	$ 2,238,067

C. Contract Receivable

The City was required to return federal funding of $716,105 received in prior years due to a failure to fulfill the terms for which the funding was received. The City and the CEDC entered into a contract to reimburse the City the amount of $716,105 with annual payments that will conclude in 2021. The CEDC made a payment of $155,000 in the current year. The remaining balance of $171,105 will be paid during the year ended September 30, 2021.

D. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 2,280,011	$ 101,006	$ -	$ 2,381,017
Construction in progress	57,160	397,105	-	454,265
Total capital assets not being depreciated	2,337,171	498,111	-	2,835,282
Capital assets, being depreciated:				
Buildings and improvements	21,664,333	76,535	-	21,740,868
Furniture & equipment	5,167,807	480,647	(333,840)	5,314,614
Total capital assets being depreciated	26,832,140	557,182	(333,840)	27,055,482
Less accumulated depreciation				
Buildings and improvements	(6,179,468)	(662,257)	-	(6,841,725)
Furniture & equipment	(3,834,048)	(261,728)	333,840	(3,761,936)
Total accumulated depreciation	(10,013,516)	(923,985)	333,840	(10,603,661)
Net capital assets being depreciated	16,818,624	(366,803)	-	16,451,821
Total Net Capital Assets	$ 19,155,795	$ 131,308	$ -	$ 19,287,103

Depreciation was charged to governmental functions as follows:

General government	$ 112,258
Public safety	200,803
Public works	139,390
Transportation	177,277
Culture and recreation	294,257
Total Governmental Activities Depreciation Expense	$ 923,985

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 178,621	$ -	$ -	$ 178,621
Construction in progress	2,895,565	1,246,751	(367,882)	3,774,434
Total capital assets not being depreciated	3,074,186	1,246,751	(367,882)	3,953,055
Capital assets, being depreciated:				
Buildings and improvements	47,997	-	-	47,997
Furniture and equipment	1,709,195	113,650	-	1,822,845
Water system	11,841,356	-	-	11,841,356
Sewer system	15,840,051	163,590	367,882	16,371,523
Total capital assets being depreciated	29,438,599	277,240	367,882	30,083,721
Less accumulated depreciation				
Buildings and improvements	(31,720)	(1,408)	-	(33,128)
Furniture and equipment	(1,093,252)	(139,688)	-	(1,232,940)
Water system	(3,880,474)	(192,263)	-	(4,072,737)
Sewer system	(11,383,276)	(244,115)	-	(11,627,391)
Total accumulated depreciation	(16,388,722)	(577,474)	-	(16,966,196)
Net capital assets being depreciated	13,049,877	(300,234)	367,882	13,117,525
Total Net Capital Assets	$ 16,124,063	$ 946,517	$ -	$ 17,070,580

Depreciation was charged to business-type functions as follows:

Water and sewer	$ 577,474
Total Business-type Activities Depreciation Expense	$ 577,474

A summary of changes in component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 949,951	$ -	$ -	$ 949,951
Construction in progress	93,861	-	-	93,861
Total capital assets not being depreciated	1,043,812	-	-	1,043,812
Capital assets, being depreciated:				
Buildings and improvements	-	83,952	-	83,952
Machinery & equipment	-	85,000	-	85,000
Total capital assets being depreciated	-	168,952	-	168,952
Less accumulated depreciation				
Buildings and improvements	-	(700)	-	(700)
Furniture & equipment	-	(991)	-	(991)
Total accumulated depreciation	-	(1,691)	-	(1,691)
Net capital assets being depreciated	-	167,261	-	167,261
Total Net Capital Assets	$ 1,043,812	$ 167,261	$ -	$ 1,211,073

E. Long-term Debt

The following is a summary of changes in the City's total long-term debt for the year ended. In general, the City uses the debt service fund to liquidate certain governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Refunding	Ending Balance	Amounts Due Within One Year
Governmental Activities:						
Certificates of Obligation	$ 5,570,000	$ -	$ (380,000)	$ (1,980,000)	$ 3,210,000	$ 280,000
General Obligation Refunding Bonds	3,885,000	-	(630,000)	2,030,000	5,285,000	655,000
Tax Note	200,000	-	(200,000)	-	-	-
Less: Deferred Amounts						
Issuance Premium	401,865	-	(40,187)	-	361,678	-
Total Governmental Activities	$ 10,056,865	$ -	$ (1,250,187)	$ 50,000	$ 8,856,678	$ 935,000
Long-term Liabilities Due in More than One Year					$ 7,921,678	
Business-Type Activities:						
Certificates of Obligation	$ 3,400,000	$ -	$ (220,000)	$ -	$ 3,180,000	$ 225,000
Less: Deferred Amounts						
Issuance Premium	65,008	-	(5,001)	-	60,007	-
Total Business-Type Activities	$ 3,465,008	$ -	$ (225,001)	$ -	$ 3,240,007	$ 225,000
Long-term Liabilities Due in More than One Year					$ 3,015,007	
Component Unit Activities:						
Notes payable	$ 8,730	$ -	$ (8,730)	$ -	$ -	$ -
Contract payable to primary government	326,105	-	(155,000)	-	171,105	171,105
Total Component Unit Activities	$ 334,835	$ -	$ (163,730)	$ -	$ 171,105	$ 171,105
Long-term Liabilities Due in More than One Year					$ -	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Capital leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Maturity Date		Original Balance		Current Balance
Governmental Activities:						
2017 Certificates of obligation	3.-3.25%	2037		3,920,000		3,210,000
2013 General Obligation Refunding	2%-3%	2026		7,860,000		3,255,000
2019 General Obligation Refunding	2%	2032		2,030,000		2,030,000
	Total Governmental Activities		$	14,740,000	$	8,495,000
Business-Type Activities:						
2011 Certificate of Obligation	0.100%-3.90%	2031	$	2,360,000	$	1,445,000
2012A Certificate of Obligation	2%-3.25%	2033		2,470,000		1,735,000
	Total Business Type Activities		$	4,830,000	$	3,180,000

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending	Certificates of Obligation					
September 30,		**Principal**		**Interest**		**Total**
2021	$	280,000	$	98,188	$	378,188
2022		285,000		89,713		374,713
2023		290,000		81,088		371,088
2024		295,000		72,313		367,313
2025		300,000		63,388		363,388
2026		305,000		54,238		359,238
2027		310,000		44,863		354,863
2028		115,000		38,413		153,413
2029		115,000		34,819		149,819
2030		115,000		31,081		146,081
2031		115,000		27,344		142,344
2032		115,000		23,463		138,463
2033		115,000		19,438		134,438
2034		115,000		15,413		130,413
2035		115,000		11,100		126,100
2036		115,000		6,600		121,600
2037		110,000		2,200		112,200
Total	$	3,210,000	$	713,656	$	3,923,656

Year ending September 30,	General Obligation Refunding Principal	Interest	Total
2021	$ 655,000	$ 112,695	$ 767,695
2022	670,000	94,200	764,200
2023	700,000	77,776	777,776
2024	710,000	63,205	773,205
2025	725,000	47,677	772,677
2026	745,000	31,060	776,060
2027	170,000	20,696	190,696
2028	175,000	17,108	192,108
2029	180,000	13,416	193,416
2030	180,000	9,672	189,672
2031	185,000	5,876	190,876
2032	190,000	1,976	191,976
Total	$ 5,285,000	$ 495,357	$ 5,780,357

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Certificates of Obligation Principal	Interest	Total
2021	$ 225,000	$ 97,428	$ 322,428
2022	230,000	91,749	321,749
2023	240,000	85,608	325,608
2024	240,000	78,888	318,888
2025	250,000	71,598	321,598
2026	255,000	63,665	318,665
2027	265,000	55,069	320,069
2028	275,000	46,005	321,005
2029	285,000	36,500	321,500
2030	295,000	26,401	321,401
2031	305,000	15,698	320,698
2032	155,000	7,719	162,719
2033	160,000	2,600	162,600
Total	$ 3,180,000	$ 678,925	$ 3,858,925

F. Advanced Refunding

On December 17, 2019, the City issued $2,030,000 worth of General Obligation Refunding Bonds, Series 2019. The bonds will be used to pay $1,980,000 of 2012 Certificates of Obligation. The reacquisition price exceeded the net carrying amount of the old debt by $31,025. This amount is being amortized over the remaining life of the refunding debt. This advance refunding reduced its total debt service payments by $183,878 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $153,528.

G. Deferred Charges of Refunding

A deferred charge resulting from the issuance of the 2013 and 2019 General Obligation Refunding Bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled $62,176. Current year amortization expense for governmental activities totaled $15,198.

H. Other Long-term Liabilities

The following is a summary of changes in the City's total other long-term liabilities for the year ended. In general, the City uses the general and proprietary fund to liquidate governmental compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Other liabilities:					
Compensated Absences	$ 96,236	$ 115,409	$ (100,006)	$ 111,639	$ 100,475
Total Governmental Activities	$ 96,236	$ 115,409	$ (100,006)	$ 111,639	$ 100,475
Long-term liabilities due in more than one year				$ 11,164	
Business-Type Activities:					
Other liabilities:					
Compensated Absences	$ 18,185	$ 8,178	$ (14,155)	$ 12,208	$ 10,987
Total Business-Type Activities	$ 18,185	$ 8,178	$ (14,155)	$ 12,208	$ 10,987
Long-term liabilities due in more than one year				$ 1,221	

I. Customer Deposits

The City had customer deposits of $314,092 in the water and sewer fund as of year end. The City requires a refundable deposit for all new utility customers. This amount will be returned to the customer when utility service is discontinued and all outstanding utility expenses are paid.

J. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2020 were as follows:

	Payable Fund:			
Receivable Fund:	**General**	**Nonmajor Governmental**	**Water & Sewer**	**Total**
General	$ -	$ 22	$ 25,064	$ 25,086
Debt service	2,696	-	-	2,696
Nonmajor governmental	23,368	5,472	-	28,840
Total	$ 26,064	$ 5,494	$ 25,064	$ 56,622

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

The CEDC owed the primary government $62 as of September 30, 2020.

Transfers between the primary government funds during the 2020 year were as follows:

	Transfer out:		
Transfer in:	**Capital Projects**	**Water & Sewer**	**Total**
General	$ -	$ 35,000	$ 35,000
Debt service	-	410,304	410,304
Water & sewer	1,336,592	-	1,336,592
Total	$ 1,336,592	$ 445,304	$ 1,781,896

Amounts transferred between funds relate to amounts collected by the governmental and enterprise funds for various operating capital expenditures and principal and interest payments.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with more than 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums.

The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City uses a number of approaches to decrease risks and protect against losses to the City, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge

The City owns and operates motor vehicles and may provide such vehicle to employees for business use during the course and scope of their employment. The City is insured as to its own property losses, and the liability of loss to others.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts 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.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does not anticipate that it will have an arbitrage liability and reviews the estimate for this potential liability annually. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

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

2. Benefits Provided

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

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

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

	Plan Year 2019	Plan Year 2018
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms

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	47
Inactive employees entitled to but not yet receiving benefits	80
Active employees	86
Total	**213**

3. 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 of Cleveland, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Cleveland, Texas were 10.77% and 10.53% in calendar years 2019 and 2020, respectively. The City’s contributions to TMRS for the year ended September 30, 2020, were $442,354, and equaled the required contributions.

4. Net Pension Liability (Asset)

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

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	2.75% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are 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.

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, 2019 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. 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 in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

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.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 3,676,632	$ 1,728,899	$ 139,684

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/18	$ 12,424,070	$ 9,959,971	$ 2,464,099
Changes for the year:			
Service Cost	437,356	-	437,356
Interest	837,773	-	837,773
Difference between expected and actual experience	52,935	-	52,935
Changes of assumptions	65,894	-	65,894
Contributions – employer	-	408,197	(408,197)
Contributions – employee	-	189,496	(189,496)
Net investment income	-	1,540,427	(1,540,427)
Benefit payments, including refunds of emp. contributions	(462,603)	(462,603)	-
Administrative expense	-	(8,701)	8,701
Other changes	-	(261)	261
Net changes	931,355	1,666,555	(735,200)
Balance at 12/31/19	$ 13,355,425	$ 11,626,526	$ 1,728,899

Pension Plan Fiduciary Net Position

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

5. <u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the year ended September 30, 2020, the City recognized pension expense of $465,733.

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
Difference between projected and investment earnings	$ -	$ (350,502)
Differences between expected and actual economic experience	-	(4,908)
Pension assumption changes	46,513	-
Contributions subsequent to the measurement date	340,060	-
Total	$ 386,573	$ (355,410)

The City reported $340,060 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2020	$	(102,711)
2021		(72,481)
2022		39,922
2023		(173,627)
2024		-
Thereafter		-
	$	(308,897)

Supplemental Death Benefits Fund

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 postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Employees covered by benefit terms

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	35
Inactive employees entitled to but not yet receiving benefits	12
Active employees	86
Total	133

The City's contributions to the TMRS SDBF for the years ended 2019 and 2020 were $1,045 and $2,906, respectively, which equaled the required contributions each year.

Three-Year Contribution Information

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2018	0.11%	0.11%	100.0%
2019	0.11%	0.11%	100.0%
2020	0.09%	0.09%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2019, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	2.75%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

1% Decrease (1.75%)	Current Single Rate Assumption 2.75%	1% Increase (3.75%)
$ 332,836	$ 280,309	$ 238,747

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/18	$ 238,380
Changes for the year:	
Service Cost	9,475
Interest	8,942
Difference between expected and actual experience	(14,494)
Changes of assumptions	42,175
Benefit payments	(4,169)
Net changes	41,929
Balance at 12/31/19	$ 280,309

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

For the year ended September 30, 2020, the City recognized OPEB expense of $19,214.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in actuarial assumptions	$ 33,004	$ -
Difference between expected and actual experience	-	(27,159)
Contributions subsequent to measurement date	2,906	-
Total	$ 35,910	$ (27,159)

The City reported $2,906 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2021.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2020	$ 797
2021	797
2022	(2,761)
2023	4,760
2024	2,252
Thereafter	-
	$ 5,845

E. Subsequent Events

There were no material subsequent events through January 22, 2021, the date the financial statements were issued.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

BRACEWELL

[CLOSING DATE]

$2,740,000
CITY OF CLEVELAND, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

We have represented the City of Cleveland, Texas (the "Issuer") as its bond counsel in connection with an issue of bonds (the "Bonds") as described below:

> CITY OF CLEVELAND, TEXAS, GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021, dated July 1, 2021.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Bond Ordinance") and a pricing certificate executed pursuant to the Bond Ordinance (the "Pricing Certificate," together with the Bond Ordinance, the "Ordinance").

We have represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. 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. 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. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Ordinance.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds and the refunding and defeasance of the outstanding obligations being refunded (the "Refunded Obligations") by the proceeds of the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; an escrow agreement (the "Escrow Agreement") between the Issuer and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent, (the "Escrow Agent"); a certificate of Hilltop Securities Inc., as financial advisor to the Issuer, certifying as to the sufficiency of the deposit of funds made with the Escrow Agent under the Escrow Agreement for the Refunded Obligations; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding of the Refunded Obligations. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

Based upon such examination, it is our opinion that:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and therefore the Bonds constitute valid and legally binding obligations of the Issuer.
2. A continuing ad valorem tax upon all taxable property within the City of Cleveland, Texas, necessary to pay the interest on and principal of the Bonds, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law.
3. Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to the Ordinance and the Escrow Agreement, and therefore such Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement.
4. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax.

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

Except as stated above, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer and other parties are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, actions, taken or omitted, after the date hereof.

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APPENIDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

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

Form 500NY (5/90)

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company